

**Indian Accounting Standards
(IFRS converged)
Successful Implementation
Impact Analysis and Industry Experience**



June 30th, 2018



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

Indian Accounting Standards (IFRS converged): Successful Implementation

Impact Analysis and Industry Experience



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

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FOREWORD

The Institute of Chartered Accountants of India (the ICAI), being the premier accounting body in the country, has played the leadership role to develop sound financial reporting framework in the country by establishing Accounting Standards Board (ASB) way back in 1977. The accounting standards formulated by the ASB have come a long way and got legal recognition as well. The ICAI in its endeavour to enable the Nation with high quality accounting standards comparable to the best in the world, decided in the year 2006 to converge with International Financial Reporting Standards (IFRS Standards) issued by the IASB, which were being recognized as Global Financial Reporting Standards. This accounting reforms initiative of ICAI was endorsed by the Government of India with international commitment made by the then Hon'ble Prime Minister in 2009 at G20 Summit: subsequently in July 2014, this commitment got a fillip when the Ind AS roadmap was announced by Union Minister of Finance, Government of India. Another critical milestone in this direction was achieved in February 2015 when Ind AS recommended by ICAI were notified by Ministry of Corporate Affairs (MCA) in consultation with National Advisory Committee on Accounting Standards (NACAS). It gives me great satisfaction that after such a long journey and relentless efforts Ind AS, substantially converged with IFRS Standards, have got implemented by all the listed companies and also large part of unlisted companies.

The ICAI always believes that our role does not end with the formulation and recommendation of Accounting Standards. As a statutory body working in public interest, ensuring effective implementation of these Standards in letter and spirit is also our responsibility. For this purpose, Ind AS Implementation Group of our ASB is working relentlessly to provide necessary guidance for smooth and effective implementation of Ind AS. In the context of our approach of convergence with IFRS Standards, it is necessary to evaluate the impact of convergence with high quality principle based comprehensive suite of standards and to think about the strategy of adoption of IFRS Standards. With this thought process, the ASB has taken a very significant initiative of conducting Ind AS Impact analysis covering both quantitative and qualitative aspects of implementation of Ind AS. Apart from conducting this analysis on the basis of annual reports of the selected companies of certain significant sectors of the economy, efforts have been made to seek the industry perspective of Ind AS implementation in the country by way of a survey questionnaire and commentary from the preparers and auditors of the financial statements to share their experience regarding Ind AS Implementation.

I firmly believe that this impact study would be a guiding factor for those who will be transitioning to Ind AS in the days ahead. This impact study may also act as a sounding brand to other jurisdictions in their journey towards convergence/adoption of IFRS Standards. This feedback would definitely help standard-setters and other concerned stakeholders in determining the way forward to improve the financial reporting system wherever possible.

I heartily congratulate CA. S.B. Zaware, Chairman, ASB, CA. M.P. Vijay Kumar, Vice-chairman, ASB, and members of the ASB for taking this initiative. I would also like to thank members of the profession who have taken out time to respond to our questionnaire and sharing their experiences.

I wish this impact study a grand success.

New Delhi
June 30, 2018

CA. Naveen N.D. Gupta
President, ICAI

An important role of the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) is to make sure that it works towards establishing a sound financial reporting system in the country which serves the public interest effectively. In pursuance of this fundamental objective, ASB has played role of catalyst in carrying out mega reforms in the financial reporting framework. We at ASB believe that India, a large growing economy, needs to have a robust globally acceptable reporting standards framework. Therefore, IFRS Standards which are considered as gateway to global capital markets have been chosen as the basis for Ind AS. IFRS Standards are developed on the premise of enhancing transparency, understandability, relevance, reliability and comparability of financial statements across the globe. However, these Standards are highly principle based and require application of significant management judgements. Further, there are fundamental conceptual differences between Accounting Standards (AS) vis-a-vis IFRS Standards. Certain accounting areas like Financial Instruments, Investment in Joint Ventures, Consolidation Principles, Revenue Recognition and Measurement, Recognition criteria for Tangible Assets, Income Taxes etc., usher in a paradigm shift in accounting/reporting. Another noteworthy aspect of Ind AS Framework is that it accords high prominence to presentation and disclosures requirements as well.

We are pleased to note that efforts in implementing this high quality Ind AS Framework have begun to make desired impact on the quality of financial information of Indian companies. At this juncture, as standard-setter, we considered it appropriate to undertake an impact study with twin objectives of assessing quantitative/qualitative impact on Indian companies' financial statements due to Ind AS transition and to seek feedback of key stakeholders, i.e., preparers/providers of financial information. We consider this Ind AS impact study as first phase of our planned task of evaluation of pros-cons of convergence with IFRS Standards.

Quantitative and qualitative impact study is primarily based on high level review of publicly available consolidated financial statements of randomly selected 170 listed companies, covered in first phase of Ind AS implementation roadmap. Our quantitative analysis was focused on Ind AS transition impact on few key financial parameters whereas the qualitative analysis approach was broad review of disclosures relating to areas that were expected to have material changes vis-a-vis existing AS. Additionally, we have also attempted to conduct pulse-check of stakeholders on quantitative/qualitative impact views and feedback about this monumental accounting reform.

As envisaged, this impact study apart from being informative about the impact of transition to Ind AS, will also guide us as a standard setter in continuing with our endeavour of strengthening the high quality financial reporting framework in the country. Feedback sought as a part of the impact study, *inter alia*, covered the aspects related to appropriateness of removal of certain options under Ind AS which were there under IFRS, carve outs that have major challenge in asserting equivalence of Ind AS to IFRS Standards, way forward regarding removal of carve-outs with a perspective to achieve full convergence, etc. No doubt that preparers' responses will be a highly valuable source of guidance for us in deciding the way forward of carve-outs currently made and also policy to be adopted in future in this regard. Further to ensure implementation of Ind AS in letter and spirit, ICAI issues various guidance material from time to time, identification of challenging areas as a part of this study would help ICAI in providing appropriate guidance to the concerned stakeholders. While India is on the path of convergence with IFRS Standards and aims to achieve full convergence in times to come, this type of fitness test is a step towards making India leading and contributing to the accountancy profession at international level. This impact study would be a good informative reading material for international accounting readers as well.

I am really thankful to the President, ICAI, for providing us opportunity to conduct this Ind AS impact study. My sincere thanks to CA. M.P. Vijay Kumar, Vice-Chairman, ASB, for his innovative ideas and continued support. My thanks are due to all the ASB members for their inputs. This study would have been incomplete without the inputs from industry so I am grateful to CFOs, auditors and other individuals who shared their experiences and responded to our questionnaire. I would like to place on record my deep appreciation of the efforts put in by CA. Vidhyadhar Kulkarni, Head, Technical Directorate, and his team including CA. Parminder Kaur, CA. Sonia Minocha, CA. Nikita Bothra, CA. Savita Gupta, CA. Amit Agarwal, CA. Megha Jain, CA. Anjali Butani, and CA. Ekta Gurnasinghani.

I hope this publication would be of immense use to the preparers, auditors and other stakeholders implementing Ind AS.

New Delhi
June 30, 2018

CA. S. B. Zaware
Chairman
Accounting Standards Board

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Term	Description
AS	Accounting Standards
ASB	Accounting Standards Board
EIR	Effective Interest Rate
ESOP	Employee Stock Option Plan
FVTPL	Fair Value through Profit and Loss
FVOCI	Fair Value through Other Comprehensive Income
GAAP	Generally Accepted Accounting Principles
G-Security	Government Securities
IAS	International Accounting Standards
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Ind AS	Indian Accounting Standards
IT	Information Technology
JV	Joint Ventures
MCA	Ministry of Corporate Affairs
OCI	Other Comprehensive Income
PAT	Profit After Tax
P&L	Profit and Loss
PPE	Property, Plant and Equipment

I. Executive Summary

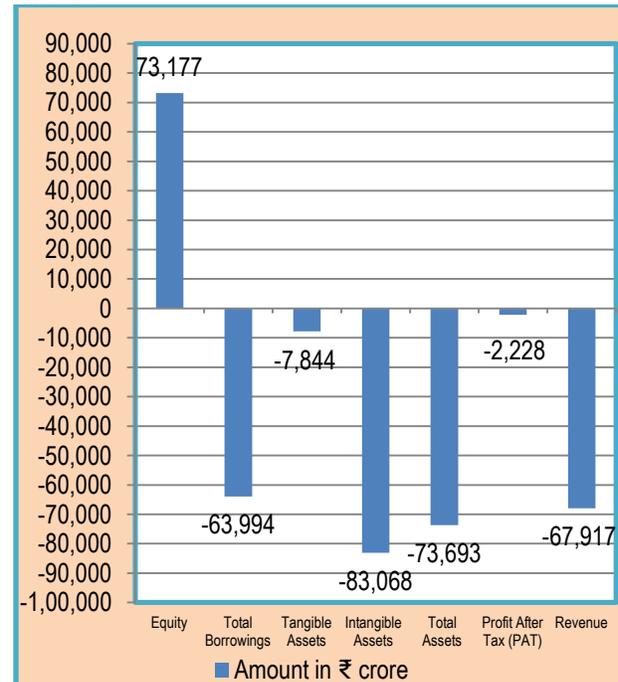
The implementation of Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) by Indian Companies is a monumental step in the accounting history of India. It was possible due to the relentless and collective efforts of regulators and accounting professionals of this large growing economy aspiring to be economic super power in the coming decades. ICAI believes that Ind AS implementation has provided better insights into the financial affairs of the companies and Ind AS based financial statements reflect the underlying economics of the transactions/events in a transparent and unbiased manner. It has also improved the comparability and benchmarking of the financials of Indian Companies with Global Peers, thereby improving the accessibility of Indian Companies to Global Capital Markets.

Ind AS Quantitative Impact

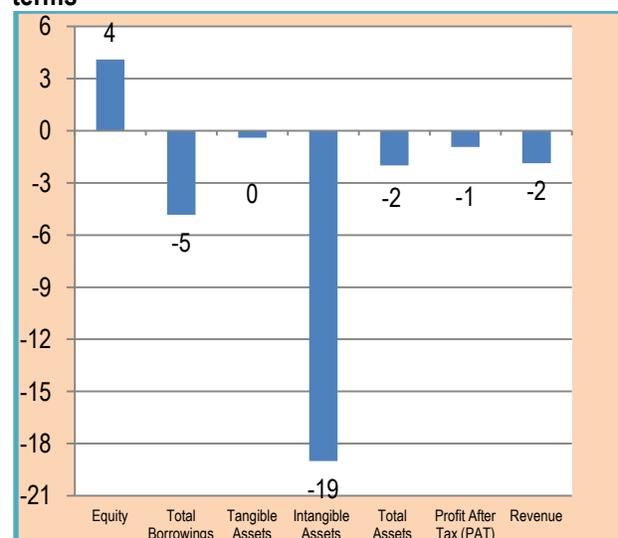
Ind AS are based on high quality principle based comprehensive suite of IFRS Standards, therefore, there is a need to assess the quantitative impact of transitioning to Ind AS on certain critical financial measures. As can be seen from the outcome of our analysis, on an overall basis:

- There is no material impact on key financial parameters such as Equity, Total Assets, Tangible Assets, Borrowings, Profit after Tax, Revenue. While there is positive impact on Equity, all the other parameters have witnessed marginal decreases except Intangible Assets which has decreased by 19%.
- There is wide diversity in the size and direction (positive/negative) of the impact among various industry sectors as well as individual companies, perhaps reflecting a key feature of the Ind AS, i.e., Ind AS are intended to reflect the underlying economics of different transactions/events and nature and complexity of entities operations.

Net Impact of Ind AS - key financial parameters in amount



Net Impact of Ind AS - key financial parameters in % terms



Ind AS: Impact Analysis and Industry Experience

Profit After Tax (PAT) Reconciliation for the year ended March 31, 2016

Description	Amount in ₹ Crore	
	Total	%
PAT as per AS	2,40,564	
Revenue	(16,245)	(6.75)
Property, Plant and Equipment	12,340	5.13
Decommissioning Liability	608	0.25
Financial Instruments	(5,768)	(2.40)
Operating Expenses	4,967	2.06
Foreign Exchange Translation Adjustments	1,273	0.53
Business Combination /Consolidation	(957)	(0.40)
Employee Benefits	(44)	(0.02)
Income Tax	772	0.32
Others	826	0.34
Total Adjustments	(2,228)	(0.93)
PAT as per Ind AS	2,38,335	

Equity Reconciliation at the Transition Date (April 01, 2015)

Description	Amount in ₹ Crore	
	Total	%
Total Equity as per AS	17,86,652	-
Revenue	(10,580)	(0.59)
Property, Plant and Equipment	84,937	4.75
Intangibles/ Intangibles under Development	(12,171)	(0.68)
Oil and Gas Assets	(37,564)	(2.10)
Financial Instruments	47,362	2.65
Business Combination / Consolidation	(14,628)	(0.82)
Employee Benefits	4,621	0.26
Proposed Dividend	38,062	2.13
Income Taxes	(29,927)	(1.68)
Others adjustments	3,065	0.17
Total Adjustments	73,177	4.10
Total Equity as per Ind AS	18,59,829	-

Revenue

Our analysis is based on revenue including excise duty as the impact of this item is largely from presentation perspective. Overall basis, Revenue has marginally decreased by 1.87%, however, few sectors viz. Steel, Telecom, Media & Entertainment, Chemicals & Fertilizers have witnessed material decrease in the range of 7.42% to 10.89%. Further, Crude Oil & Natural Gas and Power

Generation & Distribution have reported mixed trend among companies in that sector.

Profit after Tax (PAT)

There is no material impact on PAT on aggregate basis, though there is diversity of impact among sectors. Two major sectors that accounted for 55.67% of the total revenue of the companies analysed, reported marginal impact of less than 1%. Chemicals & Fertilizers, Mining & Mineral Products and Power Generation & Distribution saw reductions in the range of 11.34%, 23.39% & 6.18% respectively. Whereas Automobiles and Steel sectors witnessed a positive impact with PAT increasing by 3.76% and 19.02%, respectively.

Equity

Equity with increase of 4.10% has moderate positive impact due to Ind AS transition adjustments. Steel, Crude Oil & Natural Gas, FMCG & Consumable Durables, Automobiles sectors have reported increase in Equity by substantial amounts and the increase is in the range of 4.19% to 24.21%. Telecom, Media & Entertainment is the only sector that has observed material negative impact of 7.82%.

Tangible Assets (Property, Plant & Equipment)

Ind AS transition impact on Tangible Assets has been negligible on overall basis. However, Power Generation & Distribution, Telecom, Media & Entertainment and Steel sectors have reported sizeable impact in the range of 4.87% to 14.79%; the latter sector has reported positive impact while the former two sectors have witnessed negative impact. Crude Oil & Natural Gas sector has witnessed wide diversity in the direction of impact with two companies reporting substantial amount of increase in carrying amount and the remaining nine companies reporting a decrease of equally large amounts. Also, 26 companies out of the total sample size of 170 companies did not have any impact of Ind AS Transition on Tangible Assets

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Intangible Assets

Ind AS impact on Intangible Assets has been an exception to general trend with significant decrease (19%) in carrying amount of Intangible Assets. The negative impact has been largely concentrated and severe in three sectors viz. Construction & Building Materials, Crude Oil & Natural Gas and Steel with negative impact in the range of 31% to 42%. In other sectors, the impact has been marginal. Also, 72 companies out of the total sample size of 170 companies did not have any impact of Ind AS Transition on Intangible Assets.

Total Assets

Ind AS Transition did not materially impact total balance sheet size (total assets), there is reduction of 2% in the Total Assets. It was observed that impact is concentrated in four sectors viz. Construction & Building Materials, Crude Oil & Natural Gas, Power Generation & Distribution and Steel; while the Steel sector has reported substantial increase in Total Assets, other three sectors have witnessed material amount of decrease in Total Assets.

Total Borrowings

Ind AS Transition has visible impact, though not significant, with total borrowings reflecting a reduction by 4.84%. Similar to Total Assets, the reduction in borrowings is heavily concentrated in three sectors viz. Construction & Building Materials, Crude Oil & Natural Gas and Power Generation & Distribution which account for 79% of the net decrease across all sectors. Further, 70% of the net decrease in borrowings is reported in Public Sector Companies.

Key drivers of impact

- **Consolidation of Subsidiaries, Investment in Joint Ventures**
 - *Investment in Joint Ventures:* Change in the method of accounting from proportionate consolidation method to equity method whereby

carrying amount of investment in JVs and investor's share in Profit or Loss is presented as single line item under Ind AS as against line by line consolidation under previous GAAP (AS). This has affected many line items in Balance Sheet and Statement of Profit and Loss.

- **Service Concession Arrangements**

Recognition of revenue and assets by the operator for the services (construction/upgrade services) provided under service concession arrangements relating to infrastructure and public utility services.
- **Revenue recognition and measurement**
 - Change in accounting treatment for agency relationship transactions.
 - Reassessment of revenue recognition criteria, i.e., transfer of significant risk and rewards
 - Segregation of revenue into multiple components and separation of significant financing component.
- **Financial Instruments**
 - Fair Value gains on investments (e.g., Units of Mutual Funds, G-Secs etc) classified as Fair Value through Profit or Loss (FVTPL) and Fair Value through Other Comprehensive Income (FVOCI).
 - Effective Interest Method application for transaction costs of financial liabilities (borrowings) classified as Amortised Cost.
 - Fair Value measurement of all derivatives and change in accounting for time value of Fx Forward & Option Contracts.
 - Expected Credit Loss method for impairment loss recognition and measurement of trade receivables and other financial assets.
 - Presentation as financial liability under Equity: Reclassification of certain class of preference shares from Equity to Financial Liability.
- **Property, Plant and Equipment (PPE)**
 - Capitalisation of spare parts, major inspections & overhaul costs which were charged off to Profit or Loss under AS.
 - Capitalisation of de-commissioning liabilities.

Ind AS: Impact Analysis and Industry Experience

- Fair Value as deemed cost.
- Reversal of foreign exchange gains and losses of long term foreign currency monetary items which were capitalised previously.

- **Intangible assets**

Changes consequential to change in accounting for Subsidiaries, Investment in JVs, Service Concession Arrangements and retrospective application of Acquisition Method of accounting for certain Business Combinations.

- **Others**

- *Provisions, Contingent Liabilities and Contingent Assets*: Measurement of long term provisions on present value basis.
- *Foreign Currency Translation Differences*: Change in functional currency of subsidiaries.
- *Events after the Reporting Period*: Reversal of Proposed Dividend accrued as liability under previous GAAP (AS).

- **Income Taxes**

- Recognition of deferred tax asset (DTA) and deferred tax liability (DTL) for Ind AS Transition Adjustments arising from various changes mentioned above.
- Recognition of deferred tax asset (DTA) and deferred tax liability (DTL) due to change in accounting approach from 'Income Statement Liability' to 'Balance Sheet Liability' method.

selected 75 companies for the year ended 31 March, 2017. Our high level review indicates the following:

- Companies have generally adhered to the disclosure requirements required by Ind AS; this has improved the quality and comprehensiveness of the disclosures.
- Sizeable number of companies have given detailed line by line reconciliations of Equity and Total Comprehensive to meet the underlying rationale of Ind AS 101, *First Time Adoption of Indian Accounting Standards*, i.e., to give sufficient detail to enable users to understand the material adjustments to the Balance Sheet and Statement of Profit and Loss. However, in a few cases, there was no adequate and appropriate explanation for significant decrease in carrying amount of Intangible Assets and Borrowings reported in these reconciliation.
- In respect of disclosures relating to financial instruments, there is a scope for improvement in the areas relating to fair value measurement, sensitivity of financial risks analysis, methods and techniques used to recognise/measure impairment loss under expected credit loss method, financial risk management, hedge accounting. Also, the style, structure and location of disclosures relating to these critical area would be benefit from review by the companies.
- Another important change in disclosures required in Ind AS framework is regarding impact of expected changes from the Ind AS notified but not yet effective; large majority of companies have identified/disclosed the future changes but not quantified the impact of change.

Ind AS 101, *First-time Adoption of Indian Accounting Standards*: Exemptions Availed

In order to assess Indian Companies ability to assert equivalence with IFRS Standards, we performed an analysis of the extent of use of carve-outs made in Ind AS 101 which are available to the first-time adopters of Ind AS. Large majority (82%) of the companies have

Ind AS Qualitative Impact: Disclosures

As a consequence of convergence of Ind AS with IFRS Standards, Ind AS are formulated on clearly articulated principles and require high quality transparent, comparable and understandable financial information in the financial statements. In this context, disclosure prescriptions constitute an important pillar of the 4 pillars of Ind AS structure. This component of Ind AS was also expected to bring in substantial changes in the contents of financial statements of Indian companies. Therefore, we have performed a high level review of disclosures in the consolidated financial statements of randomly

availed carve-out to carry forward previous GAAP carrying amount of PPE as deemed cost as of transition date. It is important to track the materiality of this carve-out as it is likely that effect of this exemption may be long lasting. Further, approx. 26% of the companies have availed carve-out to continue the previous policy of accounting for foreign exchange gains & losses on long term foreign currency monetary items.

Industry Experience

Questionnaire Survey Results

'Questionnaire Survey' approach was adopted to gauge the stakeholder views about the benefits/challenges of moving to a high quality financial reporting framework converged with globally acceptable standards and future course of actions regarding 'Ind AS Carve-outs' and timelines for full convergence with or adoption of IFRS Standards. Though these survey results have inherent limitations of small sample size, the results reflect a few useful and critical inputs regarding ICAI's efforts and initiatives in enabling the nation with robust high quality financial reporting framework that can be benchmarked with global best practices. Key takeaways from the survey results are summarised below.

- Large majority (75%) of the respondents acknowledge the tangible benefits robust accounting framework and improved access to global capital markets.
- 50% of the respondents expect to realise or start observing the tangible benefits after 2 (two) years from Ind AS implementation date.
- 70% of the respondents expressed overall positive opinions about improved quality (transparency, understandability, comparability etc) of Ind AS Financial Statements.
- 74% of the respondents believe that Ind AS carve-out regarding option to use previous GAAP (AS) carrying amount of Property, Plant and Equipment as deemed cost for Ind AS 16 is major challenge in asserting equivalence of Ind AS Financials with IFRS Financials. At the same time, 50% of the respondents

Executive Summary

also believe that it is possible to track the materiality of this carve out on future financial statements.

- 71% of the respondents expressed the view to remove the carve-outs immediately.
- Large majority believe that Ind AS implementation has affected corporate governance and control processes and also affected functions other than Finance/Accounting.
- In respect of the individual standard specific matters, following are considered to be complex and challenging to implement:
 - Ind AS 101, *First Time Adoption of Indian Accounting Standards*: Determining where to reflect transition adjustments, i.e., Equity versus Other Reserves, How to adjust the transition adjustments arising from different standards when an entity chooses fair value as deemed cost for PPE, Investment in Subsidiaries, Associates and Joint Ventures.
 - Ind AS 103, *Business Combinations*: Common control transactions.
 - Ind AS 110, *Consolidated Financial Statements*: Assessment of 'Control', Differentiating between 'Substantive Rights' and 'Protective Rights'.
 - Ind AS 109, *Financial Instruments*: Expected Credit Loss Model for Impairment recognition and measurement, Effective Interest Method for Floating (Variable) Rate Instruments, Hedge Accounting and Embedded Derivatives.
 - Ind AS 32, *Financial Instruments- Presentation*: Compound Instruments and Puttable Instruments.
 - Ind AS 113, *Fair Value Measurement*: Unquoted Equity Instruments, Intra-group Loans, Biological Assets.
 - Ind AS 12, *Income Taxes*: Determining 'Unused Tax Credits' due to lack of definition of Tax Credits, Recognition and Measurement of Deferred Tax Liability (DTL) and Deferred Tax Asset (DTA) for entities that are paying tax under MAT regime for long period of time.

II. Introduction

The Institute of Chartered Accountants of India (ICAI) has been in the forefront of bringing accounting reforms in the country and effectively enabling transformation of Indian financial reporting systems and practices to global standards. ICAI strongly believes that implementation of Ind AS, converged with IFRS Standards, a set of high quality global standards issued by the International Accounting Standards Board (IASB) followed in more than 140 countries, is in the best interest of our nation & economy. This reform initiative was initiated by the ICAI way back in 2006 which was also supported by the Government of India. For the purpose, it was announced that IFRS converged Ind AS will be implemented in phased manner from April 1, 2011. ICAI has formulated 35 Ind AS which were hosted by the Ministry of Corporate Affairs, Government of India at its website in 2011, however, these were not implemented due to various issues such as unstable IFRS platform caused by then prevailing unprecedented Global Financial Crisis, uncertain Economic Scenario internationally and unresolved Taxation matters domestically. The implementation of Ind AS again gained momentum in 2014-15 when Union Finance Minister in his annual Budget Speech proposed adoption of Ind AS from 2015-16 while expressing urgent need for convergence of Indian Accounting Standards with IFRS Standards. ICAI, once again rose to the occasion and also took necessary steps to formulate updated set of Ind AS and recommended a set of 39 Ind AS to MCA which were notified in February 2015, which included early convergence with IFRS 9, <i>Financial Instruments</i> , and IFRS 15, <i>Revenue from Contracts with Customers</i> . However, in March 2016, instead of early convergence with new revenue standard, viz IFRS 15, it was decided to converge with prevailing mandatory IFRS Standards (IAS 11 and IAS 18) in the area of Revenue recognition and measurement. In view of the large number of companies that are expected to be covered by Ind AS implementation, it was decided to adopt a 'Staggered Gradual' approach, rather than one time 'Big Bang' approach to ensure smooth and trouble free implementation as summarised below.	Phase	Effective date	Category of companies covered ¹
	1	01/04/2016 (FY 2016-17)	Companies other than Banking, NBFC & Insurance a) Listed in India & Overseas and network > ₹ 500 crore b) Unlisted with network > ₹ 500 crore c) Parent, Subsidiary, Associates and JVs of above entities
	2	01/04/2017 (FY 2017-18)	All listed companies not covered in Phase 1 Unlisted companies with network > ₹ 250 crore
	3	01/04/2018 (FY 2018-19)	NBFCs with network > ₹ 500 crore
	4	01/04/2019 (FY 2019-20)	Banking Companies & NBFCs • Listed with Net worth < ₹ 500 crore • Unlisted NBFCs with Net worth > ₹ 250 crore
	5	01/04/2020 (FY 2020-21)	Insurance companies

At the time of this analysis, financial service sector comprising Banks, Insurance and NBFCs are yet to implement Ind AS.

ICAI, being a critical wheel in the accounting standard-setting framework of India, has a primary role in assessing whether the fundamental objectives of convergence with IFRSs are achieved. Further, IFRS converged Indian Accounting Standards (Ind AS) implementation experience of large emerging economy like India, would, no doubt, serve as a guiding example to

¹ Please refer MCA notification dated February 16, 2015 and March 31, 2016, RBI Press Release dated April 5, 2018 and IRDAI Press Release dated June 2017.

entities in other jurisdictions and it is expected to significantly encourage the extent of use of IFRS Standards across the globe. This study is also intended to guide the Indian Standard-setters in the future course of action regarding continuation of carve-outs and the way forward towards full convergence with adoption of IFRS Standards.

In the above context, ASB, ICAI had decided to undertake Ind AS implementation study in two phases. This report is outcome of the First Phase of the study and the primary objectives are as follows:

- To assess the immediate quantitative impact on Key Financial Parameters – both Balance Sheet and Profit and Loss Account.
- To assess the quality of Presentation and Disclosure in respect of certain Key Ind AS.
- To assess the extent of Carve-outs/Options exercised/availed.
- To gauge the industry experience of Ind AS implementation – Tangible Benefits, Challenges, Best Practices and Lessons Learned.
- To seek guidance for future course of action.

This impact study is not intended to be an Audit or Deep Dive Study of Ind AS Financial Statements of companies, rather it is a high level review/analysis.

Key Objectives of the Second Phase of the study to be undertaken later are expected to be as follows:

- To assess impact on ability to access domestic/global capital markets& cost of capital to enter into cross border mergers/acquisitions
- To assess impact on quality of corporate governance and management performance
- Cost-benefit analysis of shifting to Ind AS Framework.

This report is based on analysis of financial statements prepared for the first time under Ind AS by the top listed companies under various sectors selected on random sampling basis. The analysis covers both the quantitative impact of implementation of the Ind AS on financial position/performance as well as on qualitative aspects

such as disclosures and presentation. This study is based on high level review of consolidated financial statements of 170 companies for the year ended March 31, 2017, i.e., samples selected from companies covered in Phase 1 of Ind AS Roadmap.

Ind AS are different from the existing Indian GAAP (AS) framework in three key aspects, i.e., measurement bases, substance over legal form and emphasis on the Balance Sheet. Further, Ind AS Framework accords significant prominence to Presentation and Disclosure requirements. Moreover, the Ind AS framework is principle based framework which inherently require use of extensive management judgements and estimates. The analysis highlights the areas that have significant impact on certain key parameters of companies' financial statements such as Revenue, Profit after Tax, Equity, Tangible Assets (PPE), Intangible Assets, Total Assets and Total Borrowings. The key areas of our analysis include Revenue Recognition, Consolidation, Financial Instruments, Business Combinations, Property, Plant and Equipment (PPE) and Disclosures prescribed by few important and complex Ind AS.

This impact study report also includes following two important materials:

- Results of high level survey by questionnaire about industry experience of Ind AS implementation
- Ind AS implementation experience – words of wisdom by a few companies

We hope this report provides insights to companies in their endeavours to implement Ind AS in the days ahead.

We, at ICAI, are delighted to proudly announce that our efforts of more than a decade to enable our nation with robust high quality financial reporting standards framework have yielded positive results. We would like to complement the Indian industry stalwarts for achieving a critical reform process in the financial reporting area and we hope Indian economy and the Accountancy Profession will immensely benefit from this mega accounting reform.

III. Ind AS Implementation Impact Analysis

A. Methodology

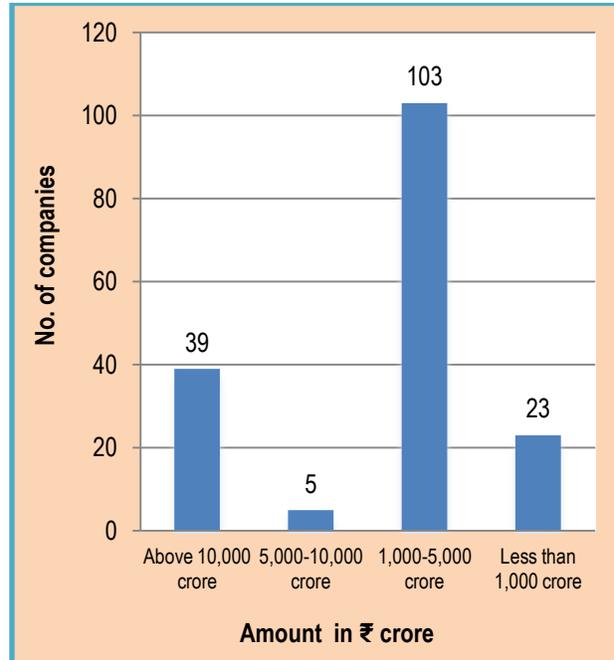
Quantitative Analysis

For the purpose of this study, it was decided to cover 170 companies spread across 15 sectors and the analysis is primarily based on review of consolidated financial statements published as part of annual report for the year 2016-2017. The companies were selected on random basis and without any bias toward any particular company or segment. Analysis is based on consolidated financial statements of these companies.

To examine the quantitative impact of the Ind AS on the financial statements of entities, ASB, ICAI, identified and performed a high level review and analysis of consolidated financial statements of 170 companies spread across following 15 different sectors:

Sectors	Number of Companies
Automobile	15
Capital Goods	11
Chemicals and Fertilizers	9
Construction and Building Materials	26
Crude Oil & Natural Gas	12
FMCG and Consumer goods	28
Information Technology	15
Healthcare and Pharmaceuticals	16
Power Generation & Distribution	7
Telecom, media and entertainment	10
Steel	6
Packaging and Logistics	5
Hotels & Restaurants	3
Mining & Mineral products	2
Others	5
Total	170

Profile of companies based on Total Equity (Ind AS) as on Transition Date, i.e., April 1, 2015 covered by our analysis is as follows:



For the purpose of analysis, quantitative impact in absolute and percentage terms was assessed on following key financial parameters:

- Revenue for the year March 31, 2016
- Profit after Tax for the year March 31, 2016
- Total Equity as at April 1, 2015 (Ind AS Transition Date)
- Total Tangible Assets (Property, Plant and Equipments as at April 1, 2015 (Ind AS Transition Date)
- Total Intangible Assets as at April 1, 2015
- Total Assets as at April 1, 2015 (Ind AS Transition Date)
- Total Borrowings as at April 1, 2015 (Ind AS Transition Date)

Disclosure Analysis

For the purpose of this qualitative study, 75 companies were selected on random basis spread across 15 sectors. In the selection of the Ind AS for this analysis, our emphasis was on the areas where Ind AS bring in substantial change vis-a-vis previous GAAP (AS) era. A check-list based approach was adopted to analyse whether the companies had prima facie disclosed the information prescribed by Ind AS. Accordingly, the focus made on the disclosures mandated by the following Ind AS:

Ind AS Title	
Ind AS 101	<i>First-time Adoption of Indian Accounting Standards</i>
Ind AS 102	<i>Share-based Payment</i>
Ind AS 103	<i>Business Combinations</i>
Ind AS 108	<i>Operating Segments</i>
Ind AS 109	<i>Financial Instruments</i>
Ind AS 112	<i>Disclosures of Interest in Other Entities</i>
Ind AS 113	<i>Fair Value Measurements</i>
Ind AS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
Ind AS 11	<i>Construction Contracts</i>
Ind AS 12	<i>Income Taxes</i>
Ind AS 21	<i>Effects of Changes in Foreign Exchange Rates</i>
Ind AS 24	<i>Related Party Disclosures</i>
Ind AS 33	<i>Earning per Share</i>
Ind AS 36	<i>Impairment of Assets</i>
Ind AS 40	<i>Investment Property</i>

Ind AS: Impact Analysis and Industry Experience

B. Quantitative Analysis

Ind AS impact on Revenue for the year ended March 31, 2016

An Overview

Amount in ₹ crore

Sectors	No. of Companies	Ind AS Revenue	AS Revenue	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of Companies	Amount	No. of Companies	Amount	%
Automobile	15	5,71,711	5,78,804	664	3	(7,757)	12	(7,093)	(1.23)
Capital Goods	11	69,976	72,065	1	1	(2,091)	10	(2,089)	(2.90)
Chemicals and Fertilizers	9	45,329	50,184	30	1	(4,884)	8	(4,854)	(9.67)
Construction & Building Materials	26	2,34,732	2,40,438	963	5	(6,669)	19	(5,706)	(2.37)
Crude Oil & Natural Gas	12	13,89,345	13,94,642	15,098	2	(20,395)	8	(5,297)	(0.38)
FMCG and Consumer Durables	28	2,00,318	2,09,002	720	7	(9,404)	20	(8,684)	(4.15)
Healthcare and Pharmaceuticals	16	1,02,922	1,03,702	650	4	(1,429)	10	(779)	(0.75)
Hotels & Restaurants	3	7,286	7,977	4	1	(695)	2	(691)	(8.67)
IT	15	3,17,058	3,17,063	47	4	(52)	6	(5)	(0.00)
Mining & Mineral products	2	1,07,659	1,08,940	2	1	(1,283)	1	(1,281)	(1.18)
Packaging and Logistics	5	23,772	24,940	522	2	(1,690)	3	(1,168)	(4.68)
Power Generation & Distribution	7	1,70,942	1,76,838	9,562	1	(15,457)	6	(5,896)	(3.33)
Steel	6	2,24,631	2,42,639	0	0	(18,008)	5	(18,008)	(7.42)
Telecom, media and entertainment	10	78,389	87,965	243	1	(9,819)	8	(9,576)	(10.89)
Others	5	17,829	14,619	5,153	1	(1,943)	2	3,210	21.96
Total	170	35,61,901	36,29,818	33,658	34	(1,01,575)	120	(67,917)	(1.87)

Note – No impact of Ind AS on revenue was observed for 16 companies.

Key drivers of Impact

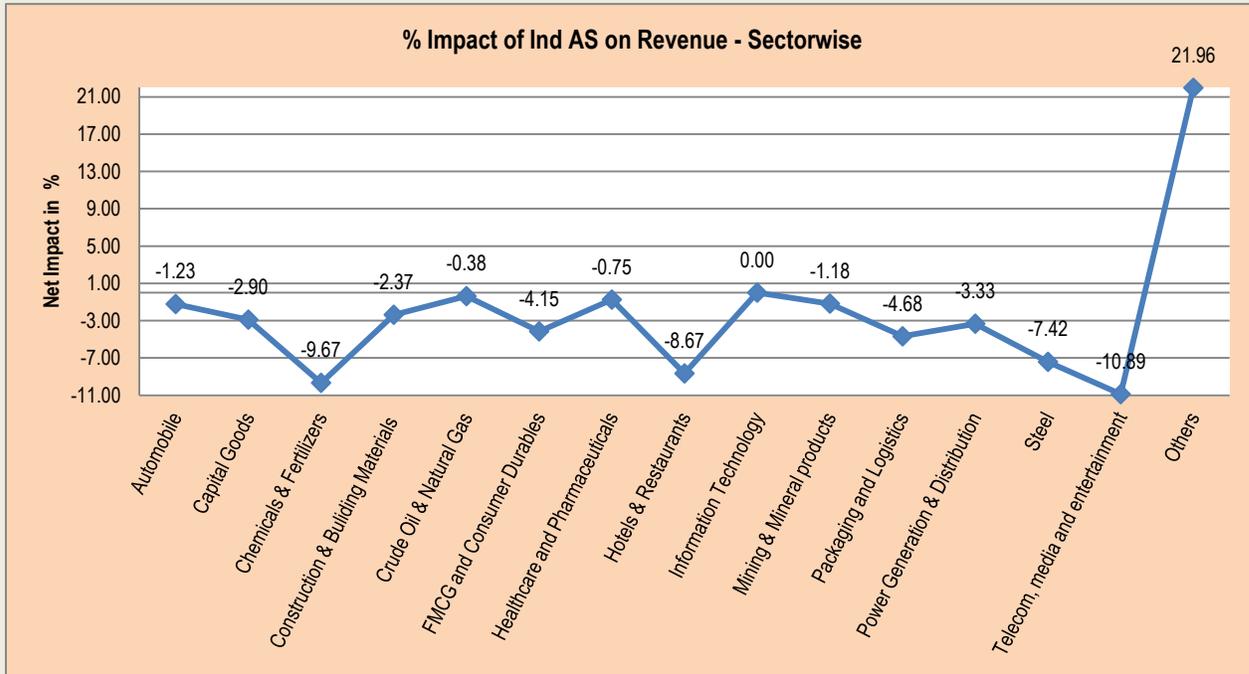
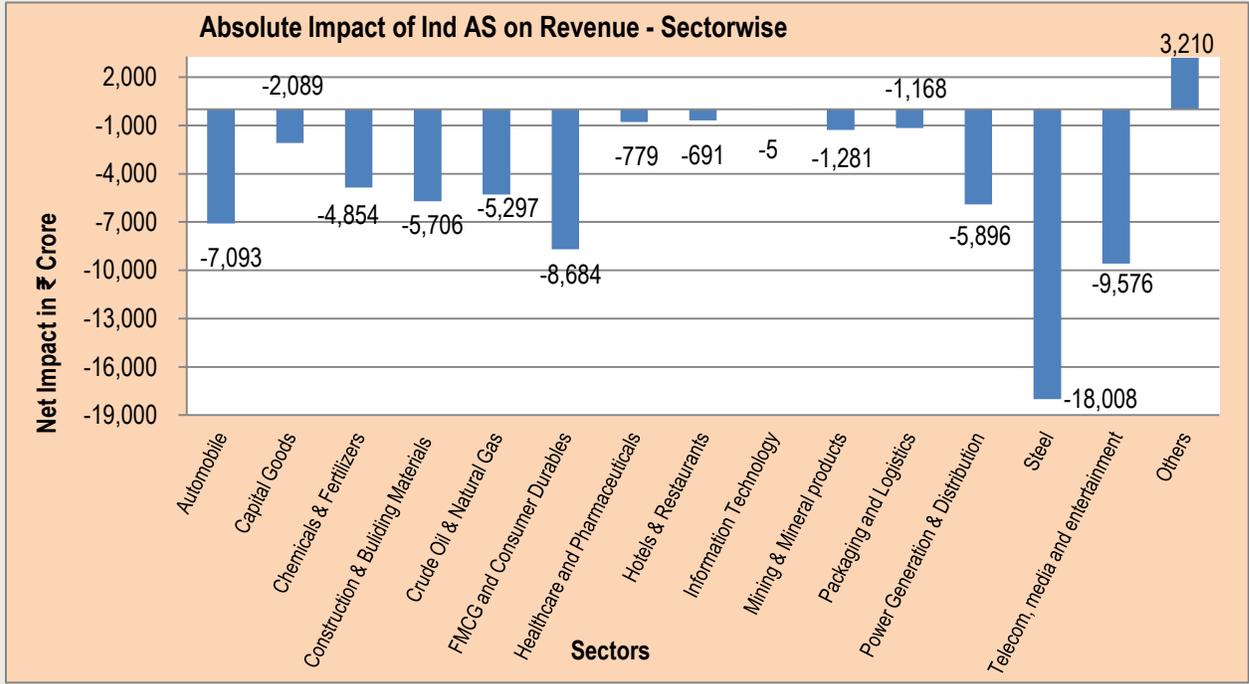
Increase

- Revenue increase due to change in accounting treatment from Agent to Principal basis.
- Increase in revenue due to application of Appendix A of Ind AS 11 (Service Concession Arrangements).

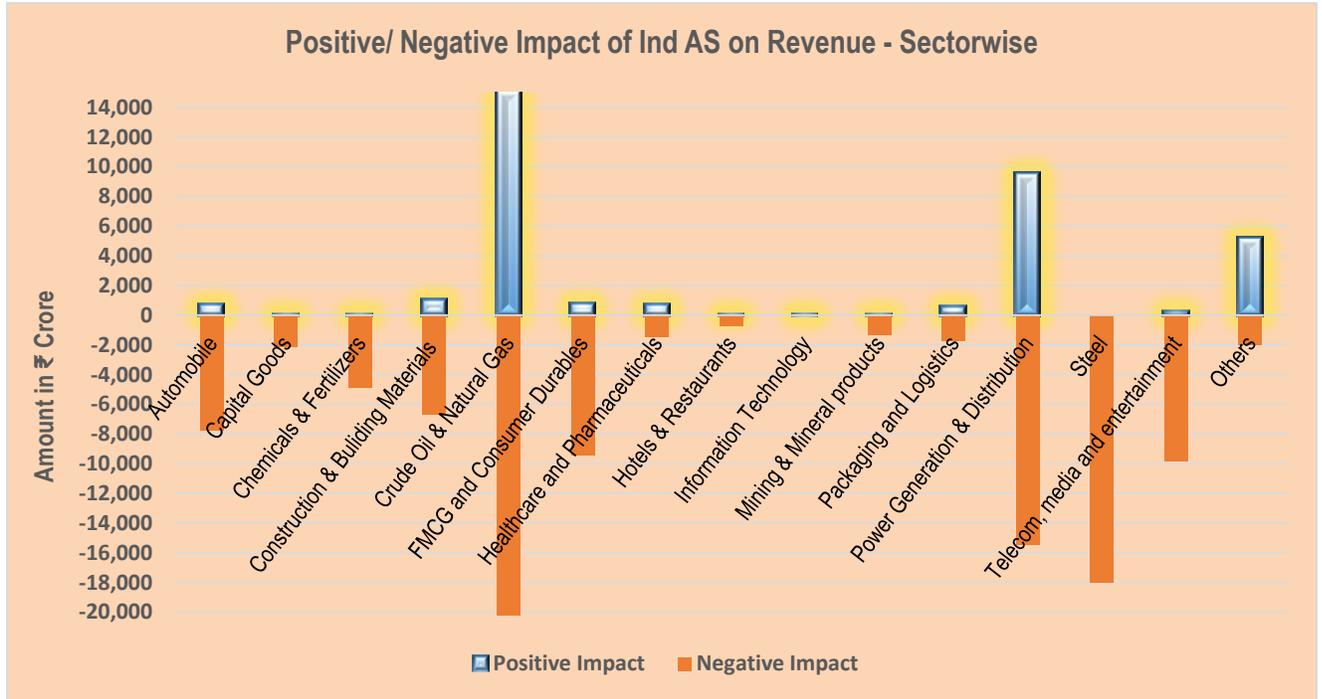
Decrease

- Change in method of accounting for investments in Joint Ventures from Proportionate Consolidation Method to Equity Method.
- Change in measurement of revenue, i.e., discounts and sale promotional expenses are netted off from revenue.
- Deferral of revenue
 - Re-assessment of revenue recognition criteria for sale of goods
 - Change in accounting for Customer Loyalty Programmes
 - Segregation of financing components from sale price.

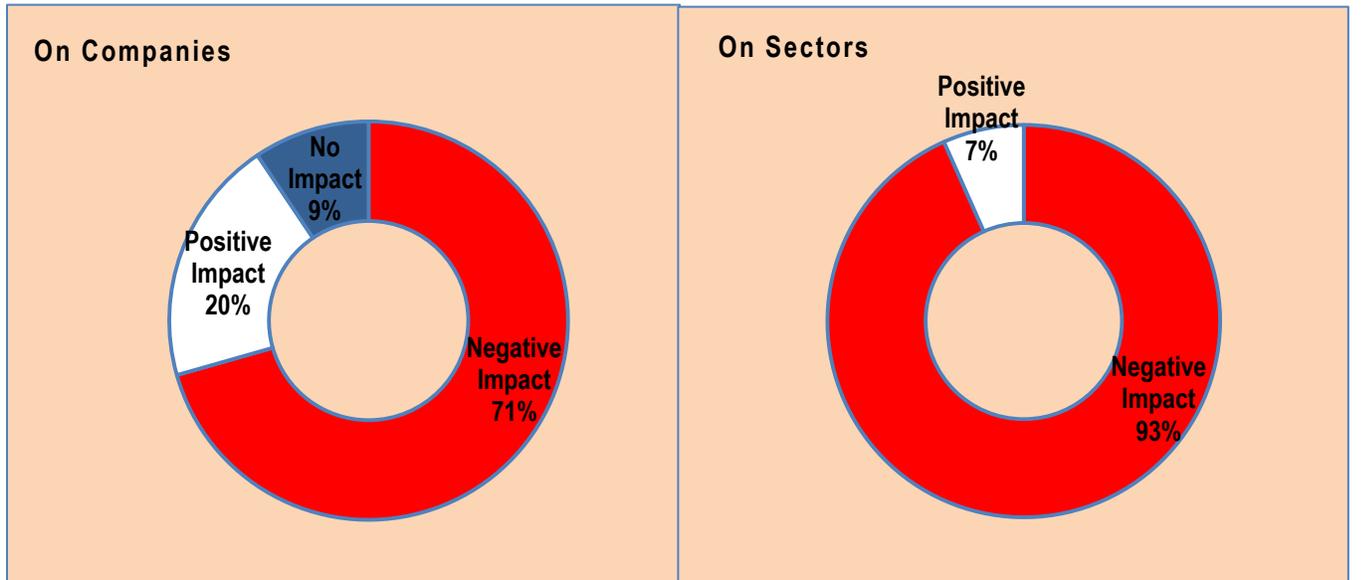
Ind AS Implementation Impact Analysis



Ind AS: Impact Analysis and Industry Experience



Ind AS Impact on Revenue: Companies & Sectors



Commentary on Ind AS Impact**Snapshot of Impact:**

- Under AS, revenue is presented net of excise duty whereas under Ind AS, revenue is presented inclusive of excise duty. For our analysis, we have considered revenue under AS on the gross basis, i.e., inclusive of excise duty.
- All the sectors except “Others” have reported net negative impact on revenue. Only one company in “Others” Sector has reported net Positive Impact on revenue of 21.9% thereby impacting entire sector revenue positively. Increase in revenue of the said company was on account of change in accounting treatment from Agent to Principal basis in Ind AS.
- On an overall basis there is marginal decrease of 1.87% in reported revenue. Individual sectors have witnessed change in the range of 0.38% to 21.96%. Sectors such as Crude Oil & Natural Gas and Power Generation & Distribution have reported both positive as well as negative impact. All the companies in Steel Sector have reported negative impact. Negligible impact of Ind AS on revenue is observed in Information Technology Sector.
- 91% of companies had adjustment to revenue numbers. In particular, 34 companies (20% of sample size) have reported increase in revenue and 120 companies (71%) have reported decrease in revenue. 16 companies (9%) had no impact of Ind AS.
- In absolute terms, there is net decrease in revenue by ₹ 67,917 crores: 120 companies reported decrease in revenue of ₹1,01,575 crores which is partly offset by increase in revenue of ₹ 33,658 crores by 34 companies.

The primary reasons for decrease in Revenue were:

- **Change in method of accounting for Investments in Joint Ventures**
In majority of companies, reduction in revenue is due to change in method of accounting for Investments in Joint Ventures, i.e., application of Equity Method as against Proportionate Consolidation Method under AS and also due to reclassification of Subsidiaries as Joint Ventures.
- **Discounts and Sales Promotional Expense**
Discounts and Sales Promotional Expense are netted off from revenue under Ind AS.
- **Deferral of revenue**
Deferral of revenue due to:
 - Re-assessment of revenue recognition criteria, i.e, transfer of significant risk and rewards. For example, under AS, revenue was generally recognised on dispatch of goods. However, under Ind AS, revenue is recognised only when company neither retains continuing managerial involvement nor effective control over the goods sold.
 - Change in accounting for Customer Loyalty Programmes. Under Ind AS, award credits under Customer Loyalty Programmes are considered as separately identifiable components of sale and consideration allocated to those credits is recognised as revenue when award credits are redeemed and company fulfils the obligation to supply awards.
 - Segregation of financing components from sale price: Under AS, amount of revenue is usually determined by agreement between parties and measured at the nominal amount of consideration receivable. However, under Ind AS, revenue is measured at Fair Value of the consideration received or receivable. Therefore, where payment of consideration is deferred, the

Ind AS: Impact Analysis and Industry Experience

transaction price is allocated between financing component and revenue for sale of goods and services and accounted separately.

The primary reasons for increase in Revenue were:

- **Re-assessment of revenue recognition criteria and change in accounting treatment from Agent to Principal basis in Ind AS**
- Revenue increased due to re-assessment of revenue recognition criteria and change in accounting treatment from Agent to Principal basis in Ind AS. In the case of Agency relationship amounts collected from Principal are not revenue. i.e., the amount of commission is presented as revenue.
- **Application of Appendix A of Ind AS 11**
Increase in revenue due to application of Appendix A of Ind AS 11 (*Service Concession Arrangements*), i.e., recognition of revenue for the services (construction or upgrade services) provided by operator with the corresponding recognition of consideration as a financial asset or as intangible asset depending on the terms and conditions of Service Concession Arrangements.

Ind AS impact on Profit after Tax (PAT) for the year ended March 31, 2016**An Overview**

Amount in ₹ crore

Sectors	No. of Companies	Ind AS Revenue	AS Revenue	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of Companies	Amount	No. of Companies	Amount	%
Automobile	15	31,082	29,954	1,743	8	(616)	7	1,127	3.76
Capital Goods	11	1,034	899	234	6	(100)	5	135	14.97
Chemicals & Fertilizers	9	2,409	2,717	95	5	(403)	4	(308)	(11.34)
Construction & Building Materials	26	14,465	14,914	381	14	(830)	12	(449)	(3.01)
Crude Oil & Natural Gas	12	73,457	72,963	3,035	5	(2,541)	7	494	0.68
FMCG and Consumer Durables	28	17,761	18,810	138	17	(1,187)	11	(1,049)	(5.58)
Healthcare and Pharmaceuticals	16	12,012	12,246	621	7	(856)	9	(235)	(1.92)
Hotels & Restaurants	3	2	179	8	1	(185)	2	(177)	(98.87)
IT	15	59,229	59,809	111	1	(692)	14	(581)	(0.97)
Mining & Mineral products	2	2,003	2,614	0	0	(611)	2	(611)	(23.39)
Packaging and Logistics	5	1,370	1,474	5	2	(109)	3	(104)	(7.04)
Power Generation & Distribution	7	23,430	24,974	535	2	(2,079)	5	(1,544)	(6.18)
Steel	6	(8,029)	(9,915)	3,030	4	(1,144)	2	1,885	19.02
Telecom, media and entertainment	10	7,420	8,370	33	3	(983)	7	(950)	(11.35)
Others	5	692	554	141	4	(3)	1	138	24.94
Total	170	2,38,335	2,40,564	10,111	79	(12,339)	91	(2,228)	(0.93)

Profit After Tax (PAT) Reconciliation for the year ended March 31, 2016

Amount in ₹ crore

Description	Total	%
PAT as per AS	2,40,564	
Revenue	(16,245)	(6.75)
Property, Plant and Equipment	12,340	5.13
Decommissioning Liability	608	0.25
Financial Instruments	(5,768)	(2.40)
Operating Expenses	4,967	2.06
Foreign Exchange Translation Adjustments	1,273	0.53
Business Combination /Consolidation	(957)	(0.40)
Employee Benefits	(44)	(0.02)
Income Tax	772	0.32
Others	826	0.34
Total Adjustments	(2,228)	(0.93)
PAT as per Ind AS	2,38,335	

Ind AS: Impact Analysis and Industry Experience

Key drivers of Impact

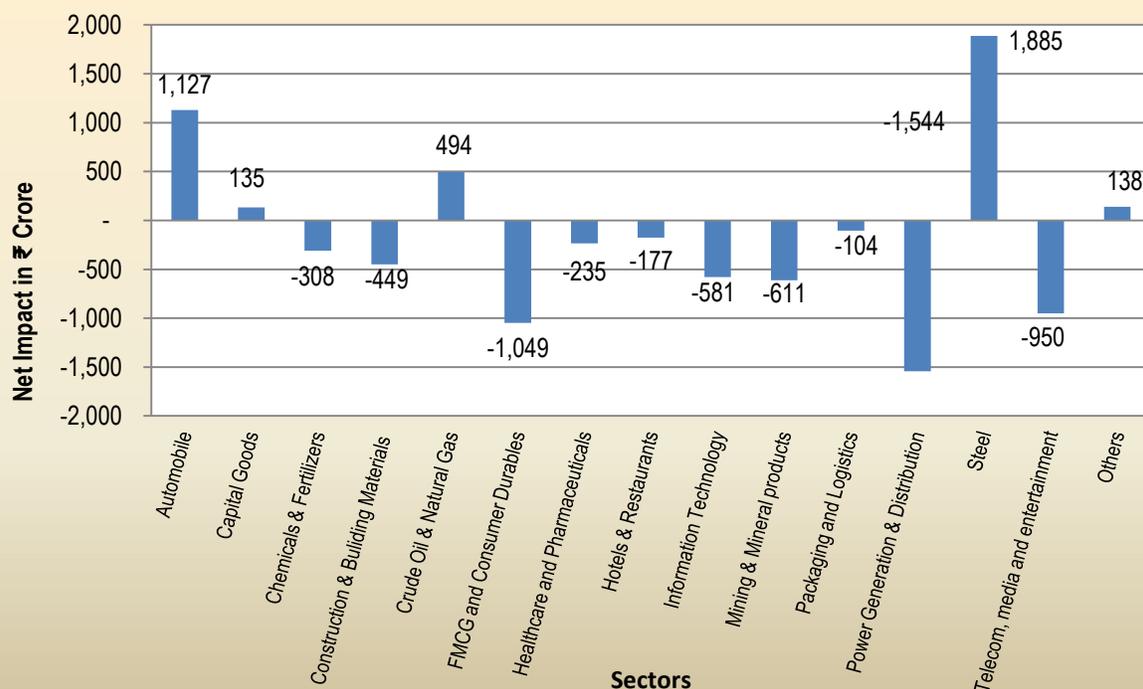
Increase

- Property Plant and Equipment
 - Capitalisation of spare parts, major repairs & overhaul
 - Reversal of depreciation consequent to decapitalisation of foreign exchange gains and losses
- Financial Instruments: Fair Value gains on investments classified as FVTPL.
- Employees Benefits: Actuarial Gains/Losses recognised in OCI.
- Decommissioning Liabilities: Reversal of excess provision due to change in estimates of decommissioning liability.
- Income Tax Adjustments.

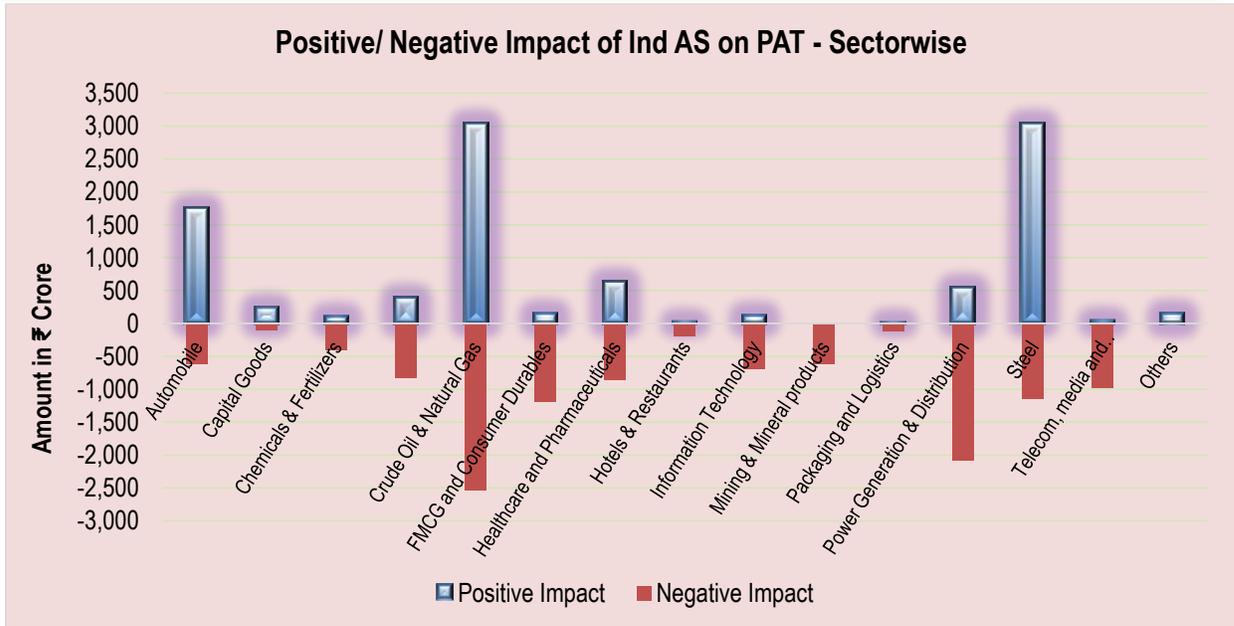
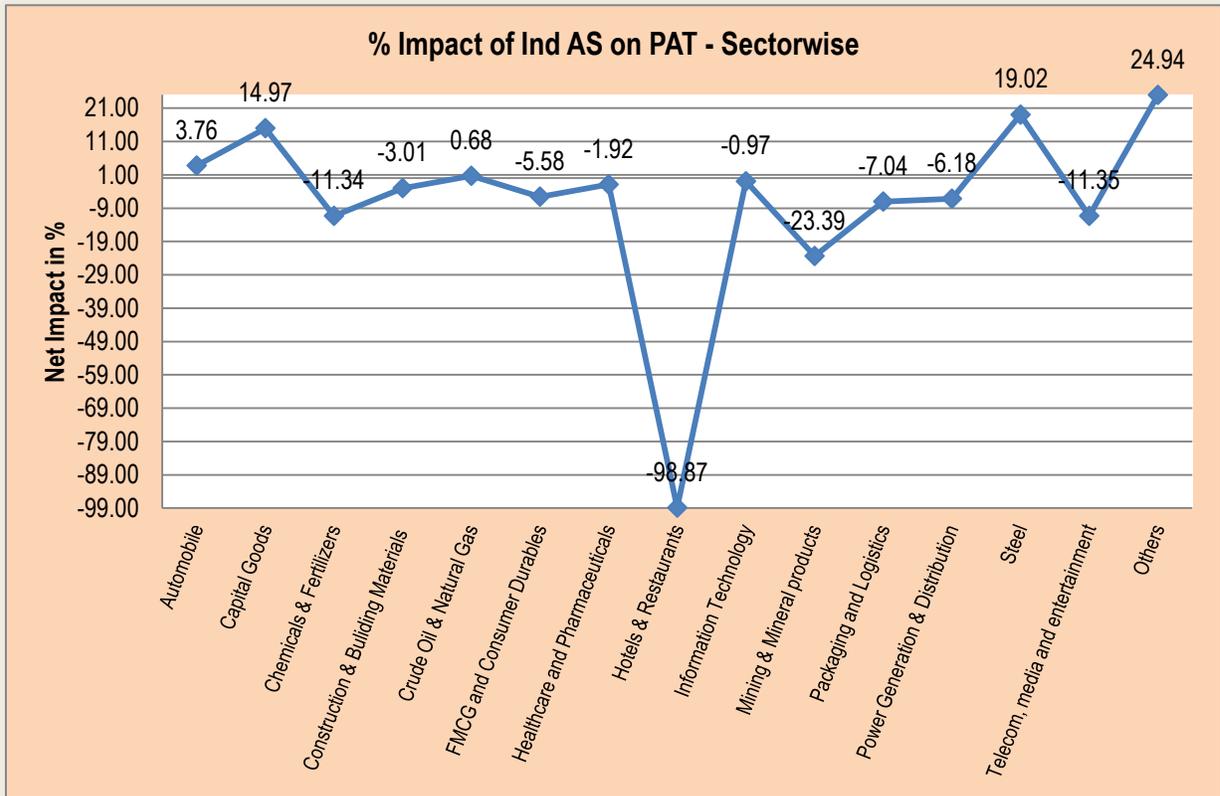
Decrease

- Financial Instrument
 - Effective Interest Method: Inclusion of bonds/debentures redemption, premium payable and borrowing cost
 - Derivatives and Hedge Accounting
 - Expected Credit Loss
- Revenue Recognition for Construction Contracts: change in method of accounting for project costs.
- Share of Profits in Associates and Joint Ventures.
- Provisions: Unwinding of discounts based on Present Value of long term provision.
- Property, Plant and Equipment: Derecognition of certain costs for capitalisation under Ind AS 16.
- Foreign Currency Translation Adjustments.
- Share Based Payments: Measurement based on Fair Value.
- Income Tax Adjustments.

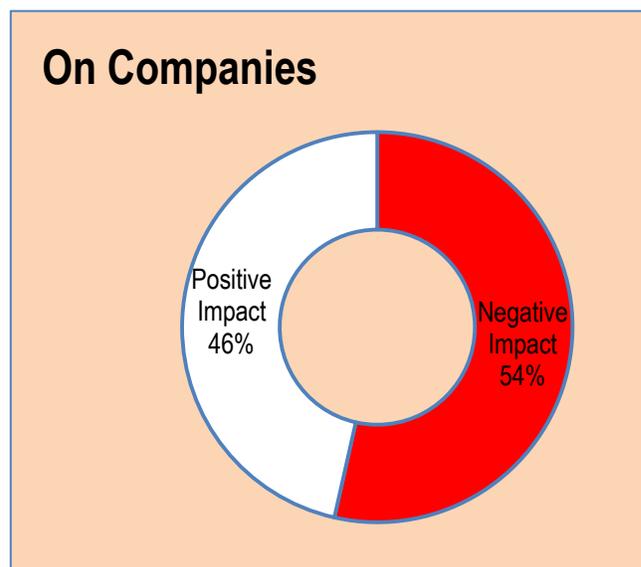
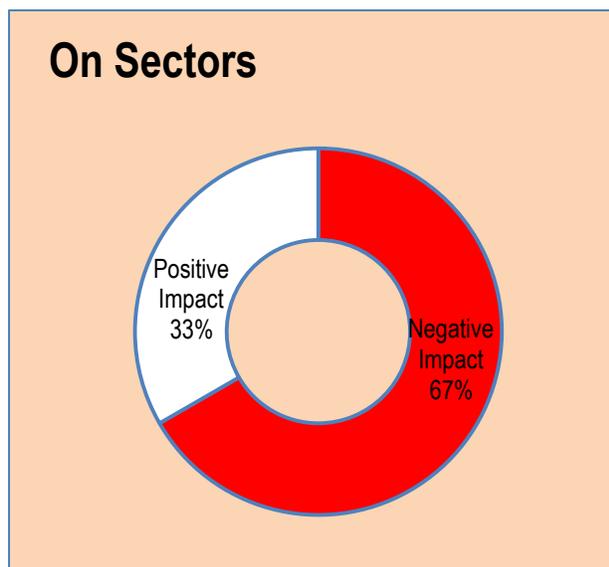
Absolute Impact of Ind AS on PAT - Sectorwise



Ind AS Implementation Impact Analysis



Ind AS Impact on Sectors & Companies



Commentary on Ind AS Impact

Snapshot of Impact:

- Though there is immaterial impact on PAT on an overall basis, a few sectors had visible impact.
- There is a diversity in the direction of impact. While its impact has generally been positive on sectors such as Automobiles, Capital Goods, Steel, sectors such as Mining & Mineral products and Hotels & Restaurants have been impacted adversely.
- On an overall basis, there is net negative impact of Ind AS on PAT of negligible 0.93%. Except for Hotels and Restaurant sector, sectors have reflected change in the range of 0.98% to 24.94%.
- In absolute terms, there is net decrease in PAT by ₹ 2,228 crores: 91 companies reported decrease in PAT of ₹ 12,339 crores which is partly offset by increase in PAT of ₹ 10,111 crores by 79 companies.
Both the companies in Mining & Mineral Products Sector have reported aggregate decrease of 23.39% in PAT.

The primary reasons for increase in PAT were:

- **Property Plant and Equipment**
 - Spare Parts: Capitalisation of spare parts which were charged to Profit or Loss under AS.
 - Cost of Major Repairs and Overhauls: Capitalization of expenditure on major repairs and overhauls to continue to operate an item of PP&E which were charged to Profit or Loss under AS.
 - Depreciation: Reversal of excess depreciation as a consequence to reduction in carrying amounts of PPE due to adjustment for capitalisation of foreign exchange gains and losses of long term foreign currency borrowings and indirectly attributable expenses capitalised under AS.
- **Financial Instruments : Classification & Measurement**
Investments in mutual funds, government securities, etc are carried at Fair Value through Profit and Loss

(FVTPL) under Ind AS as compared to being carried at Cost and Cost or Market Value whichever is lower based on their classification as long term investments and current investments, respectively under AS.

- **Employees Benefits : Actuarial Gains/Losses**

Under AS, the entire employee benefits cost, including actuarial gains and losses, were charged to Profit or Loss. Under Ind AS, re-measurements Actuarial gains/losses are recognized in Other Comprehensive Income (OCI).

- **Decommissioning liabilities**

Reversal of excess provision due to change in estimate of decommissioning liability on periodic basis.

- **Fair Value as Deemed Cost for PPE and Intangible Assets Under Development**

The above has resulted in reversal of impairment losses.

- **Income Tax Adjustment**

- Deferred tax adjustments due to Ind AS adjustments from other standards.
- Change in method of recognising deferred assets and liabilities from Income Statement Approach to Balance Sheet Approach.

Deferred tax liability on intra group transaction and undistributed profits of subsidiaries.

The primary reasons for decrease in profits were:

- **Financial Instruments**

- **Effective Interest Method:**
 - Amortization of borrowing cost as part of effective interest rate method for financial liabilities classified as amortised cost.
 - Adjustment for premium on redemption of bonds and debentures which was previously offset against security premium under AS.

- **Derivatives and Hedge Accounting:**

Change in accounting for derivatives (for example, cross currency swaps, interest rate swaps, foreign currency forward contracts, etc). Under Ind AS all derivatives are measured at fair value and changes recognised in profit and loss (except for derivatives forming part of effective hedge) whereas under AS premium and discount on forward contracts were amortised over contract period and in other types of derivative contracts only unrealised losses were recognised in P&L.

- **Expected Credit Loss:**

Recognition of provisions of bad and doubtful debts based on Expected Credit Loss (ECL) method. Under ECL method, impairment loss provision recognition and measurement takes into account time value of money (Present Value) and losses expected to occur in future based on forecast economic conditions and limitations.

- **Revenue Recognition Construction Contract**

Change in method of measurement of project costs for revenue recognition under Percentage of Completion Method.

- **Share of Profits in Associates and Joint Ventures**

Company's share in Ind AS adjustments of the Associates and Joint Ventures.

- **Provisions, Contingent Liabilities & Contingent Assets: Measurement based on Present Value**

Under AS, provisions are recorded at undiscounted amount whereas under Ind AS, long-term provisions are to be recognised on discounted amount and the carrying amount of provision increases in each period due to unwinding of discount to reflect the passage of time. Effect of this is material in view of recognition of decommissioning liability for PPE under Ind AS.

Ind AS: Impact Analysis and Industry Experience

- **Property Plant and Equipment : Recognition Criteria not met**

As per Ind-AS 16, Property Plant and Equipment, certain costs such as indirectly attributable costs are decapitalised which were capitalised as a part of cost of fixed assets under AS.

- **Foreign Currency Translation Adjustments**

- Change in functional currencies of group entities from ₹ to foreign currencies.
- Reversal of amortization of foreign exchange loss accumulated in foreign currency monetary item translation difference account.

- Change in accounting policy for Oil & Gas Activity – From Full cost method (FCM) to Successful Efforts Method (SEM).

- **Share Based Payments**

Employee stock options are recognised and measured at Fair Value in Ind AS as against Intrinsic Value in AS.

- **Income Tax Adjustment**

- Deferred tax adjustments due to Ind AS adjustments from other standards.

Change in method of recognising deferred assets and liabilities from Income Statement Approach to Balance Sheet Approach.

Ind AS Implementation Impact Analysis

Ind AS impact on Equity at the Transition Date (April 01, 2015)

An Overview

Amount in ₹ crore

Sectors	No. of Companies	Ind AS Equity	AS Equity	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of Companies	Amount	No. of Companies	Amount	%
Automobile	15	1,54,109	1,46,572	9,008	12	(1,472)	3	7,536	5.14
Capital Goods	11	36,982	38,306	265	6	(1,588)	5	(1,323)	(3.45)
Chemicals & Fertilizers	9	22,616	20,188	2,473	8	(46)	1	2,428	12.03
Construction and Building Materials	26	1,31,641	1,34,657	3,638	19	(6,654)	7	(3,015)	(2.24)
Crude Oil & Natural Gas	12	5,97,710	5,73,688	36,285	8	(12,262)	4	24,023	4.19
FMCG and Consumer Durables	28	84,555	75,189	10,277	22	(911)	6	9,366	12.46
Healthcare and Pharmaceuticals	16	73,410	69,105	4,533	12	(229)	4	4,304	6.23
Hotels & Restaurants	3	6,905	6,378	673	2	(146)	1	527	8.27
IT	15	1,95,689	1,88,348	8,713	9	(1,371)	6	7,341	3.90
Mining & Mineral products	2	74,179	71,602	2,577	2	0	0	2,577	3.60
Packaging & Logistics	5	7,826	8,020	177	4	(372)	1	(194)	(2.42)
Power Generation & Distribution	7	2,24,309	2,27,757	3,466	3	(6,914)	4	(3,448)	(1.51)
Steel	6	1,53,687	1,23,734	32,929	4	(2,977)	2	29,953	24.21
Telecom, media and entertainment	10	87,355	94,760	1,425	4	(8,830)	6	(7,406)	(7.82)
Others	5	8,856	8,348	525	4	(17)	1	508	6.08
Grand Total	170	18,59,829	17,86,652	1,16,966	119	(43,789)	51	73,177	4.10

Equity Reconciliation at the Transition Date (April 01, 2015)

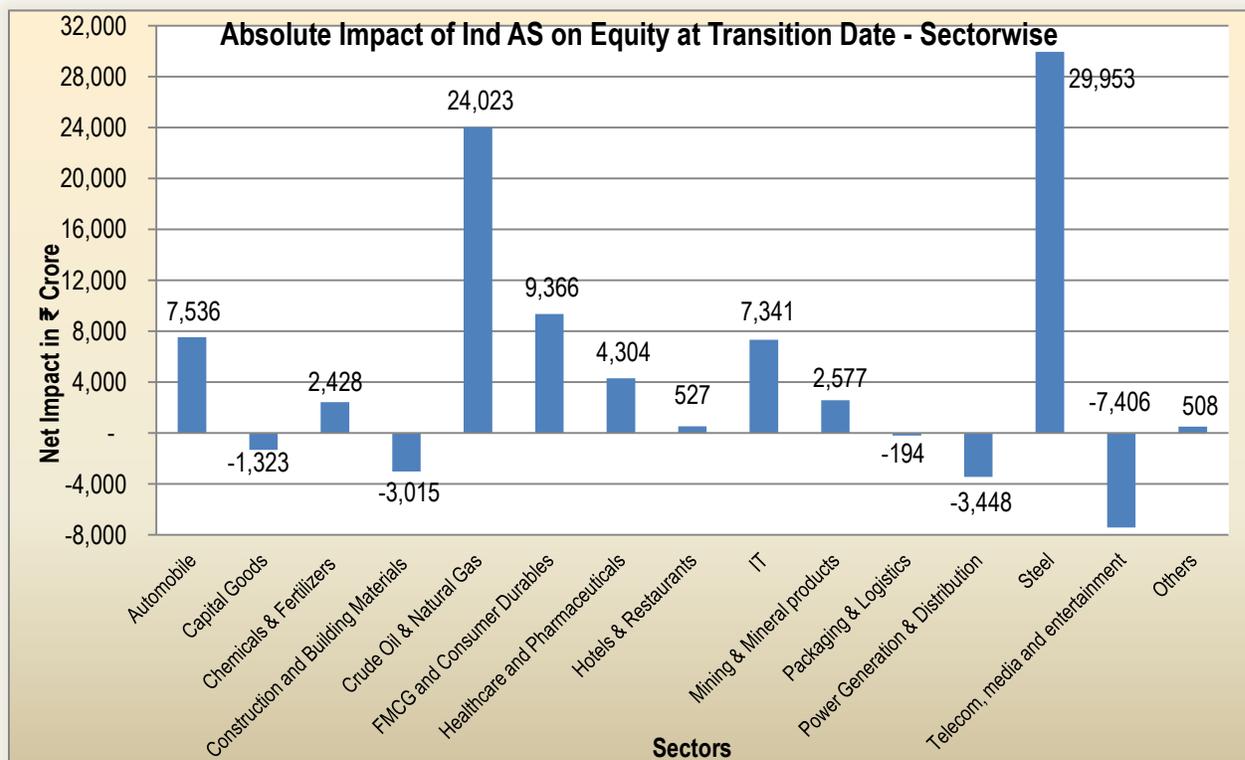
Amount in ₹ Crore

Description	Total	%
Total Equity as per AS	17,86,652	-
Revenue	(10,580)	(0.59)
Property, Plant and Equipment	84,937	4.75
Intangibles/ Intangibles under Development	(12,171)	(0.68)
Oil and Gas Assets	(37,564)	(2.10)
Financial Instruments	47,362	2.65
Business Combination / Consolidation	(14,628)	(0.82)
Employee Benefits	4,621	0.26
Proposed Dividend	38,062	2.13
Income Taxes	(29,927)	(1.68)
Others adjustments	3,065	0.17
Total Adjustments	73,177	4.10
Total Equity as per Ind AS	18,59,829	-

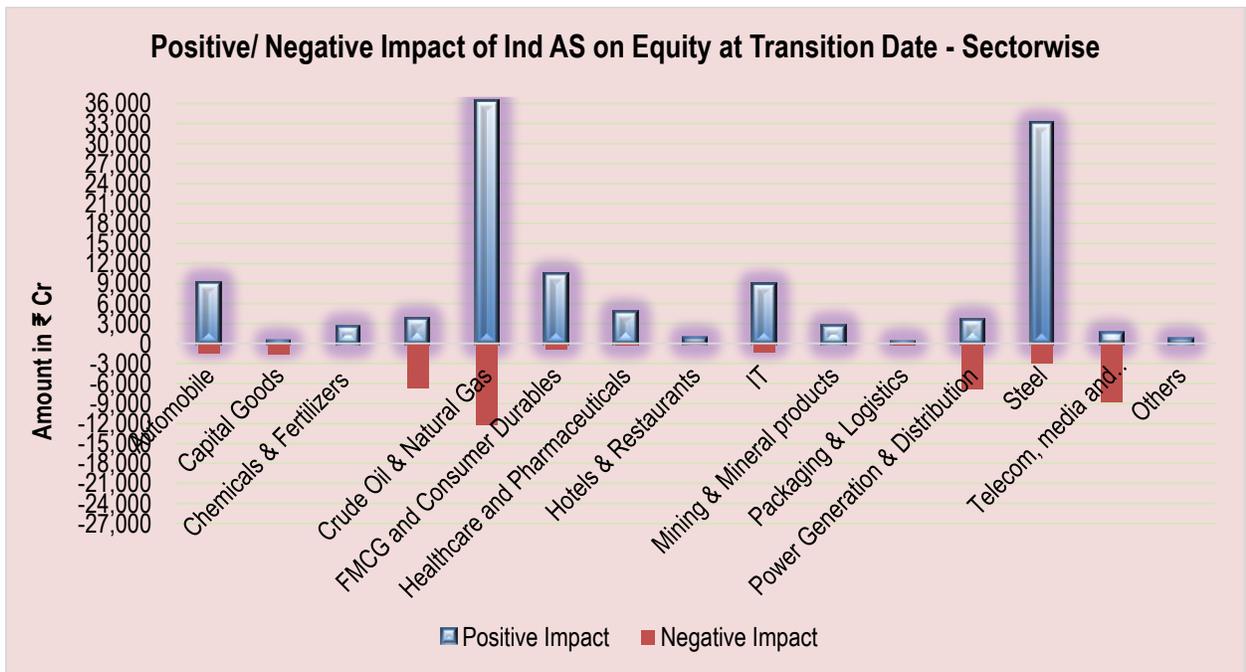
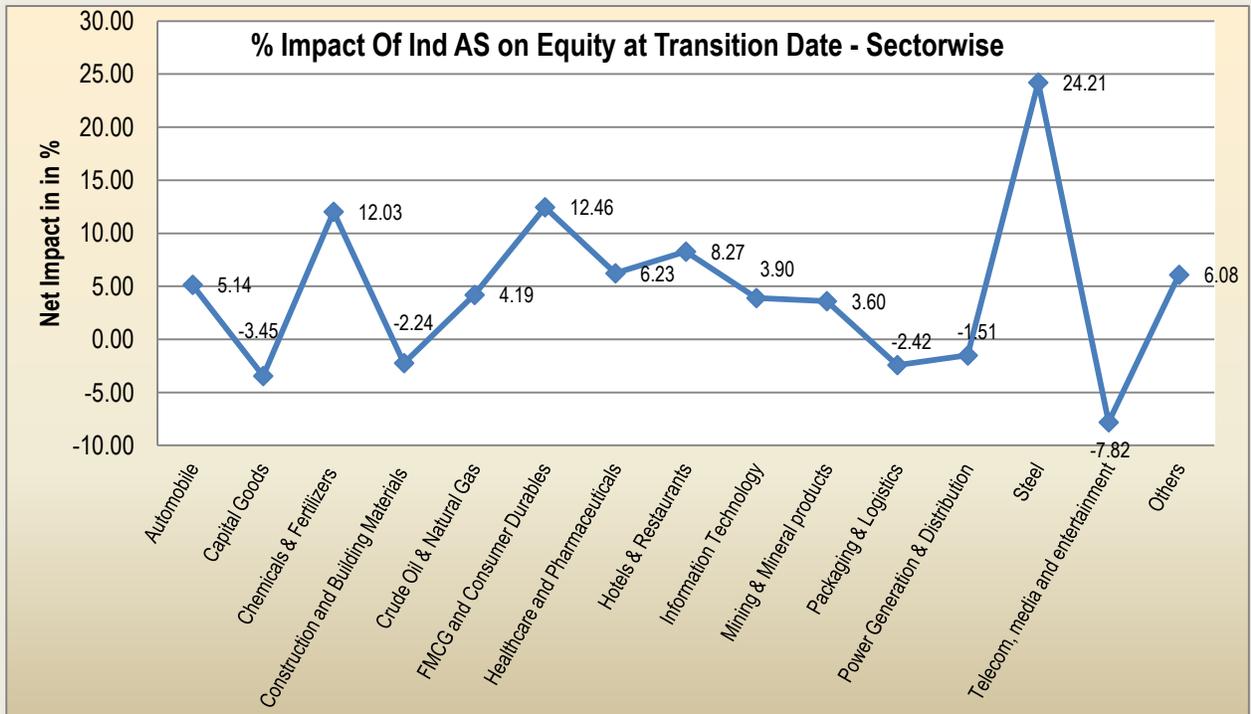
Ind AS: Impact Analysis and Industry Experience

Key drivers of Impact

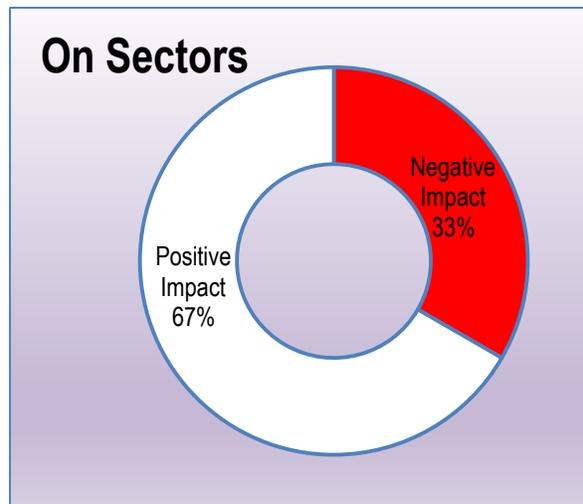
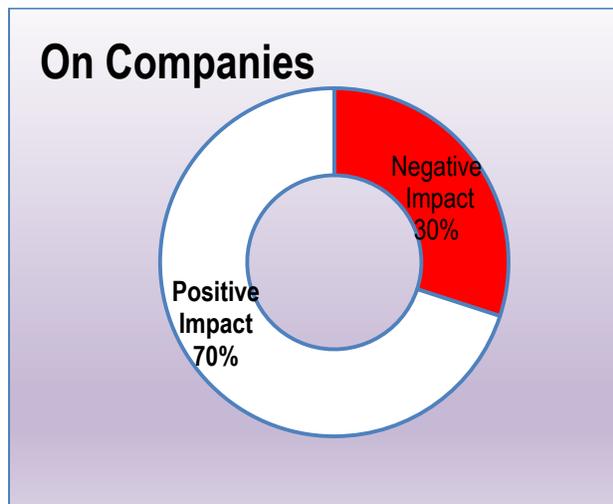
Increase	Decrease
<ul style="list-style-type: none"> • Fair Value gains recognised on financial instruments classified as FVTPL and/or FVOCI • Reversal of Proposed Dividend accrued as liability • Amortisation of borrowing cost using Effective Interest Rate (EIR) under Ind AS 109 • Fair Value of PPE treated as Deemed cost at the transition date • Reversal of losses in Joint Ventures (JV) in excess of ownership interest • Foreign currency translation adjustment due to change in functional currency of subsidiaries • Consolidation of ESOP Trust • Income Tax adjustments 	<ul style="list-style-type: none"> • Re-classification of Preference Shares from Equity to Financial Liability • Change in method of impairment loss (ECL) recognition and measurement for financial assets (Trade Receivables) • Fair Value loss recognised on Financial Instruments classified as FVTPL • De-consolidation of Subsidiaries • De-capitalisation of foreign exchange losses from PPE • Deduction from Equity of Company's shares (own shares) held through Trust • Income tax adjustments



Ind AS Implementation Impact Analysis



Ind AS Impact on Sectors & Companies



Commentary on Ind AS Impact:

Snapshot of Impact:

- There is a mixed trend in the Ind AS impact on Equity as of Transition Date. Large majority of companies (70%) and sectors (67%) have had positive impact on Equity as of Transition Date.
- Three sectors, viz., Steel, Crude Oil & Natural Gas and FMCG & Consumer Goods have reported a substantial increase in Equity (₹ 63,342 crores) which amounts to 86.55% of the total net increase.
- However, Steel sector has witnessed a significant diversity, i.e., companies have reported both negative as well as positive impact.
- Overall Ind AS adjustments have resulted in a positive impact on the “Equity” component by ₹ 73,177 crores reflecting an overall increase of 4.10%.
- Ind AS adoption has positive impact on 119 companies with total increase of ₹ 117,000 crores. However, impact is highly concentrated in 8 companies which account for more than 70% of the total increase.

The primary reasons for increase in Equity were:

- **Reversal of Proposed Dividend**
Under Accounting Standards (AS), dividends proposed by the Board of Directors after the reporting date but before the approval of financial statements was considered to be adjusting event and accordingly recognized (along with related dividend distribution tax) as liabilities at the reporting date. Under Ind AS, dividends so proposed by the Board of Directors are considered to be non-adjusting event. Accordingly, provision for proposed dividend and dividend distribution tax recognized under previous GAAP has been reversed.
- **Fair Value as deemed cost for PPE**
Companies have elected to measure items of Property, Plant and Equipment (PPE) at fair value as at the date of transition to Ind AS and considered it as deemed cost. This has resulted in an increase in the carrying amount of PPE with corresponding increase in Equity.
- **Fair Value gains recognised on Financial Instruments**

- Under AS, current investments were measured at lower of cost or market value. Under Ind AS, these investments (financial assets) have been classified as Fair Value through Profit or Loss (FVTPL) on the transition date and measured at fair value. The fair value gains have resulted increase in Equity on the transition date.
- Under AS, long term investments were measured at cost less diminution in value which is other than temporary. Under Ind AS, these financial assets have been classified as Fair Value through Other Comprehensive Income (FVOCI) and measured at their fair value and the restatement gain / (loss) has been taken to Other Comprehensive Income (OCI) resulting increase in the Equity.

- **Foreign currency translation adjustment due to change in Functional Currency of Subsidiaries.**

- **Reversal of losses in Joint-Ventures (JV) in excess of Ownership Interest**

Under AS, losses of JVs in excess of investor's interest in Equity are recognised in proportion to their interest. Under Ind AS, entity's share of loss in joint venture is recognised only to the extent of investor's carrying value of investment. This has resulted in reversal of losses recognised previously.

- **Amortisation of borrowing cost using Effective Interest Method**

Under AS, transaction costs were charged to Profit or Loss over the period of the borrowing on a straight line basis incurred or written off. Ind AS 109 requires transaction costs incurred towards origination of borrowings (financial liability) to be deducted from the carrying amount of borrowings which are classified as subsequently measured at Amortised Cost. These transaction costs are recognised in the profit or loss over the expected tenor of the borrowing as part of the interest expense under effective interest method.

Ind AS transition date adjustments for such transaction costs has resulted in increase in

Equity.

The primary reasons for decrease in Equity were:

- **Re-classification of Preference Shares Liability**

Under AS, preference shares issued by companies were classified as Equity. Under Ind AS, certain class of preference share, e.g., Redeemable Non-Convertible Preference Shares are classified as Financial Liabilities.

- **Recognition of Expected Credit Loss (ECL) on Financial Instruments (trade receivables)**

As per Ind AS 109, companies are required to apply Expected Credit Loss (ECL) model for recognising and measuring the impairment loss for certain category of financial assets. This model takes into account the time value of money (Present Value) and losses expected to occur in future based on forecast, economic conditions and scenarios.

- **Fair Value loss recognised on Financial Instruments under Ind AS 109:**

Under AS, companies had accounted for long-term investments at cost less provision for other than temporary diminution in the value of investments. Current investments were carried at lower of cost and market value.

At the date of transition to Ind AS, these financial instruments have been measured at Fair Value and the difference is recognised as Fair Value loss which has resulted in decrease in Equity as on the said date.

- **De-capitalisation of Foreign Exchange Losses**

Under AS 11, certain companies had capitalised foreign exchange losses as part of related fixed assets. Whereas under Ind AS, such exchange losses are recognised in Profit or Loss. As of Ind AS transition date such losses previously capitalised were derecognised from PPE with a corresponding decrease in Equity.

Ind AS: Impact Analysis and Industry Experience

Ind AS Impact on Tangibles Assets (PPE) at the Transition Date (April 01, 2015)

An Overview

Amount in ₹ crore

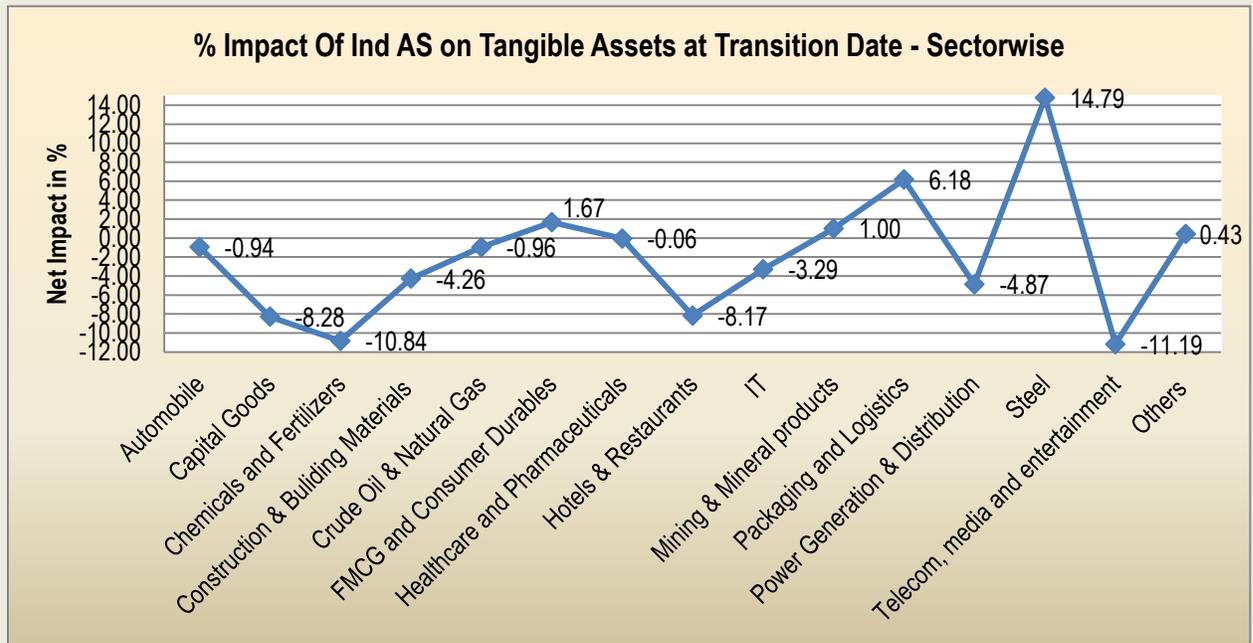
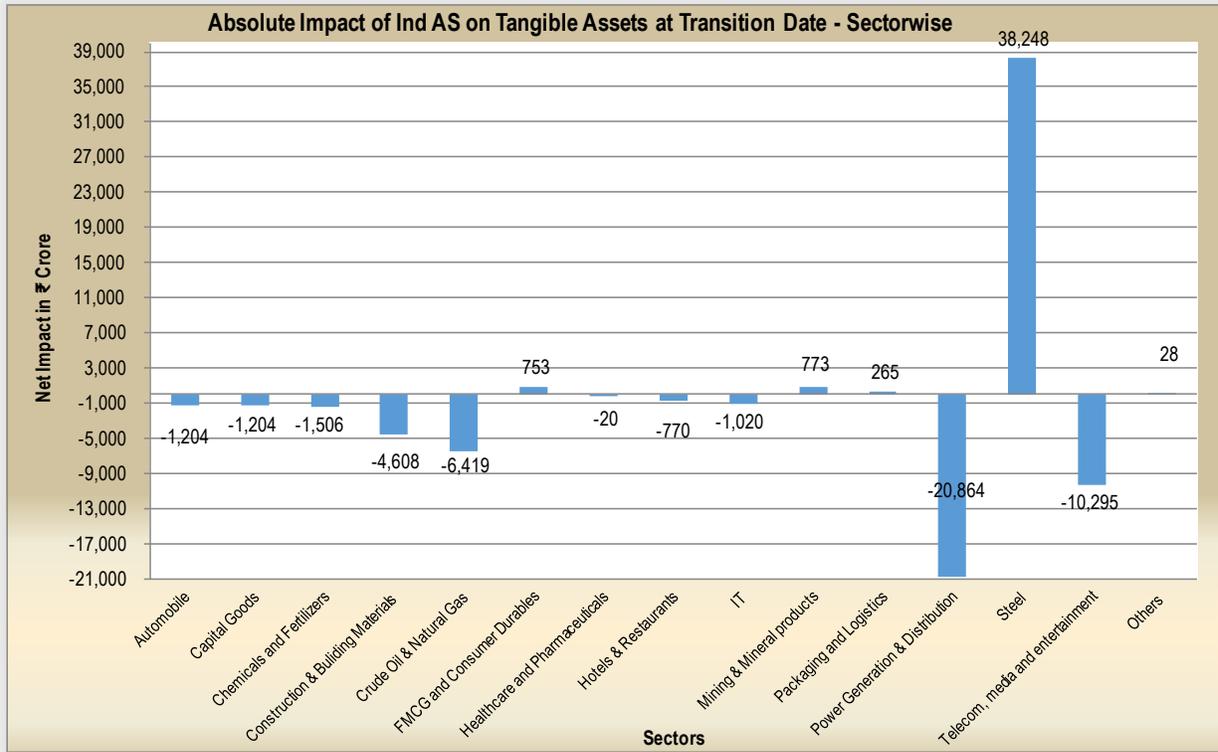
Sectors	No. of Companies	Ind AS Tangibles	AS Tangibles	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of companies	Amount	No. of companies	Amount	%
Automobile	15	1,26,456	1,27,660	1,841	6	(3,045)	8	(1,204)	(0.94)
Capital Goods	11	13,340	14,544	188	4	(1,392)	5	(1,204)	(8.28)
Chemicals and Fertilizers	9	12,390	13,897	17	3	(1,523)	6	(1,506)	(10.84)
Construction & Building Materials	26	1,03,479	1,08,087	2,477	11	(7,085)	13	(4,608)	(4.26)
Crude Oil & Natural Gas	12	6,60,724	6,67,143	47,867	2	(54,286)	9	(6,419)	(0.96)
FMCG and Consumer Durables	28	45,768	45,015	2,237	10	(1,484)	10	753	1.67
Healthcare and Pharmaceuticals	16	34,778	34,798	474	7	(495)	8	(20)	(0.06)
Hotels & Restaurants	3	8,647	9,416	0	1	(770)	2	(770)	(8.17)
IT	15	30,022	31,042	2	2	(1,022)	6	(1,020)	(3.29)
Mining & Mineral products	2	78,324	77,551	847	1	(74)	1	773	1.00
Packaging and Logistics	5	4,553	4,288	305	2	(40)	2	265	6.18
Power Generation & Distribution	7	4,07,147	4,28,011	11,378	1	(32,242)	5	(20,864)	(4.87)
Steel	6	2,96,790	2,58,542	39,415	3	(1,167)	3	38,248	14.79
Telecom, media and entertainment	10	81,725	92,019	6,678	3	(16,972)	6	(10,295)	(11.19)
Others	5	6,439	6,411	105	2	(77)	2	28	0.43
Grant Total	170	19,10,582	19,18,426	1,13,830	58	(1,21,674)	86	(7,844)	(0.41)

Note – No impact of Ind AS on tangibles assets has been observed for 26 companies.

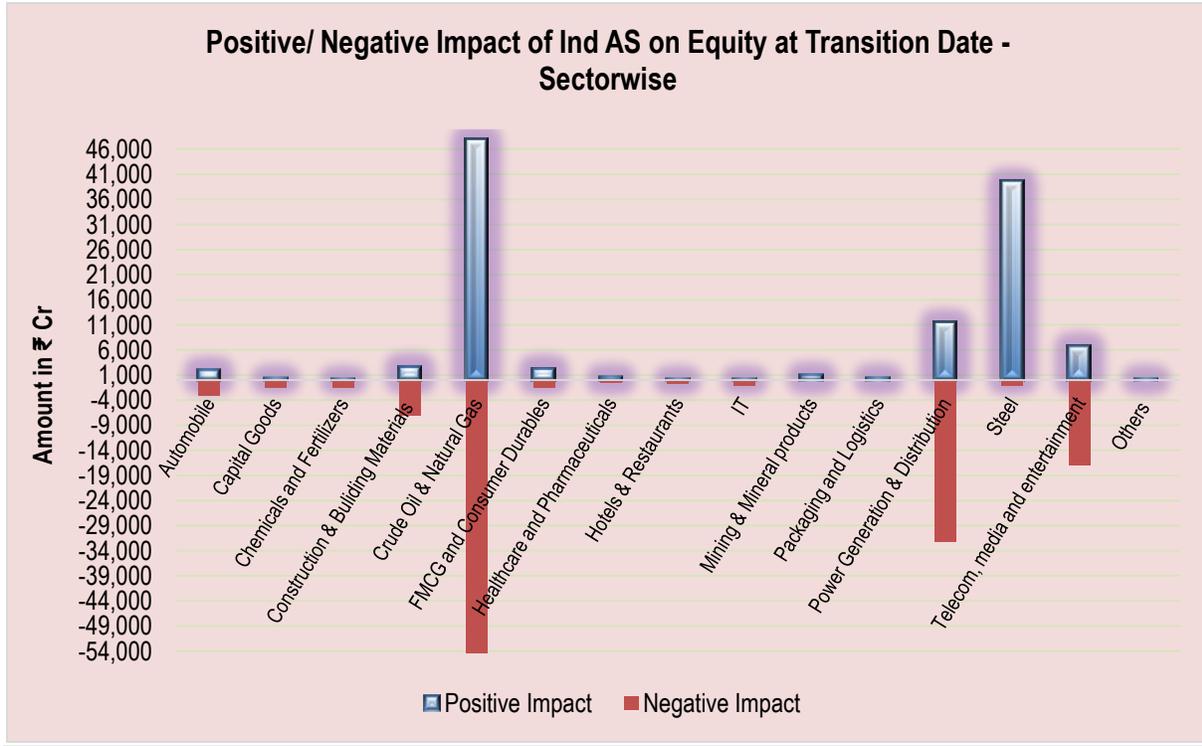
Key drivers of Impact

Increase	Decrease
<ul style="list-style-type: none"> • Use of Fair Value as Deemed cost for PPE at transition date • Capitalisation of spare-parts, major inspection and overhaul • Recognition of De-commissioning Liability 	<ul style="list-style-type: none"> • Elimination of PPE of JVs due to change in method of accounting from Proportionate Consolidation to Equity Method • PPE relating to Power Purchase agreements treated as Finance Lease resulting in decrease in PPE

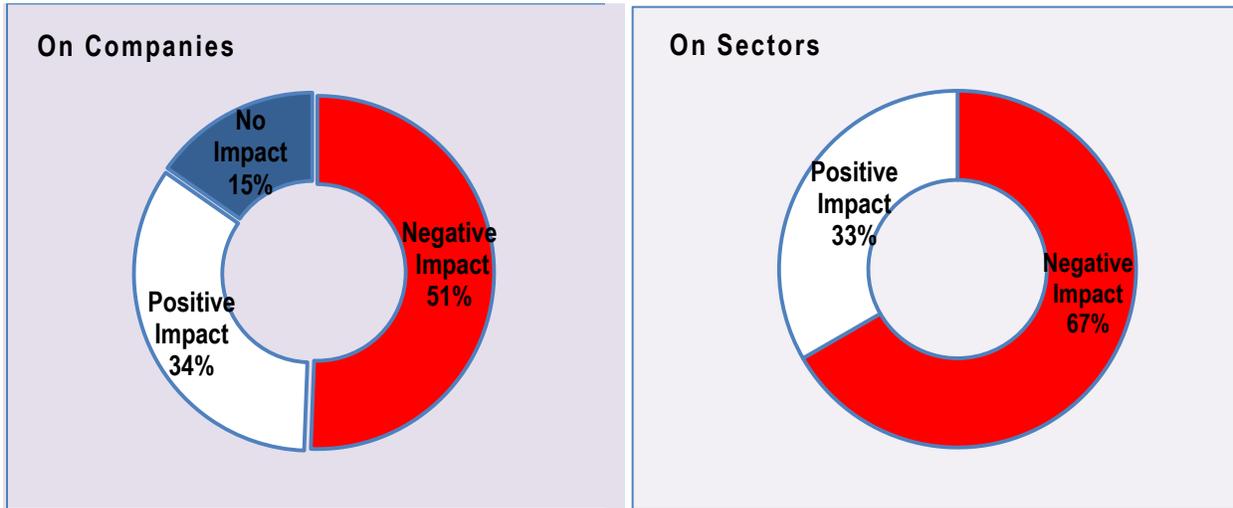
Ind AS Implementation Impact Analysis



Ind AS: Impact Analysis and Industry Experience



Ind AS Impact on Sectors & Companies



Commentary on Ind AS Impact:

Snapshot of Impact:

- On an overall basis, total carrying amount of Tangible Assets has decreased by 0.4% (₹7,844 crores) reflecting immaterial impact of Ind AS convergence. However, there appears to be significant diversity among companies and sectors.
- Sectors like Power Generation & Distribution, Telecom and Media & Entertainment have reported significant decrease in the carrying amount of PPE amounting to ₹31,158 crores. Steel sector has witnessed substantial positive impact with an increase in the carrying amount in PPE by ₹ 38,248 crores.
- It is observed that 58 companies have reported positive impact amounting to ₹113, 830 crores and 86 companies reported negative impact amounting of ₹121,674 crores, thereby resulting in marginal net negative impact of Ind AS on PPE as at the transition date.
- All sectors except FMCG, Mining, Steel and Packing & Logistics have reported decrease in PPE. One sector, viz., Crude Oil & Natural Gas has reported a mixed trend among companies with carrying amount of PPE increasing and decreasing by ₹47,867 crores and ₹54,286 crores respectively. The increase is concentrated in two companies.

The primary reasons for decrease in Tangible Assets were:

- **Change in the method of accounting for Joint Ventures (JVs)**
Under AS, the JVs were proportionately consolidated on line by line basis. However, under Ind AS these JVs are consolidated based on Equity Method and presented under single line. This change in method has resulted elimination of PPE thereby resulting in decrease in the said

component as at the transition date.

- **PPE relating to Power Purchase Agreements**
There is reduction in the Tangible Assets of companies in the Power Generation and Distribution Sector.
Under AS, the power plants were capitalized as fixed assets and the amounts receivable from the beneficiaries were recognized as revenue from sale of electricity. However, under Ind AS, in certain cases the carrying amount of power plants is treated as assets given on finance lease and the amounts receivable from beneficiary has been segregated into finance income, repayment of principal and service income and accounted for accordingly.

This has resulted in decrease in the PPE with a corresponding increase in financial assets as at the Transition Date.

The primary reasons for increase in Tangible Assets were:

- **Fair Value as deemed cost**
Companies have elected to measure Property, Plant and Equipment (PPE) at fair value as at the date of transition to Ind AS and considered it as deemed cost. This has resulted an increase in PPE.
- **Capitalisation of major repairs, overhaul and spare parts**
On the transition date, companies have capitalised certain items of spare parts which are meeting definition of property, plant & equipment as per Ind AS 16. Under AS, these spare parts were charged to Profit and Loss account.
In addition to above, Ind AS 16 requires, the cost of major inspections/overhauls to be capitalised and depreciated separately over the period to the next major inspection/overhaul.
- **Recognition of Decommissioning Liabilities**
Many entities have obligations to dismantle, remove

Ind AS: Impact Analysis and Industry Experience

and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. Under Ind AS 16, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

At the transition date, companies have recognised decommissioning liability with a corresponding adjustment (addition) to the carrying amount of PPE. Consequently, there is an increase in total carrying amount of the PPE.

Ind AS Impact on Intangible Assets as on Transition Date (April 1, 2015)**An Overview**

Amount in ₹ crore

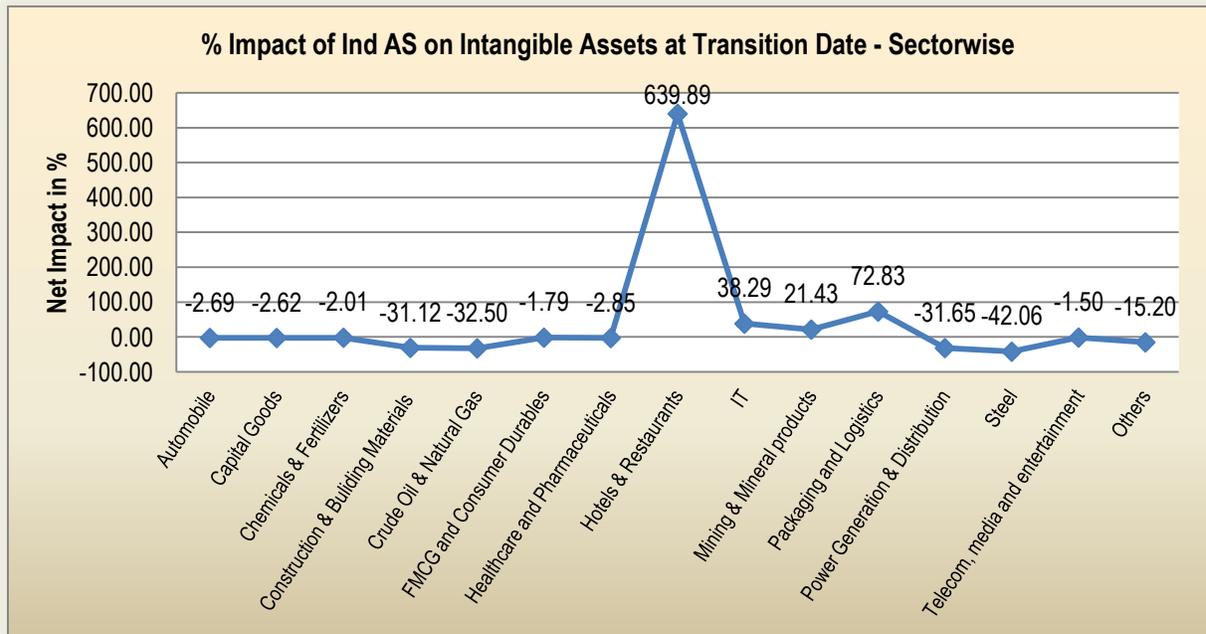
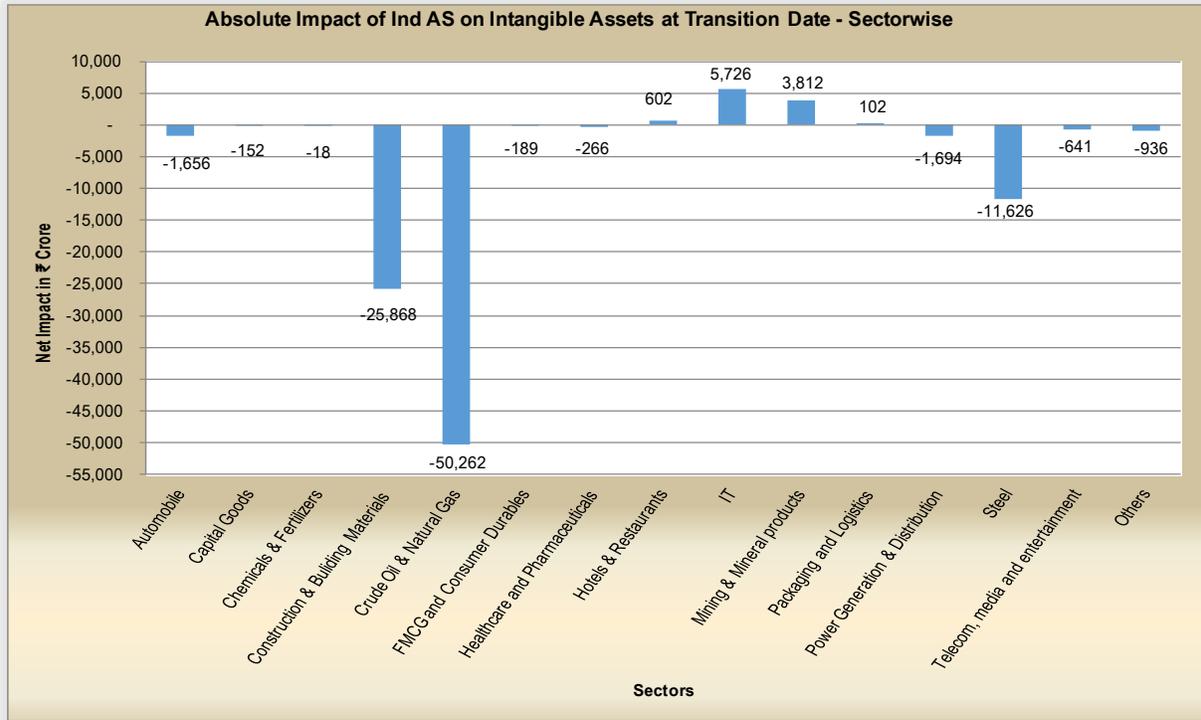
Sectors	No.of Companies	Ind AS Intangible Assets	AS Intangible Assets	Positive Impact		Negative Impact		Net Impact	
				Amount	No.of Companies	Amount	No.of Companies	Amount	%
Automobile	15	59,836	61,493	374	2	(2,031)	7	(1,656)	(2.69)
Capital Goods	11	5,643	5,795	166	2	(318)	5	(152)	(2.62)
Chemicals and Fertilizers	9	898	917	2	1	(20)	1	(18)	(2.01)
Construction & Building Materials	26	57,263	83,131	168	4	(26,037)	15	(25,868)	(31.12)
Crude Oil & Natural Gas	12	1,04,382	1,54,644	4,808	4	(55,070)	2	(50,262)	(32.50)
FMCG and Consumer Durables	28	10,355	10,544	140	4	(329)	8	(189)	(1.79)
Healthcare and Pharmaceuticals	16	9,068	9,335	31	3	(297)	6	(266)	(2.85)
Hotels & Restaurants	3	696	94	602	1	(0.22)	2	602	639.89
Information Technology	15	20,682	14,956	6,227	5	(501)	3	5,726	38.29
Mining & Mineral products	2	21,600	17,787	3,812	1	-	-	3,812	21.43
Packaging and Logistics	5	241	139	102	2	-	-	102	72.83
Power Generation & Distribution	7	3,658	5,352	-	-	(1,694)	5	(1,694)	(31.65)
Steel	6	16,012	27,638	0.01	1	(11,626)	3	(11,626)	(42.06)
Telecom, Media and Entertainment	10	42,214	42,855	4,228	1	(4,869)	6	(641)	(1.50)
Others	5	5,221	6,158	26	1	(962)	3	(936)	(15.20)
Total	170	3,57,770	4,40,838	20,686	32	(1,03,753)	66	(83,068)	(19)

Note –No impact of Ind AS transition on Intangible Assets was observed in case of 72 companies.

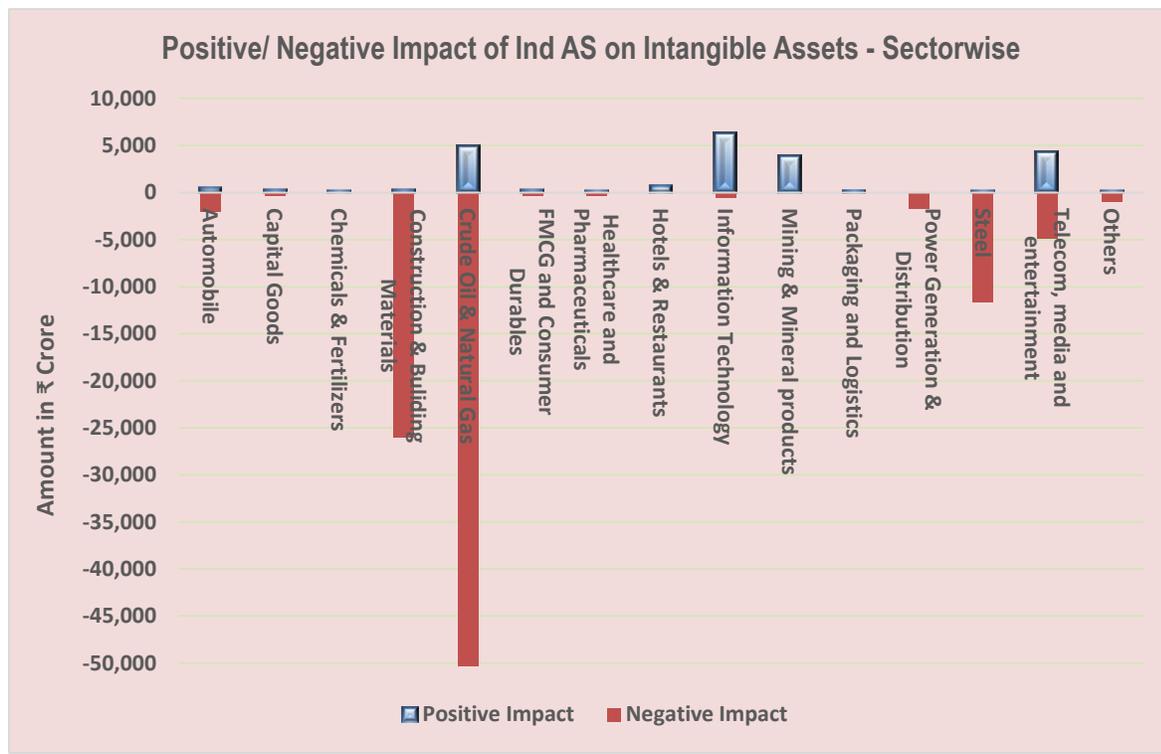
Key drivers of Impact

Increase	Decrease
<ul style="list-style-type: none"> Recognition of goodwill due to consolidation of subsidiaries under Ind AS, which did not previously meet consolidated criteria as per AS. Recognition of Intangible Assets due to application of Appendix A of Ind AS 11 Service Concession Arrangements Retrospective application of Acquisition Method for Business Combination 	<ul style="list-style-type: none"> De-consolidation of subsidiaries resulting in decrease in related intangible assets Application of fair value measurement for certain Intangible assets as at transition date

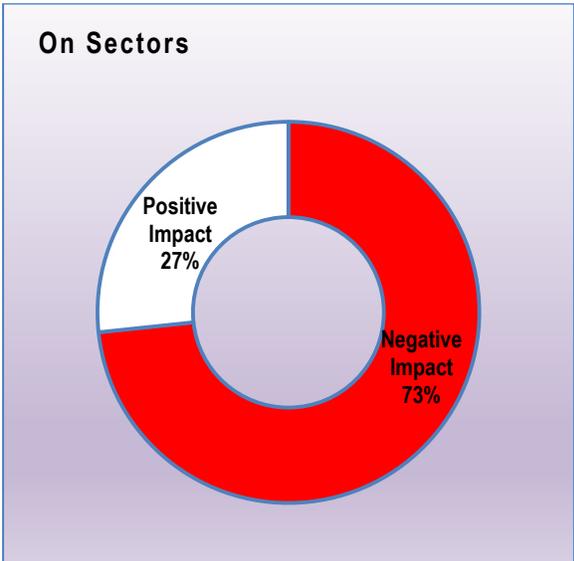
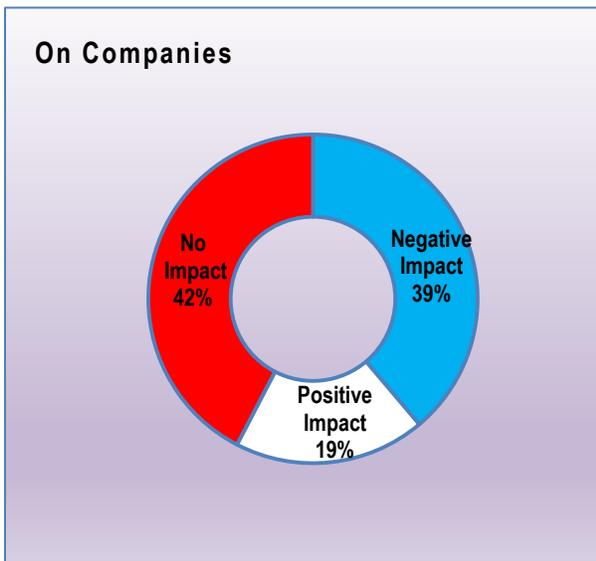
Ind AS: Impact Analysis and Industry Experience



Ind AS Implementation Impact Analysis



Ind AS Impact on Sectors & Companies



Ind AS: Impact Analysis and Industry Experience

Commentary on Ind AS Impact:

Snapshot of Impact:

All the sectors except the following have reported decrease in intangible assets under Ind AS due to transition adjustments:

- Hotels & Restaurants
- Information Technology
- Mining & Mineral products
- Packaging and Logistics

Information Technology and Mining & Mineral products have reported increase by 38% and 21% respectively. Following three sectors have reported significant decrease of ₹ 87,756 crores, which is more than the total net decrease of all the sectors:

- Construction & Building Materials
- Crude Oil & Natural Gas
- Steel

Out of 66 companies reporting decrease in intangible assets, impact is concentrated in 3 companies which account for more than 75% of total decrease. Out of total 170 companies selected, 32 have reported increase in intangible assets, of these 32 companies, 6 have shown significant increase that constitutes more than 80% of the total increase in intangible assets.

In many cases, the Ind AS transition report was not explicit about the reason(s) for decrease of intangible assets.

The primary reasons for decrease in Intangible Assets were:

- Consolidated Financial Statements, Joint Operations and Investments in Associates and Joint Ventures

On transition, reclassification of subsidiaries as Joint Venture, i.e., deconsolidation of subsidiaries in

accordance with Ind AS has resulted into significant decrease in intangible assets (primarily due to reversal of goodwill)

- Intangible assets: Fair value model

Decrease has also occurred due to application of fair value measurement for certain Intangible assets as at transition date.

The primary reasons for increase in Intangible Assets were:

- Consolidated financial statements, Joint Operations and Investments in Associates and Joint Ventures

In majority of cases, the increase in intangible assets have been because of recognition of goodwill due to consolidation of subsidiaries under Ind AS, which were not previously consolidated as these did not meet the consolidation criteria as per AS.

- Intangible Assets: Service Concession Arrangements

One of the reasons of increase in intangible assets, mainly in Construction & Building Materials sector is due to application of Appendix A of Ind AS 11 (Service Concession Arrangement). Under Ind AS, the operator shall recognise an intangible asset to the extent that it receives a right (a licence) to charge users of the public service.

- Business Combination: Retrospective application of Acquisition Method of accounting

Under Ind AS, retrospective application of acquisition method of accounting for business combination has resulted in recognition of intangible assets at the acquisition date fair value resulting in increased amounts of intangible assets.

Ind AS Impact on Total Borrowings as on Transition Date (April 1, 2015)

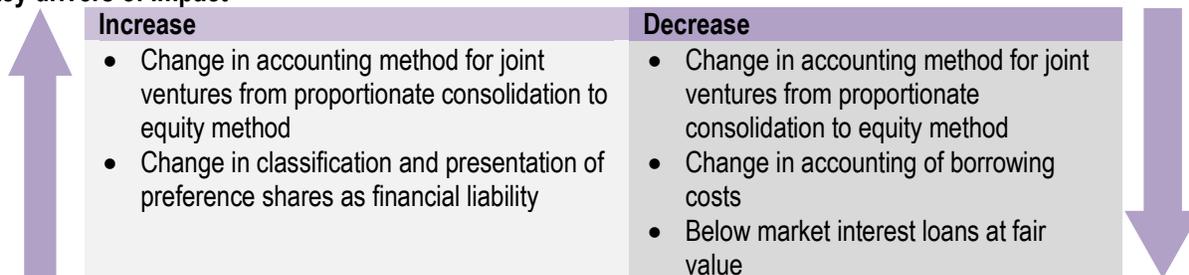
An Overview

(Amount in ₹ Crore)

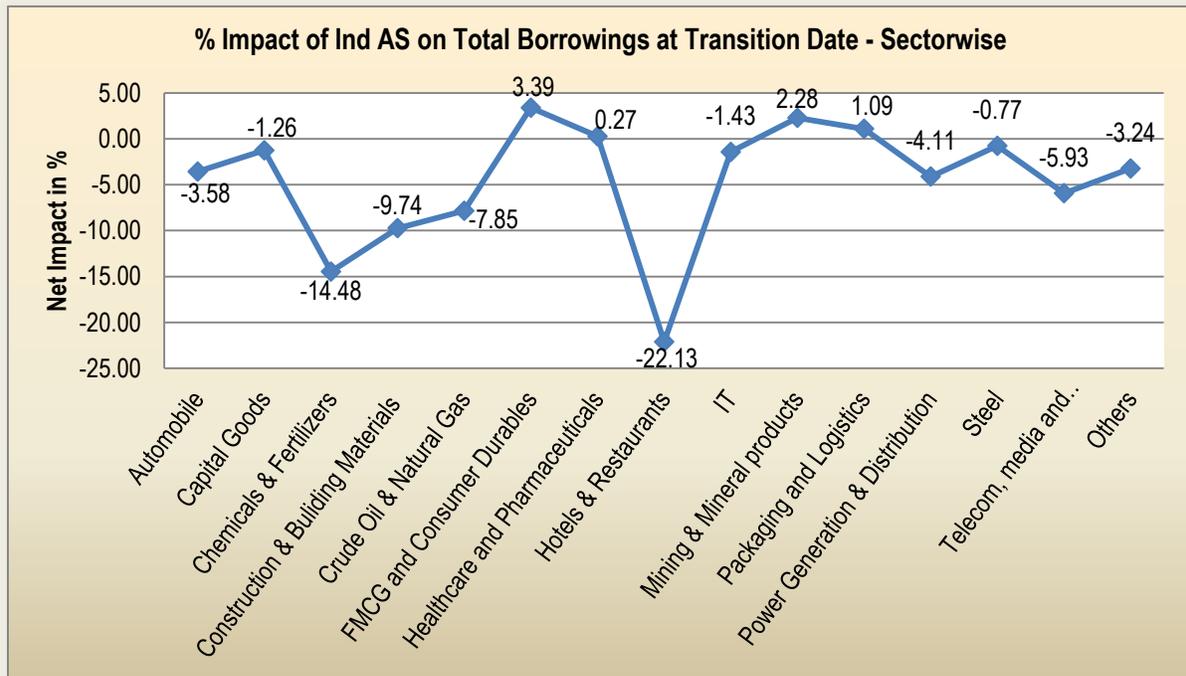
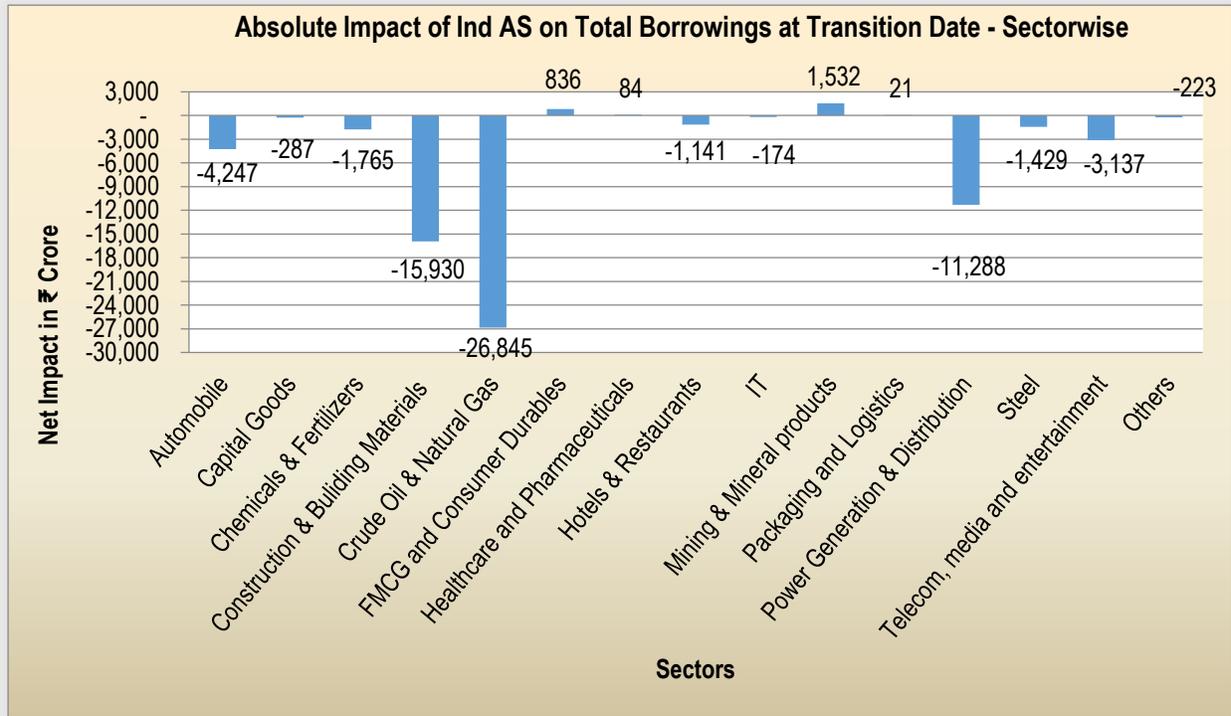
Sectors	No.of Companies	Ind AS Total Borrowings	AS Total Borrowings	Positive Impact		Negative Impact		Net Impact	
				No.of Companies	Amount	No.of Companies	Amount	Amount	%
Automobile	15	1,14,421	1,18,668	4	100	7	(4,348)	(4,247)	(3.58)
Capital Goods	11	22,472	22,760	1	657	5	(944)	(287)	(1.26)
Chemicals & Fertilizers	9	10,427	12,192	1	1	4	(1,766)	(1,765)	(14.48)
Construction & Building Materials	26	1,47,690	1,63,620	9	1,908	17	(17,838)	(15,930)	(9.74)
Crude Oil & Natural Gas	12	3,15,104	3,41,949	2	103	8	(26,948)	(26,845)	(7.85)
FMCG and Consumer Durables	28	25,517	24,682	9	1,117	13	(281)	836	3.39
Healthcare and Pharmaceuticals	16	31,060	30,977	3	327	9	(244)	84	0.27
Hotels & Restaurants	3	4,015	5,156	0	-	2	(1,141)	(1,141)	(22.13)
IT	15	11,972	12,146	4	3	2	(177)	(174)	(1.43)
Mining & Mineral products	2	68,590	67,058	1	1,532	0	0	1,532	2.28
Packaging and Logistics	5	2,001	1,979	1	60	4	(39)	21	1.09
Power Generation & Distribution	7	2,63,377	2,74,665	1	944	5	(12,232)	(11,288)	(4.11)
Steel	6	1,84,333	1,85,763	1	2,725	5	(4,155)	(1,429)	(0.77)
Telecom, media and entertainment	10	49,753	52,890	3	310	6	(3,446)	(3,137)	(5.93)
Others	5	6,680	6,903	1	39	3	(262)	(223)	(3.24)
Total	170	12,57,414	13,21,408	41	9,827	90	(73,821)	(63,994)	(4.84)

Note – No impact of Ind AS on borrowings has been observed for 39 companies.

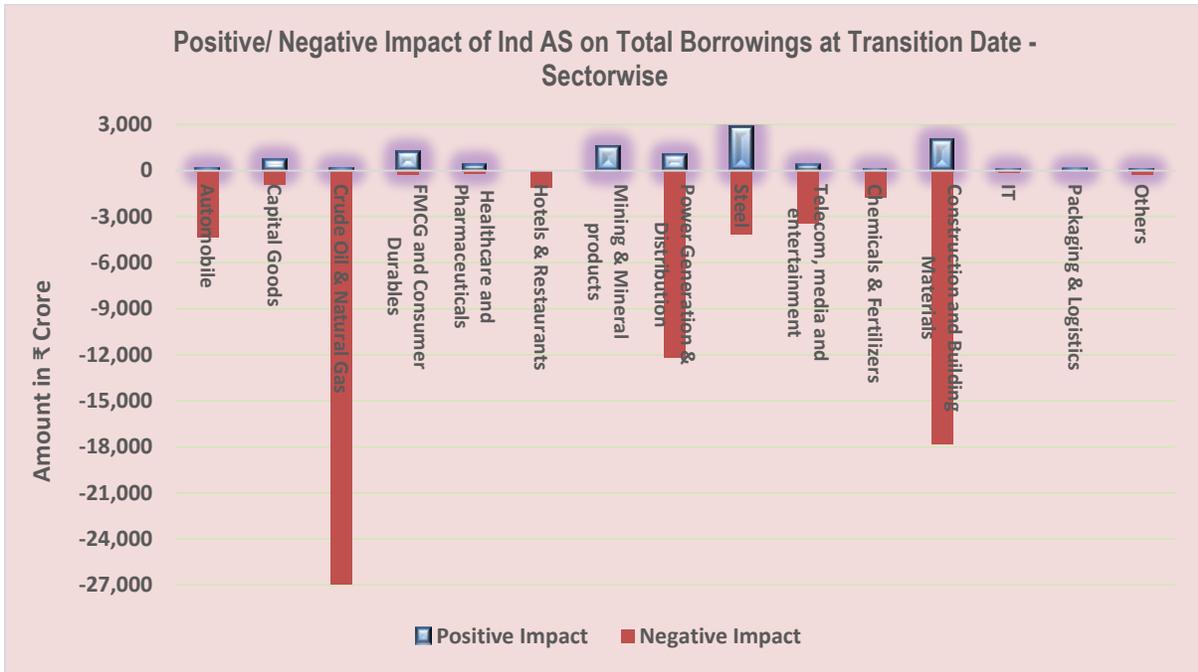
Key drivers of Impact



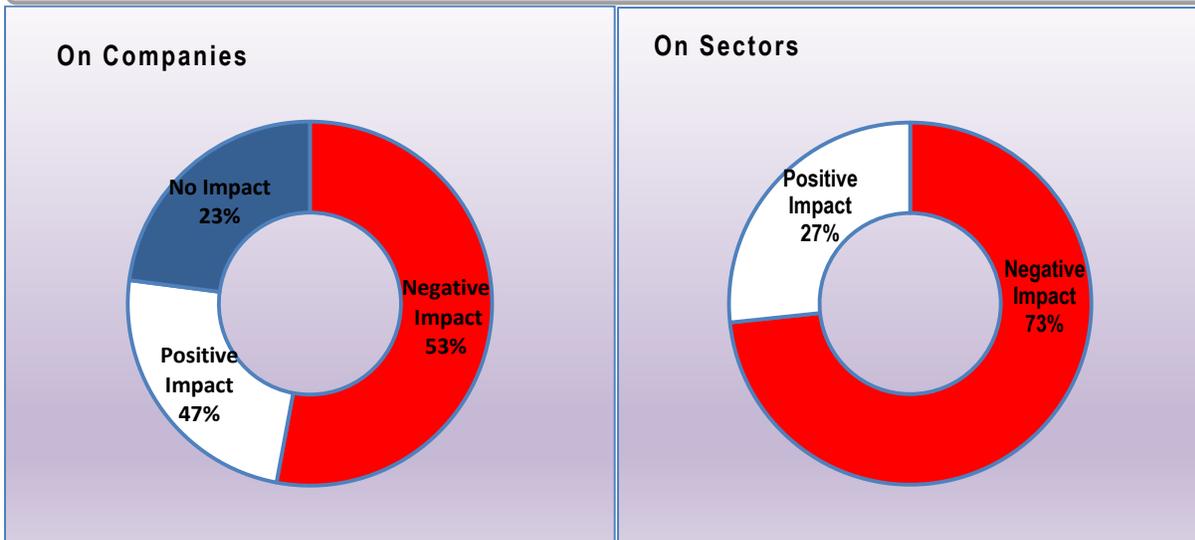
Ind AS: Impact Analysis and Industry Experience



Ind AS Implementation Impact Analysis



Ind AS Impact on Sectors & Companies



Ind AS: Impact Analysis and Industry Experience

Commentary on Ind AS Impact:

Snapshot of Impact:

On an overall basis, there is a net decrease in total borrowings by a large amount of ₹ 63,994 crores which is approximately 4.84% and (3.6%) of total borrowings and balance sheet size reported under AS respectively. All the sectors except FMCG and Consumer Durables, Healthcare and Pharmaceuticals, Mining and Mineral Products and Packaging and Logistics have reported decrease in borrowings under Ind AS. Though, a large number and percentage of companies have also reported increase in borrowings, but the overall size of increase is not significant. However, reduction in borrowings ranges from 0% to 22%.

- In absolute terms, the net decrease is reported to be concentrated (which is approximately 79% of net decrease) in the following sectors:
 - a) Crude oil and natural gas
 - b) Construction and building materials
 - c) Power generation and distribution
- Further, around 70% of the decrease in borrowings is reported by the Public Sector Undertakings.

At individual entity level, the reduction in borrowings ranged from as low as 1% and as high as 100%. In a few cases of substantial decrease in borrowings, the Ind AS transition notes did not disclose adequate reasoning for the same.

The primary causes of decrease in borrowings were:

- **Financial Instruments**
 - Borrowing costs Borrowing costs eligible for inclusion as transaction costs for measuring amortised cost of financial assets were charged to the Statement of Profit and Loss under AS. As on transition date, such costs written off previously are adjusted against Borrowings

resulting in reduction in carrying amount of Borrowings.

- **Accounting for below market interest loans at fair value**

Under AS, Borrowings were recorded at transaction value. Under Ind AS, all financial liabilities are initially measured at fair value.

- **Change in accounting method for joint ventures from Proportionate Consolidation to the Equity method**

Under Ind AS, accounting for investment in joint ventures is based on Equity Method, whereby, net aggregate assets and liabilities are presented as a single line item as carrying amount of investment in Joint Ventures. But, under proportionate consolidation method of AS, items were consolidated on line by line basis. As a result, numbers reported as borrowings under Ind AS have decreased

The primary causes of increase in borrowings were:

- **Change in classification of preference shares**

Under AS, preference shares issued by companies were classified as equity. Under Ind AS, certain classes of preference shares, e.g., redeemable preference shares are classified as financial liabilities.

Ind AS impact on Total Assets at Transition Date (April 1, 2015)

An Overview

(Amount in ₹ Crore)

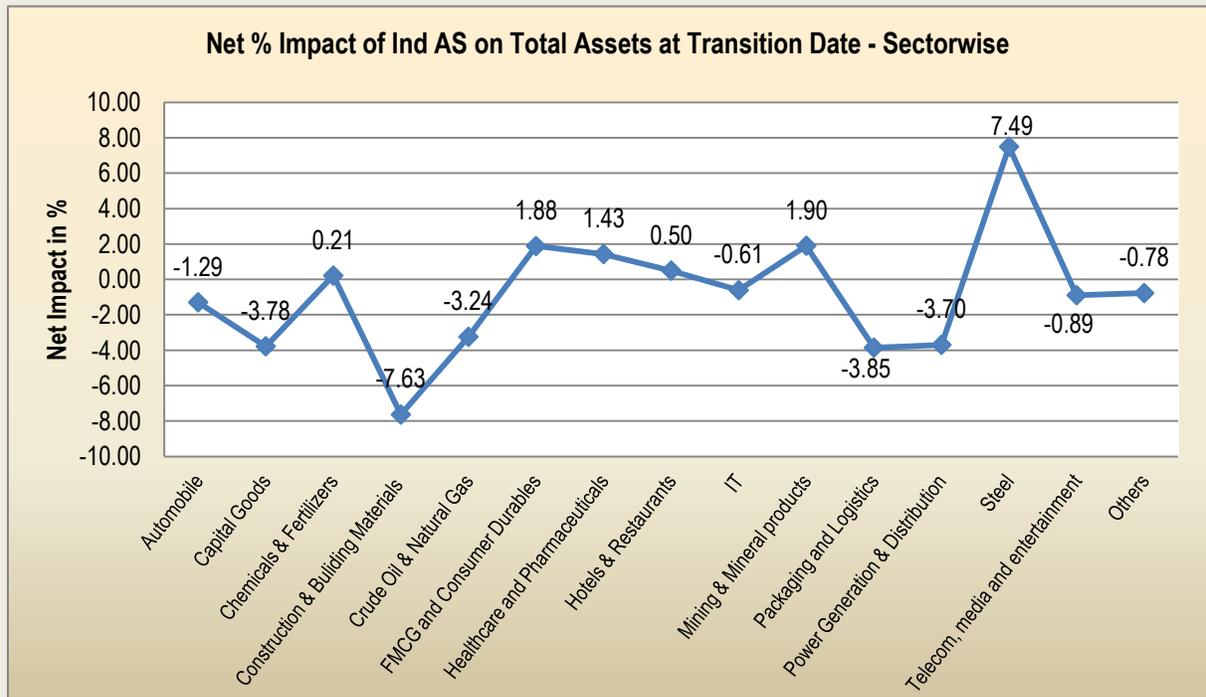
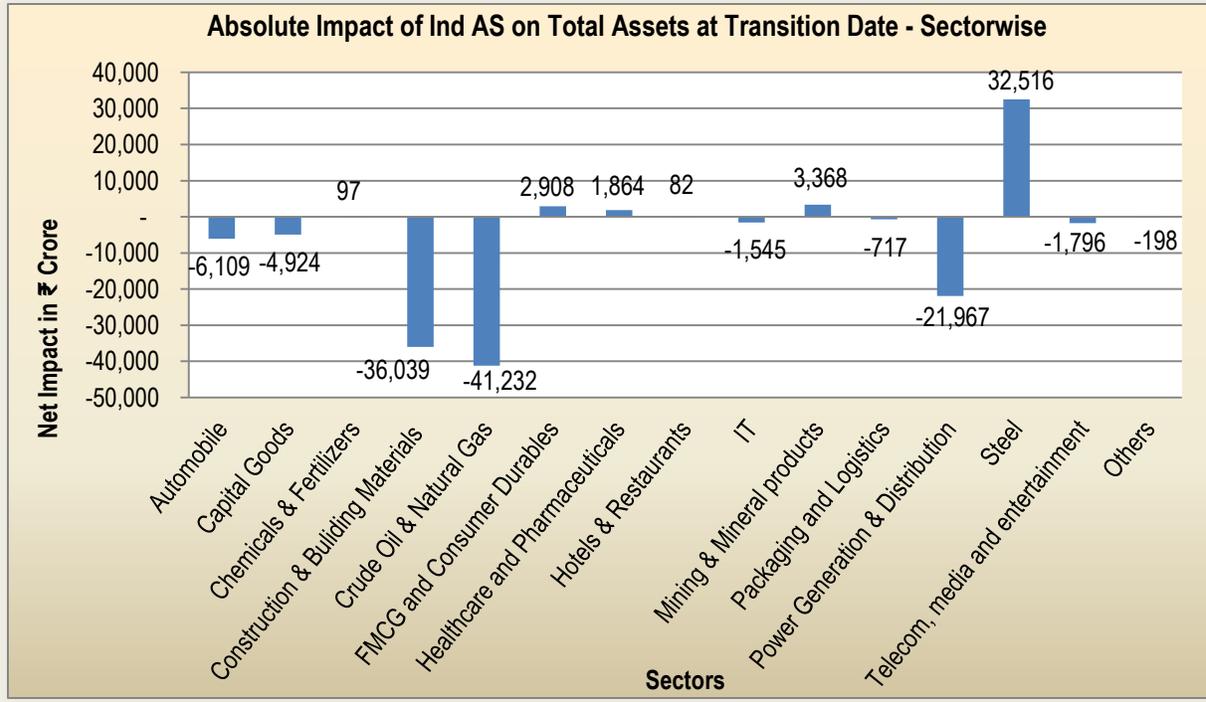
Sectors	No. of Companies	Ind AS Total Assets	AS Total Assets	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of Companies	Amount	No. of Companies	Amount	% Change
Automobile	15	4,65,919	4,72,028	2,948	8	(9,056)	7	(6,109)	(1.29)
Capital Goods	11	1,25,369	1,30,293	639	3	(5,564)	7	(4,924)	(3.78)
Chemicals and Fertilizers	9	45,912	45,815	1,491	4	(1,394)	5	97	0.21
Construction & Building Materials	26	4,36,080	4,72,119	3,564	12	(39,604)	14	(36,039)	(7.63)
Crude Oil & Natural Gas	12	12,29,536	12,70,768	5,393	4	(46,625)	8	(41,232)	(3.24)
FMCG and Consumer Durables	28	1,57,519	1,54,611	3,503	20	(595)	8	2,908	1.88
Healthcare and Pharmaceuticals	16	1,32,357	1,30,494	2,389	9	(525)	7	1,864	1.43
Hotels & Restaurants	3	16,518	16,436	439	1	(358)	2	82	0.50
IT	15	2,51,644	2,53,189	1,462	8	(3,007)	7	(1,545)	(0.61)
Mining & Mineral products	2	1,80,971	1,77,603	3,479	1	(111)	1	3,368	1.90
Packaging and Logistics	5	17,895	18,612	97	2	(815)	3	(717)	(3.85)
Power Generation & Distribution	7	5,72,033	5,94,000	3,184	3	(25,150)	4	(21,967)	(3.70)
Steel	6	4,66,531	4,34,015	34,780	2	(2,265)	3	32,516	7.49
Telecom, media and entertainment	10	1,98,949	2,00,745	2,166	3	(3,962)	7	(1,796)	(0.89)
Others	5	25,255	25,453	29	1	(226)	4	(198)	(0.78)
Total	170	43,22,487	43,96,180	65,562	81	(1,39,256)	87	(73,693)	(1.68)

Note – No impact of Ind AS transition on Total Assets was observed for 2 companies under Capital Goods and Steel Sectors.

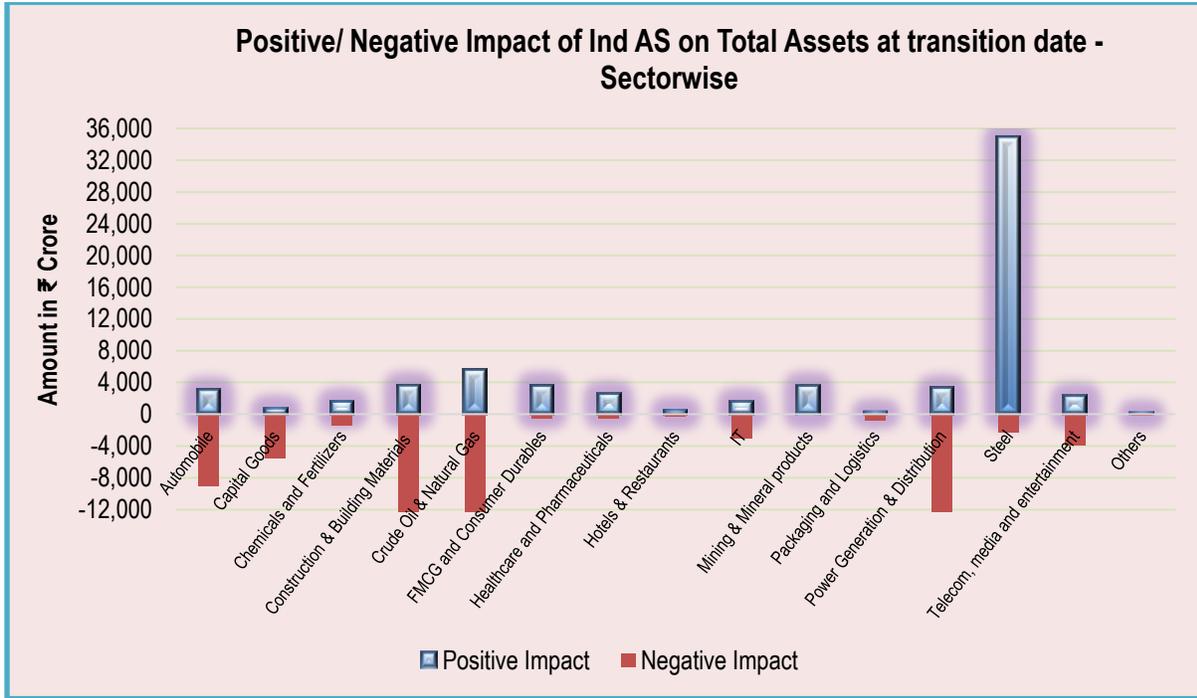
Key drivers of Impact

Increase	Decrease
<ul style="list-style-type: none"> • PPE: Fair value as deemed cost on the transition date • Increase in intangible assets due to recognition of goodwill due to consolidation of subsidiaries • Fair value of financial assets 	<ul style="list-style-type: none"> • Reclassification of subsidiaries as Joint venture, i.e., deconsolidation of subsidiaries in accordance with Ind AS (significant impact due to reversal of goodwill).

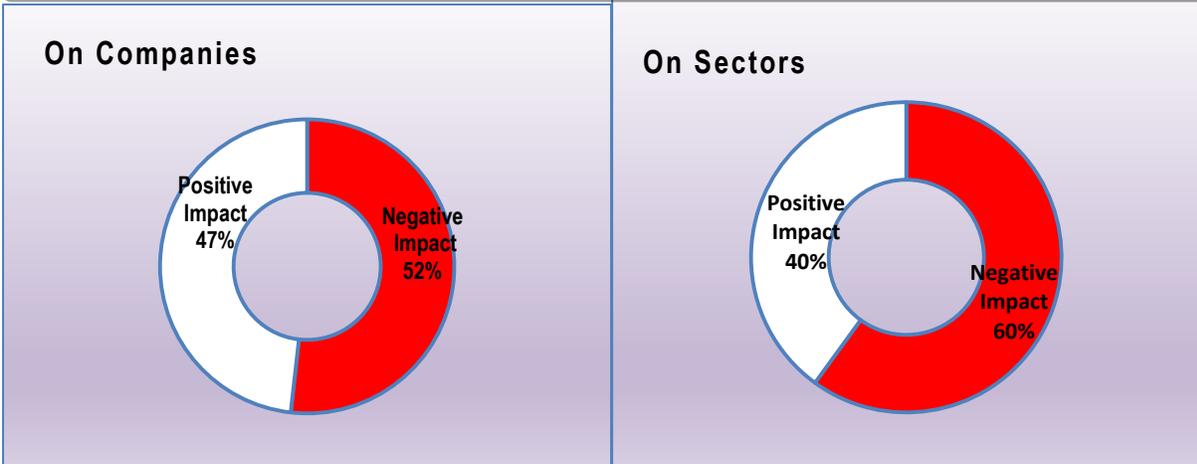
Ind AS: Impact Analysis and Industry Experience



Ind AS Implementation Impact Analysis



Ind AS Impact on Sectors & Companies



Ind AS: Impact Analysis and Industry Experience
Commentary on Ind AS Impact:

Snapshot of Impact:

On an overall basis, there is a marginal net decrease in total assets in percentage terms. However, there is a mixed trend of impact on various sectors. It can be observed that the impact is concentrated in four sectors, viz. Construction & Building Materials, Crude Oil and Natural Gas, Power Generation & Distribution and Telecom, Media and Entertainment. While Steel sector has reported substantial increase (₹32,516 crores), Crude Oil and Natural Gas sector has reported substantially decrease (₹41,232 crores). In percentage terms, highest negative impact (-8%) is reported in Construction and Building Material sector.

The primary reasons for increase in Total Assets were:

- **PPE: Use of fair value as deemed cost on the transition date**
Increase in property, plant and equipment (PPE) due to adoption of fair value as deemed cost resulting in an increase in the carrying value of PPE as compared to the AS.
- **Consolidated Financial Statements**
Increase in intangible assets due to recognition of goodwill due to consolidation of subsidiaries under Ind AS, which were not previously consolidated as per AS and application of Appendix A of Ind AS 11 (Service Concession Arrangement).
- **Financial Instruments**
Under AS, long term investments are measured at cost less provision for other than temporary diminution in the value of investments. In few companies, increase is due to measurement of investments classified as quoted investments and derivatives at fair value.

The primary reasons for decrease in Total Assets were:

- **Reclassification of subsidiaries as Joint venture**
On transition, reclassification of Subsidiaries as Joint Venture, i.e., deconsolidation of subsidiaries in accordance with Ind AS regime (significant impact due to reversal of goodwill) and also due to application of fair value measurement for certain Intangible Assets as at transition date have resulted into significant decrease in intangible assets with corresponding decrease in total assets.
- **Change in the method of accounting for JVs**
Elimination of Property, Plant and Equipment (PPE) of Joint Ventures (JVs) due to change in the method of accounting for JVs to Equity Method from Proportionate Consolidation Method resulting into decrease in carrying value of PPE with corresponding decrease in total assets.

C. Disclosure Analysis

Summary of the analysis

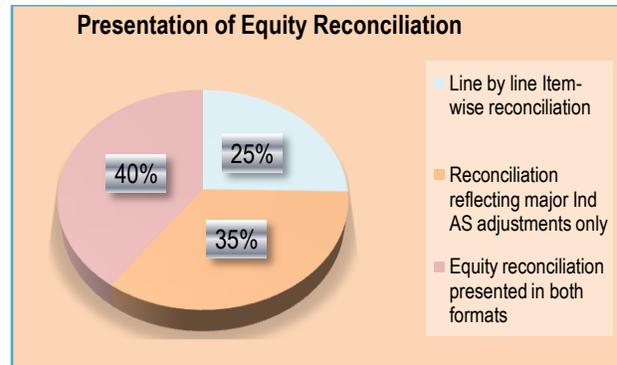
Ind AS 101, *First-time Adoption of Indian Accounting Standards*, prescribes the procedure that an entity is required to follow while adopting Ind AS for the first time. The underlying principle of this standard is that a first-time adopter should prepare financial statements as if it had always applied Ind AS. We have analysed the financial statements of 75 companies who have prepared their first Ind AS financial statements for the period ended 31st March 2017, for which transition date to Ind AS was 1st April, 2015 and the period of comparative financial information was 2015-16.

As required by Ind AS 101, all the analysed companies in their first set of Ind AS financial statements had provided three balance sheets, two statements of profit and loss and OCI, two statements of cash flows, two statements of changes in equity and related notes, including comparative information for all the presented statements. These entities had also presented the required explanation in regard to its transition from Indian GAAP to Ind AS that affected the company's financial position, performance and cash flows for the said period.

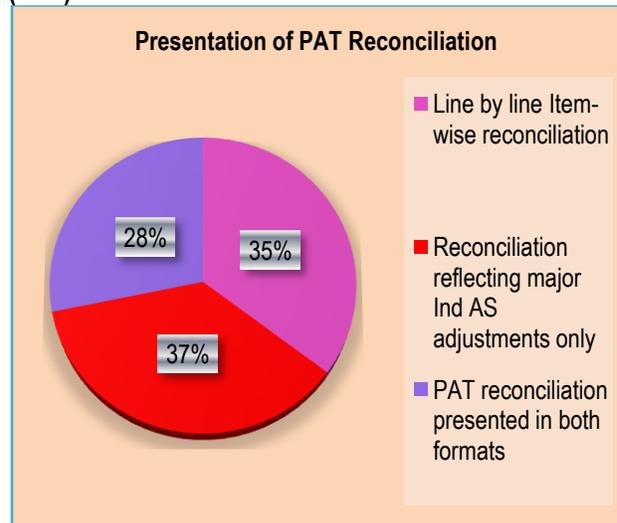
As required by the standard, the companies had provided all the required reconciliations along with requisite explanations of the reconciliations statements. However, it was observed that format of reconciliation statements differed from company to company. Majority of companies have provided reconciliation reflecting major adjustments which have affected the financial statements and few companies have provided line by line reconciliation of Balance Sheet item that has affected the financials prepared under Ind AS. In a few cases of significant impact on Intangibles, Borrowings, disclosures were not comprehensive enough to explain the reasons for material decrease in these balances.

The below chart provides the graphical presentation on the different formats opted by companies to present Equity and PAT reconciliations in its annual report.

Presentation of Reconciliation of Equity



Presentation of Reconciliation of Profit After Tax (PAT)



Ind AS 102, *Share Based Payments*, requires the accounting for share-based payments based on fair value instead of intrinsic value. Ind AS 102 also lays down specific accounting guidance with respect to group share-based payments and requires recording of

Ind AS: Impact Analysis and Industry Experience

expense when employees receive share based payments under a group share-based payment plan. Majority of companies had reported share based payments transition in the form of employee stock option. Most of the disclosure requirements of Ind AS 102 have been compiled by the reviewed companies except that for the share options outstanding during the period, companies have not divided the outstanding options into ranges that are meaningful for assessing number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options, if the range of exercise prices is wide.

Ind AS 103, *Business Combination*, requires accounting for business combination by applying acquisition method. 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). Ind AS 103 prohibits the amortization of goodwill and requires to be tested for impairment annually. Out of the companies covered for analysis of disclosures, 15% companies had business combinations during the year and the information has been disclosed in accordance with Ind AS 103. All the companies covered under review except two companies have opted for the exemption available under Ind AS 101 not to apply Ind AS 103 retrospectively to past business combinations. Two companies which had opted retrospective application of Ind AS 103, had recognised the assets and liabilities acquired in a business combination at fair value on the date of acquisition with corresponding impact in Goodwill.

Ind AS 108, *Operating Segments*, requires segments to be identified and reported based on the measure reported to the chief operating decision maker (CODM). The approach to identify the segments has considerably changed under Ind AS 108 vis-a-vis AS 17. However, it was observed that out of the companies covered in the analysis, 80% companies reported no change in the segment reporting and only 10% companies reported

changes in the segments presented. 20 companies stated that they have single reportable segment, however, it was observed that they did not report entity-wide-disclosures which is required by the Ind AS 108 even they have single reportable segment.

Ind AS 109, *Financial Instruments*, considered as a complex and challenging standard, was decided to be implemented in India ahead of global implementation date of IFRS 9. Ind AS 109 addresses the various critical recognition and measurement aspects over the entire life-cycle of a financial instrument. The Standards' prescription can be broadly segregated into following components:

- Recognition & De-recognition
- Classification and Measurement Approaches: Amortised Cost, Fair Value through Profit or Loss, Fair Value through Other Comprehensive Income
- Hedge Accounting
- Impairment Loss: Expected credit loss method

As expected, Ind AS 109 was one standard that had an impact on the majority of the companies covered in the study.

Ind AS 32, *Financial Instruments: Presentation*:

This Standard covers certain critical aspects such as, Classification of financial Instruments into 'Equity' and 'Financial Liability', Compound Financial Instruments; off-setting of financial assets and financial liabilities. Apart from these the Standard covers the definition of certain fundamental terms.

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.

Ind AS 113, Fair value measurement:

Another important and complicated area in implementing Ind AS is Ind AS 113. Fair Valuation is also considered as a fundamental concept forming the underlying basis for the Ind AS framework. Financial instruments along with fair valuation are amongst the top significant areas of adjustment accompanied by extensive changes to the disclosures in the notes arising from Ind AS implementation.

In relation to financial instruments and fair valuation, our analysis for disclosures requirements focused on the four major areas of the standards, viz., Fair Value Measurement, Financial Risk Management, Hedge Accounting, and General disclosures. The observations from the analysis are as below:

- Quantitative disclosures required by Ind AS 113 have been presented in meaningful format by all the companies covered under analysis. However, for fair value measurements categorised within Level 3 of the fair value hierarchy, quantitative information about the significant unobservable inputs and its effect on profit or loss or other comprehensive income require improvement.
- Sensitivity Analysis for different types of risks such as Foreign Exchange Risk, Market Risk, Liquidity Risk etc. was not clearly stated.

- Information about Expected Credit Loss (ECL) Method and techniques used in recognising and measuring the ECL needed improvement.
- Disclosure about the nature, quality and quantitative information about collaterals held as security is not provided and it was felt that disclosures with regard to use of Expected Credit Losses (ECL) and forward looking information used in determination of ECL need to be improvised significantly. Further, a reconciliation of the impairment loss allowance by class of financial instrument from opening to closing balance was not provided by most of the companies.
- Hedge Accounting disclosures generally did not adequately cover aspects such as how hedge ratio is established, sources of hedge ineffectiveness, economic relationship between hedged item and the hedging instrument and how hedging activities may affect the amount, timing and uncertainty of future cash flows. Location of disclosures in single place would enhance the quality and utility of disclosures. It was felt that improvement can be achieved on presentation of relevant disclosures in a single note or adequate cross referencing of notes.

Ind AS 112, Disclosure of Interests in Other Entities: Ind AS framework recognises the significance of disclosures and in certain areas an entire Standard is dedicated to disclosures. One of such standards is Ind AS 112 which deals solely with disclosure requirements to enable users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows. Compiling of these disclosures requires entities to maintain information that was not maintained under previously followed standard. On analysis of financial statements of companies, it was experienced that the entities need to be geared-up to provide disclosures under this standard. As required by the standard, entities need to provide the detailed disclosures with regard to its interests in other entities.

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Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, prescribed 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. As required by the standard, all the companies analysed by us had provided the requisite information on initial application of Ind AS that has an effect on the current or any prior period providing the title of the Ind AS, when applicable, a description of the transitional provision, and details for each financial statement line item affected. The analysed companies had also stated that there was no change in estimates and prior period errors.

However, it was observed that format selected by companies providing “details for each financial statement line item affected” differed from company to company

Ind AS 8 also requires that when an entity has not applied a new Ind AS, which has been issued but is not yet effective, the entity must disclose this fact and also state the impact the new Ind AS will have on the entity’s financial statements in the period of initial application.

In our observation that of majority companies have disclosed this fact about two Ind AS issued (Ind AS 7, *Statement of Cash Flows* and Ind AS 102, *Share-based payment*) and about 85% companies stated that they were in the process of evaluating the impact of the application of these two new Ind AS.

Ind AS 11, *Construction Contracts*, prescribes the accounting treatment of revenue and costs associated with construction contracts in the financial statements of contractors. Out of the companies analysed, 99% companies have complied with key disclosure of the Standard, viz., complete details of the construction contracts undertaken by the companies, the amount of contract revenue recognized in the period, methods used to determine the contract revenue and the methods used

to determine the stage of completion of contracts in progress.

Existing AS 7 does not deal with accounting for Service Concession Arrangements whereas Appendix A of Ind AS 11 provides guidance on the accounting by operators for public-to-private service concession arrangements and Appendix B of Ind AS 11 deals with disclosure requirements of service concession arrangements. We observed that companies have complied disclosure requirements by providing a description of the said arrangement giving out significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows as prescribed by standard. Companies under analysis (operators) have also specified the amount of revenue and profits or losses recognized in the period on exchange construction services for a financial asset or an intangible asset as required by standard.

Ind AS 12, *Income Taxes*, as compared to AS 22, is based on the Balance Sheet Liability method which focuses on Temporary Differences. On our analysis of the selected companies with regard to the applicability of Ind AS 12, we have observed that all the companies had correctly disclosed the required major components of tax expense (income). Almost all the companies (99%) have provided an explanation of the relationship between tax expense (income) and accounting profit by providing either a numerical reconciliation between tax expense (income) of accounting profit multiplied by applicable tax rate(s) or a numerical reconciliation between the effective tax rate and the applicable tax rate. Wherever applicable, the companies have also mentioned the amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the Balance Sheet.

As required by the standard the companies having discontinued operations had mentioned the tax expense relating to gain/loss on discontinuance and profit or loss from the ordinary activities of the discontinued operation

for the period, together with the corresponding amounts of each prior period.

Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*, is based on the concept of functional currency and lays down specific criteria to determine the functional currency of an entity. Out of the companies analysed, 99% companies had clearly stated their functional currency and presentation currency as required by the standard. For these analysed companies, both the Functional as well as the Presentation Currency was observed to be the same.

Ind AS 24, *Related Party Disclosures*, prescribes various disclosures to be made by an entity regarding its associate, subsidiaries or joint venture which are termed as related parties to ensure that an entity's financial statement reflect the effect on its financial position and profit or loss due to related parties and by transactions and outstanding balances, including commitments with such parties. The entity is required to consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of transactions. About 24% companies did not disclose whether the related party transactions were made on terms that prevail in an 'arms length transactions which is a major reporting requirement and such transactions are substantive.

Ind AS 33, *Earnings per Share*, specifically requires entities to present its Basic and Diluted earnings per share from continuing and total operations with equal prominence in the Statement of Profit and Loss for each class of ordinary shares. Earnings per share (EPS) is a ratio widely used by the financial analysts, investors and others to gauge an entity's profitability and to value its shares. Separate EPS figures for discontinued operations are required to be disclosed in the same statement or in the notes. All the companies under review had stated the Basic and Diluted EPS from

continuing and discontinued operations. Few companies have also disclosed Basic and Diluted EPS from operations including regulatory deferral account balances & Basic and Diluted EPS from operations excluding regulatory deferral account balances. Also, the companies had disclosed the Profits attributable to the equity shareholders and the weighted average number of ordinary shares for calculating the EPS.

Ind AS 36, *Impairment of Assets*, requires impairment test for assets-current and non-current, so as to ensure that they are not overstated on the balance sheet. The basic principle of impairment is that an asset should not be carried on the balance sheet above its recoverable amount. Recoverable amount is defined as the higher of the asset's fair value less costs of disposal and its value in use. Fair value less costs of disposal is the price that would be received to sell upon disposal of an asset in an orderly transaction between market participants at the measurement date, less costs of disposal.

As required by Ind AS 36, the companies with impaired assets had disclosed the amount of impairment losses/ reversal of impairment losses (if any) for each class of asset in the statement of profit and loss. It was observed that the companies having impairment losses stated the relevant events/ circumstances that led to the recognition/ reversal of impairment losses during the period for an individual asset or CGU as required by Ind AS 36. Also the companies had disclosed the amount of impairment losses/ reversals in the statement of profit and loss for each reportable segment.

Under 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 combinations from which it arose.

Ind AS 40, *Investment Property*, requires all the entities to disclose the fair value of its investment properties even though they are measured using the cost model.

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Investment property is property (land or a building, or part of a building or both) held by an entity to earn rentals and/or for capital appreciation. Thus, the characteristics of these properties differ significantly from the owner-occupied properties. Initial measurement of investment property will be at cost. Subsequent measurement of investment properties is to be carried at cost less accumulated depreciation and accumulated impairment losses (if any). Of the 75 companies reviewed, all the companies to which Ind AS 40 is applicable had prescribed the disclosure as per Ind AS 40, for the method of depreciation adopted; the gross carrying amount and the accumulated depreciation at the beginning and end of the period; reconciliation of the carrying amount of the investment property at the beginning and end of the period; and fair Value of the Investment Property held.

The Standard also requires disclosures of the criteria which the entity used to distinguish the investment property from owner-occupied property and from property held for sale in the ordinary course of business when classification is difficult. All the relevant companies under review have disclosed accounting policy for measurement of investment property as prescribed by standard.

As required by standard, all the companies to which Ind AS 40 is applicable have clearly stated the fact that fair values are determined based on the evaluation performed by an accredited external independent valuer applying a recognized and accepted valuation model or estimation based on available sources of information from market. Companies have disclosed rental income from investment property. However, few companies did not disclose the amounts pertaining to direct operating expenses (including repairs and maintenance) relating to investment property that generated rental income and that did not generate rental income during the period as prescribed by standard.

D. Ind AS 101, First-time Adoption of Indian Accounting Standards: Exemptions Analysis²**Key Exemptions availed by First-time Adopters**

Sl No.	Sectors	No. of Companies	PPE/Intangible Assets-CV	PPE/Intangible Assets-FV	Equity at FV/TOCI	Leases	Business Combinations	Share based Payments	Financial Instruments - FV	Service Concession Arrangements	Investment in subsidiaries, JV & Associates-FV	Investment in subsidiaries, JV & Associates-CV	Long-term foreign currency monetary items	Foreign Currency Translation Reserve	Decommissioning Liabilities
1	Automobile	15	11	1	8	7	9	2	-	-	-	9	4	5	1
2	Capital Goods	11	9	1	2	7	6	3	-	-	-	6	1	2	-
3	Chemicals and Fertilizers	9	8	-	2	3	5	1	1	-	-	6	2	2	-
4	Construction & Building Materials	26	23	2	5	7	19	7	4	2	-	17	9	7	3
5	Crude Oil & Natural Gas	12	11	-	8	5	8	2	6	2	-	10	6	4	4
6	FMCG and Consumer Durables	28	25	1	9	13	21	9	1	-	-	19	4	10	-
7	Healthcare and Pharmaceuticals	16	12	1	6	9	14	7	1	-	-	7	4	8	-
8	Hotels & Restaurants	3	2	-	-	1	3	1	-	-	-	2	1	2	-
9	IT	15	12	-	4	3	12	11	1	-	-	6	-	5	-
10	Mining & Mineral products	2	1	-	1	1	2	1	1	-	-	1	-	1	2
11	Others	5	5	-	3	2	3	2	1	-	-	4	1	1	1
12	Packaging and Logistics	5	5	-	1	2	1	-	-	-	-	2	-	1	-
13	Power Generation & Distribution	7	5	2	5	7	3	1	2	1	-	3	6	3	1
14	Steel	6	4	2	4	4	4	2	1	-	-	4	4	-	1
15	Telecom, media and entertainment	10	6	1	3	4	10	6	-	-	-	8	4	2	1
	Total	170	139	11	61	75	120	55	19	5	-	104	46	53	14

Of the 170 companies reviewed, 139 companies have elected exemption under Ind AS 101 to carry forward previous carrying value of Property, Plant and Equipment (PPE) as deemed cost and 11 companies have elected to apply fair value at transition date as a deemed cost. Carrying Value of PPE of these companies is in the range of 5% to 83% of total assets as at transition date.

² Please refer Appendix C for details of Ind AS 101 exemptions

IV. Industry Experience

A. Ind AS implementation questionnaire³

As a part of the effort to document and analyze this mega transition to a high quality globally acceptable financial reporting framework, Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) undertook a survey to assess the impact of adopting IFRS-converged Ind AS. In this regard, the ASB adopted the 'Questionnaire Survey' approach to gauge the industry perspective. The questionnaire covered questions pertaining topics such as quality and transparency of Ind AS financial statements, implementation challenges, issues and way forward and other Standard specific issues. The questionnaire was sent to large number of companies in varied sectors for their valuable response and feedback on Ind AS implementation experiences. Responses were received from 24⁴ companies belonging to different sectors, viz., Aircrafts, Cement and Allied Products, Energy, FMCG, IT, Real Estate, Retail, Telecom, Travel and Forex, Chemical, Manufacturing and Construction, etc. Of the companies that responded, 87.5% companies were listed, 41.7% companies had net worth more than 10,000 crores and 50% companies had net worth more than 500 crores but less than 5,000 crores

One of the objectives of this survey was to guide the future course of action regarding continuation of carve-outs and the path andtowards full convergence with IFRS Standards. It was intended to get purposeful and meaningful insights as well as to get in-depth hands-on and practical understanding of the impact of transition.

Part B of this chapter contains company specific experience and commentary by a few companies.

1. Summary of Feedback received

³ Please refer questionnaire at Appendix B.

⁴ Analysis has to be read in the context of inherent limitations of small sample size.

With regard to Quality and Transparency of Ind AS, following is the summary of feedback received:

- a) Around 75% companies perceived the following tangible benefits on applying Ind AS:
 - Robust accounting framework for preparing financial statements
 - Improved access to global capital markets
- b) Around 50% companies expect to realize or start observing the tangible benefits after 2 years of implementation.
- c) 45.8% companies believe that Ind AS are very effective in reflecting the economic substance of the business transactions on a fair and transparent basis.
- d) 50% companies believe that implementation of Ind AS has made company's financial statements significantly more transparent (e.g. in terms of quantity, quality and the usefulness of accounts and disclosures) than they were before mandatory adoption.
- e) Around 70% companies gave good overall opinion of the quality (transparency, understandability, relevance, reliability and comparability) of financial statements prepared by Indian Companies under Ind AS.
- f) Accounting disclosures on Financial Instruments, Consolidation and Business Combination, Revenue, Share-based Payments have improved significantly as a result of implementation of Ind AS.
- g) 63% companies believe that financial statements under Ind AS Framework become moderately complex to understand.

With regard to Implementation Challenges, Issues and Way Forward, following is the summary of feedback received:

- a) 74% companies believe that carve-out pertaining to paragraph D7AA of Ind AS 101 will have major challenge in asserting equivalence of Ind AS to IFRS Standards.

- b) 50% companies believe that it is practical to track the effect of carve out in Ind AS 101 – D7AA (PPE deemed cost option) and determine the timing when its effect is not material and hence Ind AS 16 accounting is equivalent to IAS 16.
- c) 65% companies believe that options available for alternative accounting treatments under Ind AS impact the comparability of financial statements.
- d) 54% companies believe that approach of eliminating certain optional alternative accounting treatments available under IFRS Standards (e.g. Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance) is appropriate.
- e) 50% companies believe that Ind AS policy to not allow 'Early Adoption' option is appropriate.
- f) 42% companies believe that carve-outs made in Ind AS may diminish the acceptability of Ind AS financial statements at the global level.
- g) 71% companies believe that carve-outs should be removed immediately.
- h) 79% companies believe that the net worth is materially impacted by Ind AS implementation.
- i) 54% companies believe that Ind AS implementation has affected their business model and operations e.g. product structures, pricing, contractual arrangements significantly.
- j) 62% companies believe that Ind AS implementation has affected their corporate governance and control processes significantly.
- k) 67% companies believe that Ind AS implementation has affected functions other than Finance and Accounting moderately.
- l) 67% companies believe that the lead time required for Ind AS implementation is one year.
- m) 96% of companies believe that effectiveness of efforts made by ICAI in supporting and guiding stakeholders in Ind AS implementation is either good or very good.

With regard to Standard Specific Issues in Ind AS implementation, following feedback was received:

- a) Following accounting requirements have been reported by companies to be complex to understand and implement:

Ind AS 109- Financial Instruments

- Impairment- Expected Credit Loss Model
- Amortised Cost and EIR for floating rate instruments
- Hedge Accounting
- Embedded Derivatives

Ind AS 32- Financial Instruments-Presentation

- Compound Instruments
- Puttable instruments

Ind AS 113- Fair Value Measurement

- Unquoted Equity Instruments
- Unobservable inputs and their significance
- Inter-group Loans and Other Items with certain maturity date
- Biological Assets
- Application of Management Judgement

Ind AS 101 – First Time Adoption of Indian Accounting Standards

- Recognition of transition adjustments in Retained Earnings or Other Component of Equity
- Adjustments arising from other Ind AS when deemed cost or fair value options are chosen
- Deemed cost option for Investment in Subsidiaries, Associates and Joint Ventures
- Impairment for Non-Financial items

Ind AS 103 – Business Combinations

- Common control business combinations
- Share based payment transactions

Ind AS 110-Consolidated Financial Statements

- Assessing control
- Substantive rights vs. Protective Rights
- Special cases (Franchisees, SPV, Control with multiple entities)

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

- Export incentives- Classification into Revenue and Asset Related Grants

Ind AS 11, Construction Contracts & Ind AS 18, Revenue

- Segregation of transaction into separately identifiable components

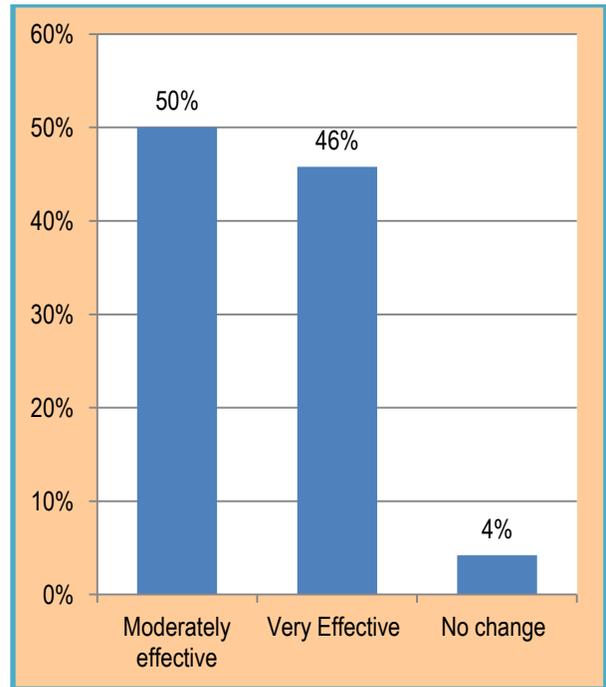
Ind AS: Impact Analysis and Industry Experience

- Service Concession Arrangements
- Measurement of Revenue based on Fair Value consideration

Ind AS 12, Income Taxes

- Unused Tax Credits-Lack of definition of tax Credit
- Deferred Tax Assets and Deferred Tax Liability recognition of entities under Minimum Alternative Tax for long period of time
- Recognition of tax in Statement of Profit and Loss and Statement of Changes in Equity, i.e., Dividend Distribution Tax

- b) 76% companies believe that the principle laid down in Ind AS 103 and Ind AS 36 that goodwill acquired in a business combination is not amortized but tested for impairment periodically for recognition of impairment loss, if any, is appropriate.
- c) Financial Instruments accounting has significantly impacted the financial results of company.
- d) 71% companies believe that situations of gain arising on bargain purchase business combination accounting are very rare.



- ii) Which area/areas of Accounting Disclosure have improved significantly as a result of implementation of Ind AS?

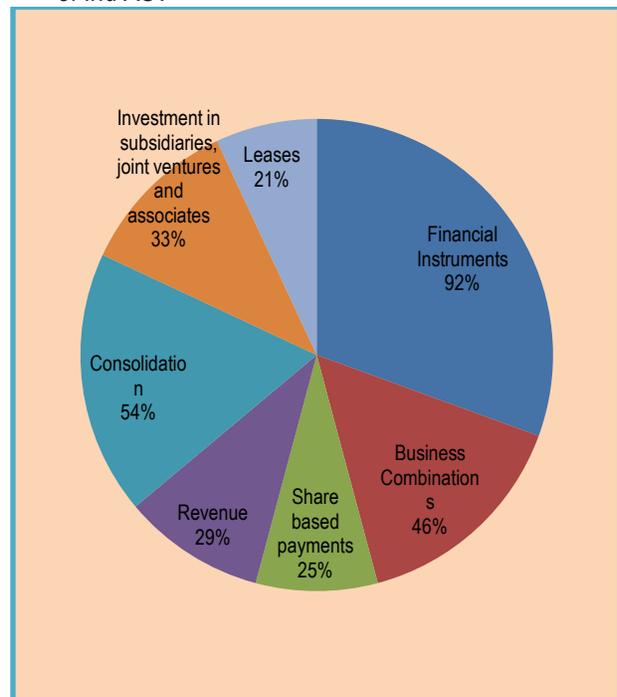
Other feedback: Following areas should be aligned with the requirements enunciated under Ind AS:

- Requirements of Companies Act, 2013
- Computation of book profit for MAT calculation
- Income Computation And Disclosure Standards
- Acquisition date under court approved schemes

2. Detailed Analysis – including the questions covered

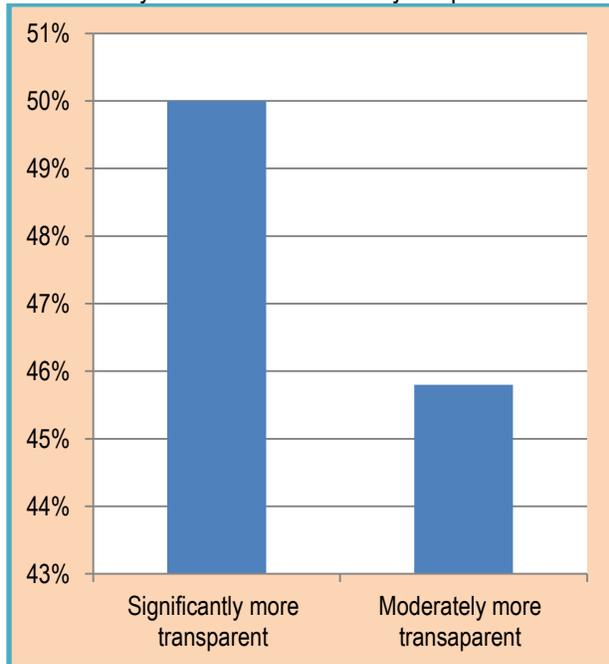
Quality and transparency of Ind AS Financial Statements

- i) How effective are Ind AS in reflecting the economic substance of the business transactions on a fair and transparent basis?

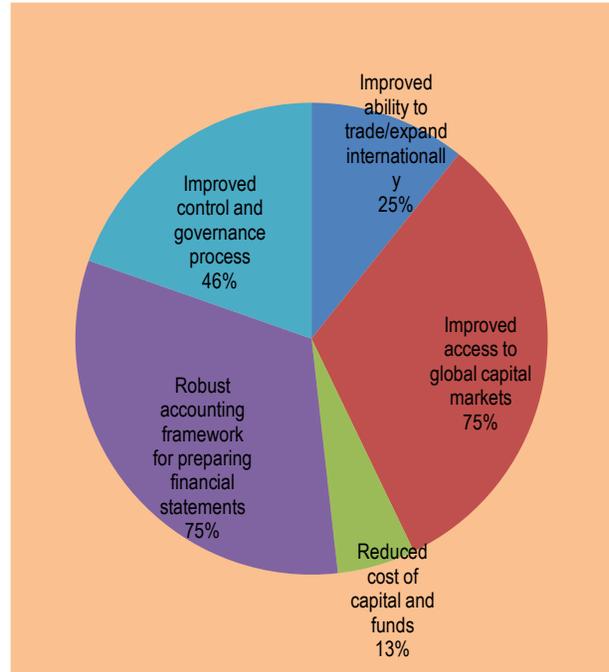


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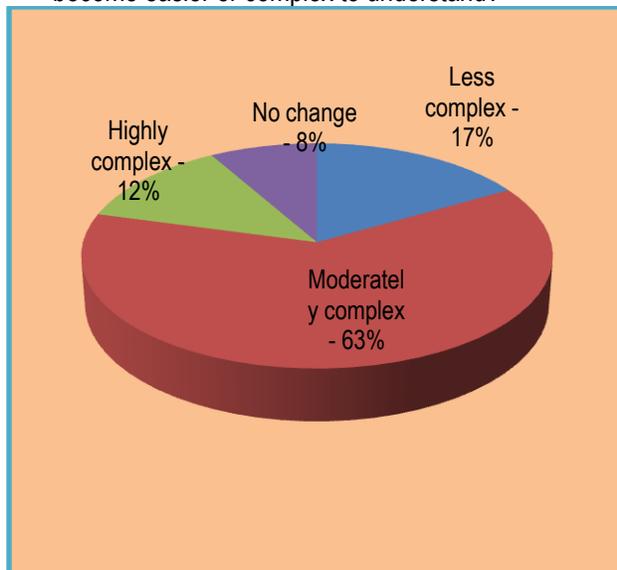
iii) In your view/experience, whether implementation of Ind AS has made company's financial statements more transparent (e.g. in terms of quantity, quality and the usefulness of accounts and disclosures) than they were before mandatory adoption?



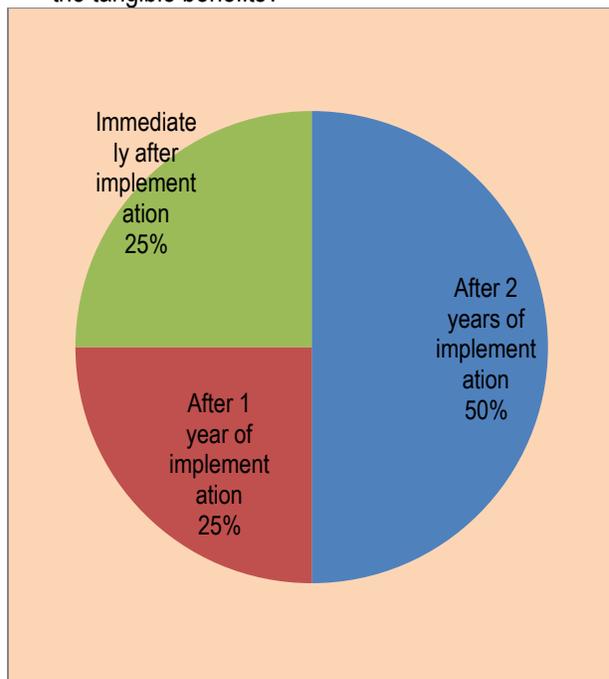
v) What tangible benefits do you foresee by applying Ind AS?



iv) Have financial statements under Ind AS Framework become easier or complex to understand?

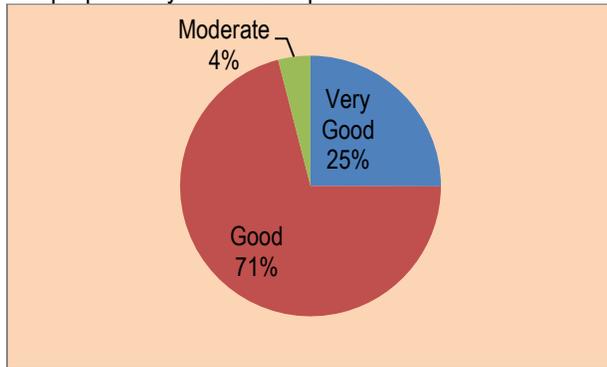


vi) When would you expect to realize or start observing the tangible benefits?

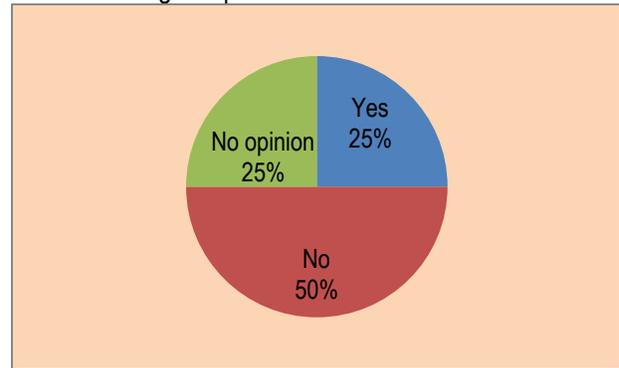


Ind AS: Impact Analysis and Industry Experience

vii) What is your overall opinion of the quality (transparency, understandability, relevance, reliability and comparability) of financial statements prepared by Indian Companies under Ind AS?

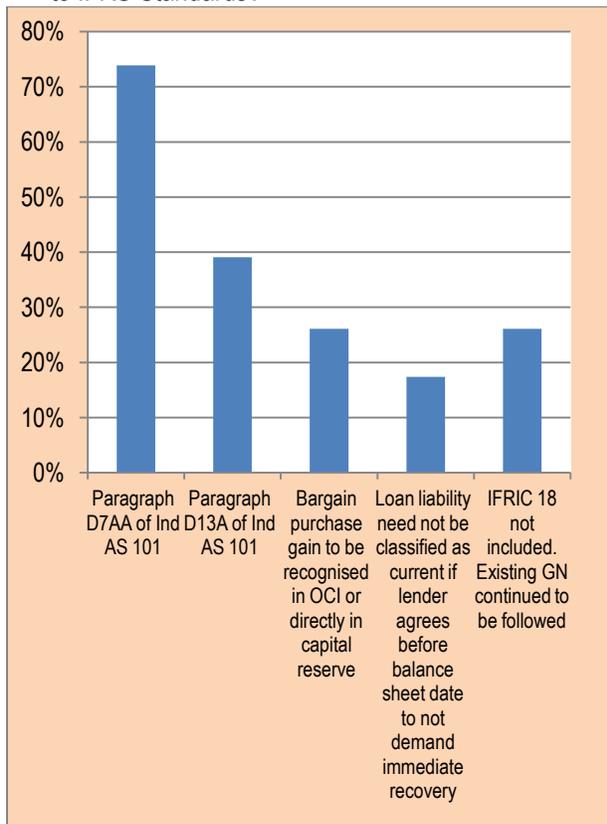


ii) In your view/experience, is it practical to track the effect of carve out in Ind AS 101 – D7AA (PPE deemed cost option) and determine the timing when its effect is not material and hence Ind AS 16 accounting is equivalent to IAS 16?

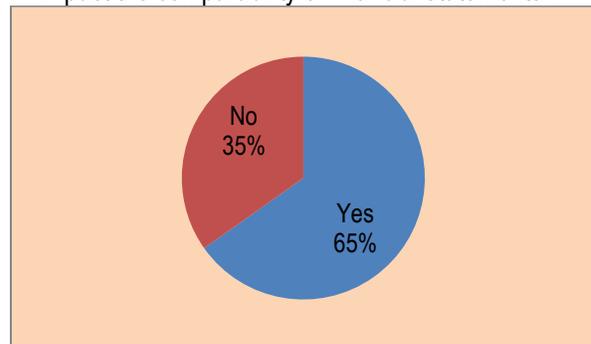


3. Implementation Challenges, Issues and Way Forward

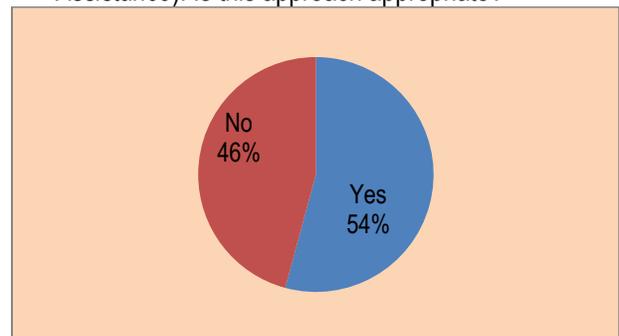
i) In your view, which of the following carve outs have major challenge in asserting equivalence of Ind AS to IFRS Standards?



iii) In your opinion, do the options available for alternative accounting treatments under Ind AS impact the comparability of financial statements?

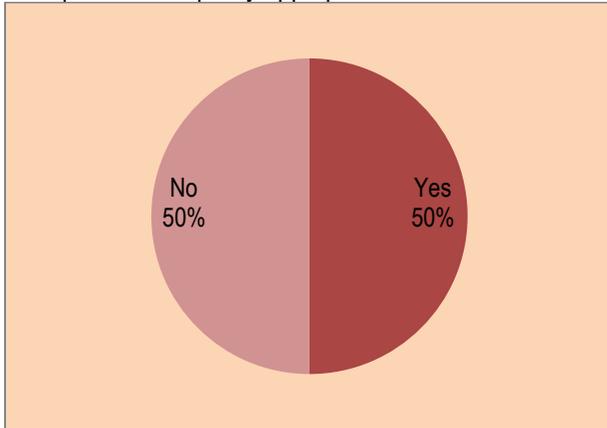


iv) Ind AS have eliminated certain optional alternative accounting treatments available under IFRS Standards (e.g. Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance). Is this approach appropriate?

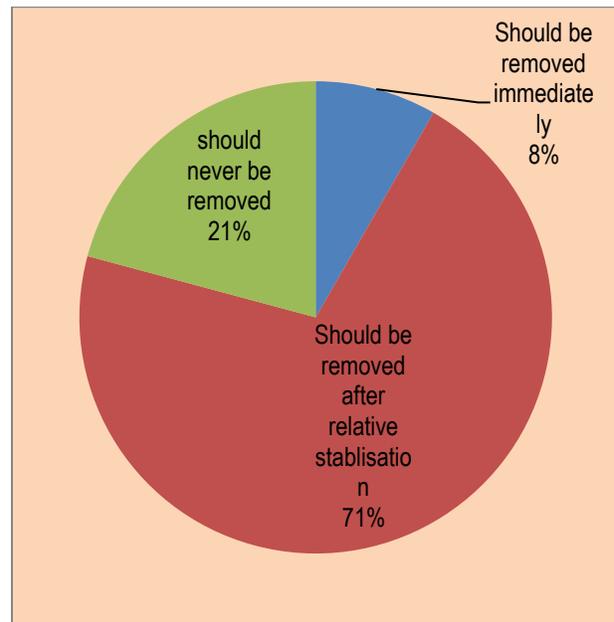


Industry Experience

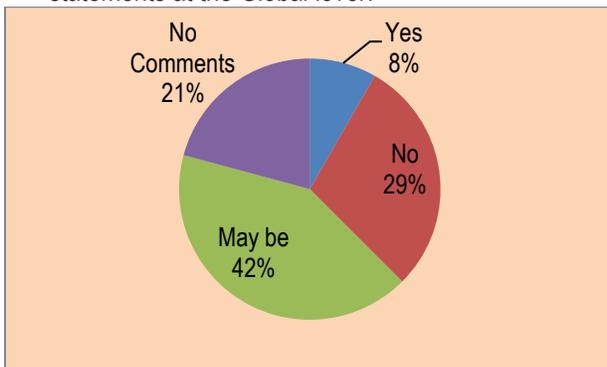
v) Unlike IFRS Standards, new Ind AS and amendments to Ind AS do not allow 'Early Adoption' option. Is this policy appropriate?



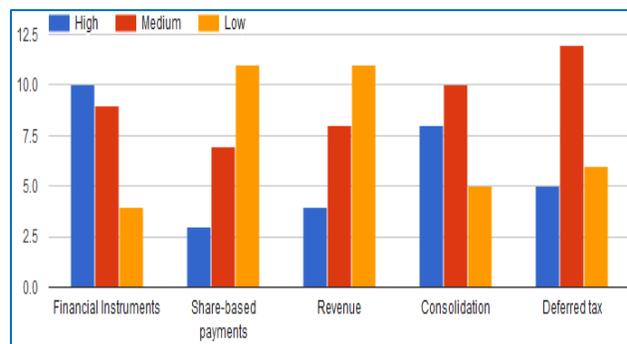
viii) In your opinion, what is the way forward in respect of the carve outs granted under Ind AS from the perspective of full convergence with IFRS?



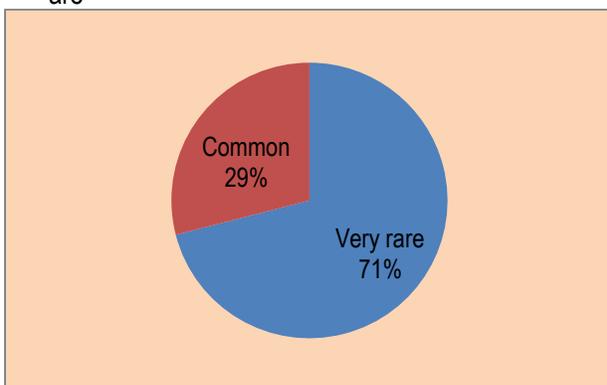
vi) Whether in your view carve-outs made in Ind AS have diminished the acceptability of Ind AS financial statements at the Global level?



ix) Which area/areas of accounting requirement under Ind AS have significantly impacted the financial results of your company? (High, Medium, Low)



vii) In your view/experience, situations of gain arising on bargain purchase business combination accounting are

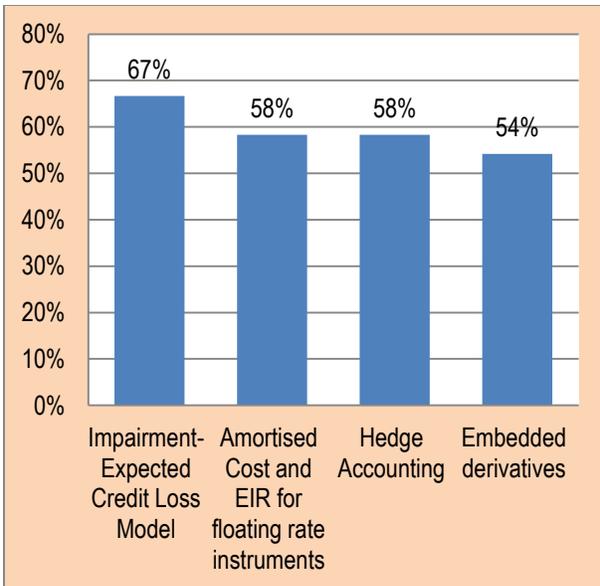


4. Ind AS Implementation - Standard Specific Issues

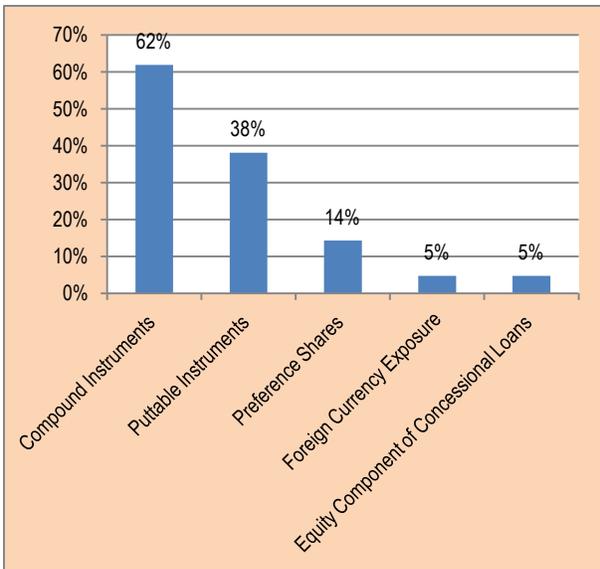
i) Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement?

Ind AS: Impact Analysis and Industry Experience

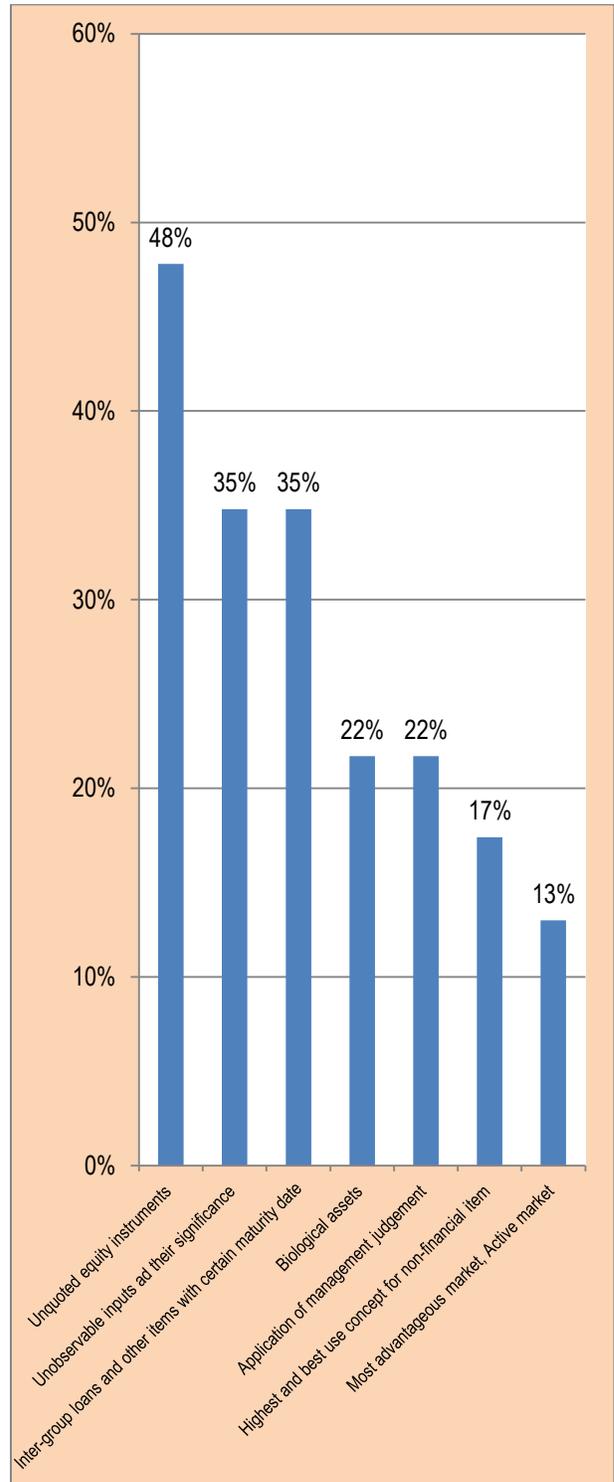
A. Ind AS 109 - Financial Instruments



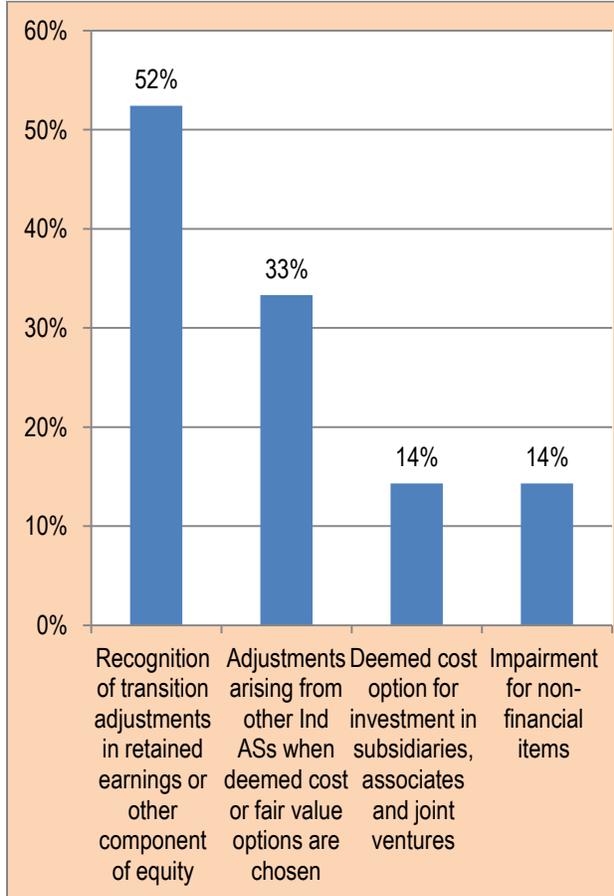
B. Ind AS 32- Financial Instruments- Presentation



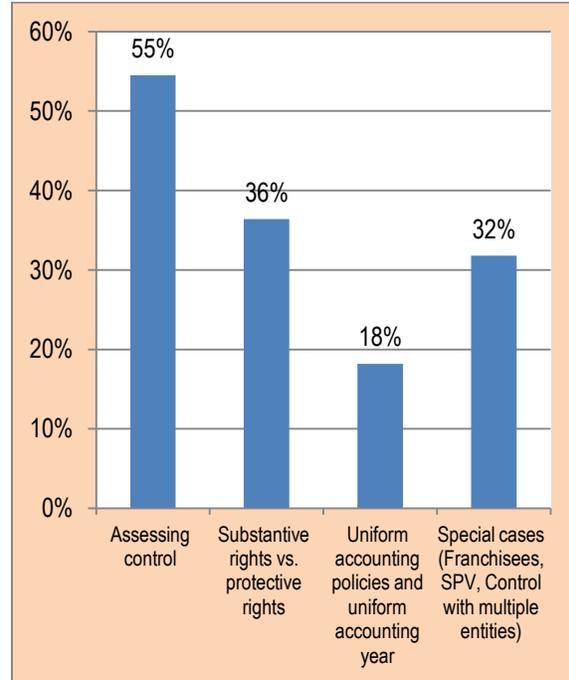
C. Ind AS 113- Fair Value Measurement



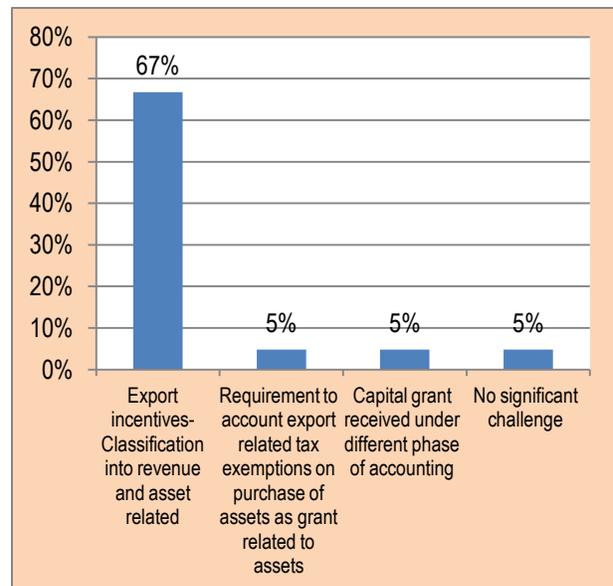
D. Ind AS 101 – First Time Adoption of Indian Accounting Standards



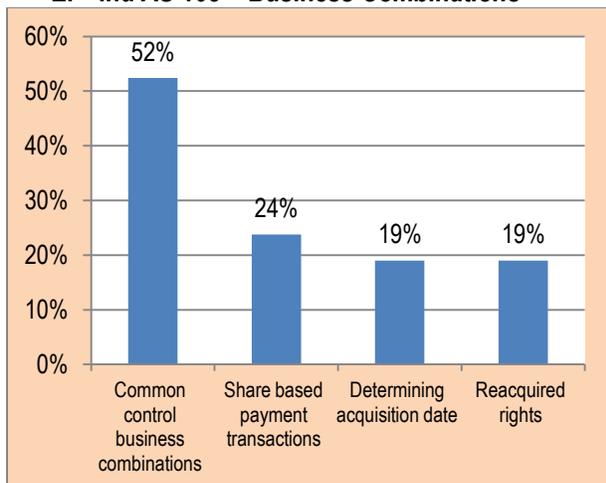
F. Ind AS 110- Consolidated Financial Statements



G. Ind AS 20- Accounting for Government Grants and Disclosure of Government Assistance

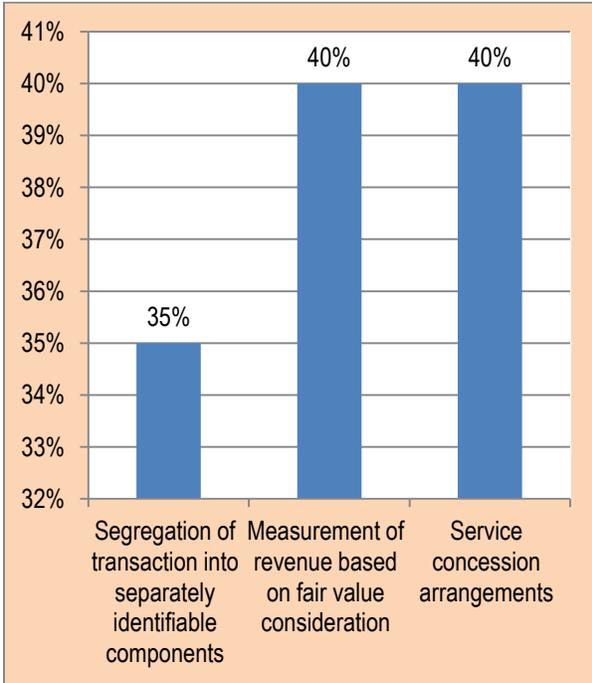


E. Ind AS 103 – Business Combinations

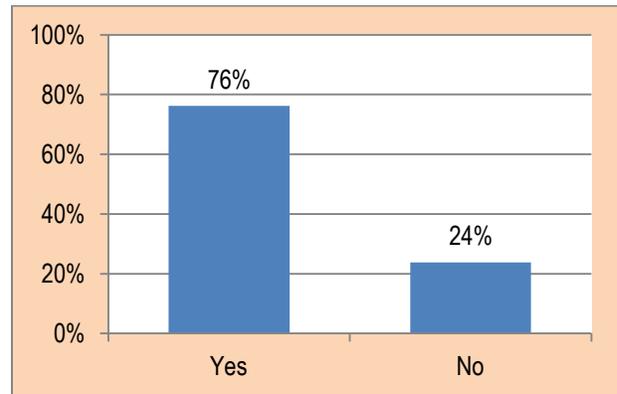


Ind AS: Impact Analysis and Industry Experience

H. Ind AS 11, Construction Contracts & Ind AS 18, Revenue

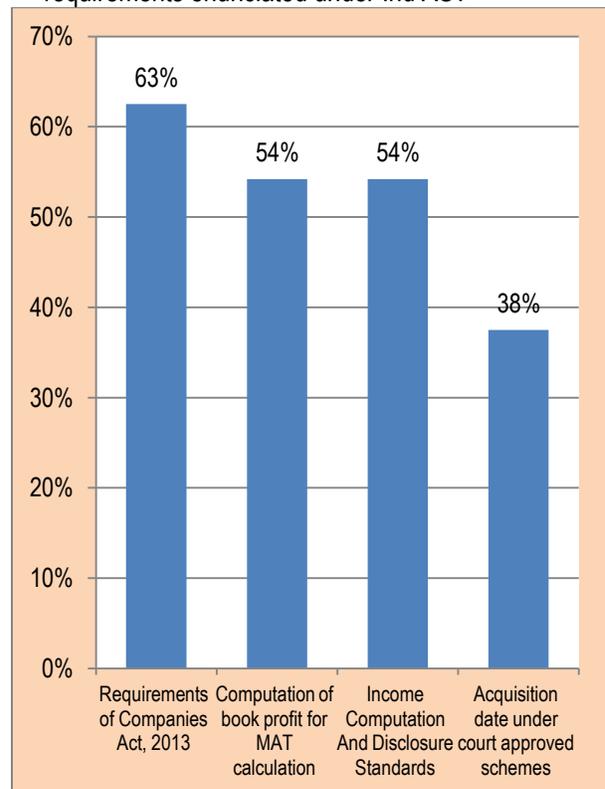
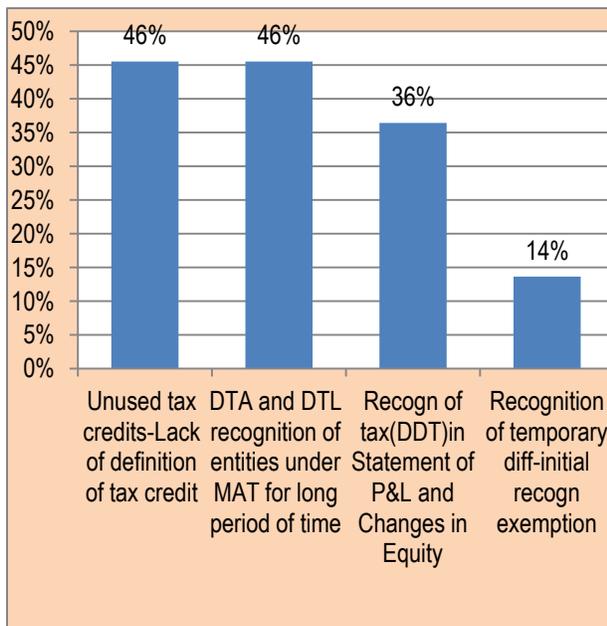


ii) As per Ind AS 103 and Ind AS 36, goodwill acquired in a business combination is not amortized but tested for impairment periodically for recognition of impairment loss, if any. Is this accounting principle appropriate, in your view?



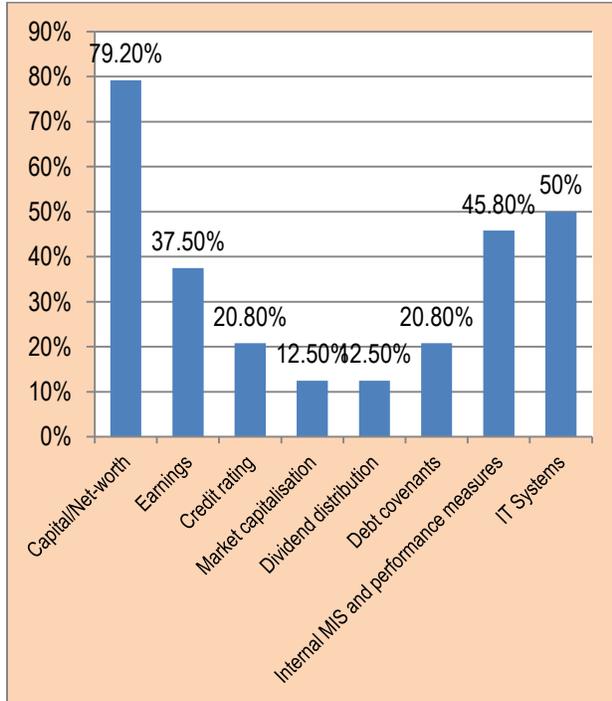
iii) Based on your experience of implementation of Ind AS, which areas should be aligned with the requirements enunciated under Ind AS?

I. Ind AS 12, Income Taxes

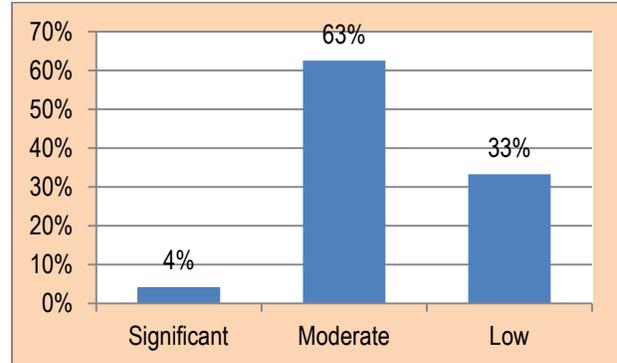


Industry Experience

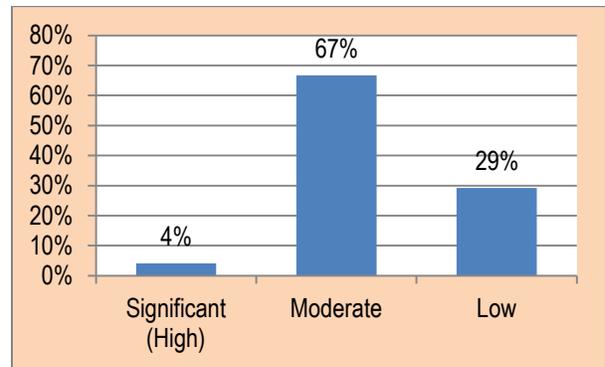
iv) Which of following aspects are materially impacted by Ind AS implementation?



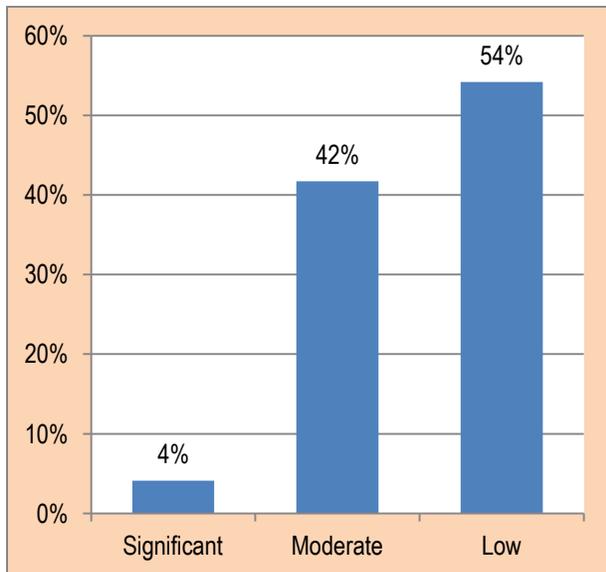
vi) Has the Ind AS implementation affected your corporate governance and control processes?



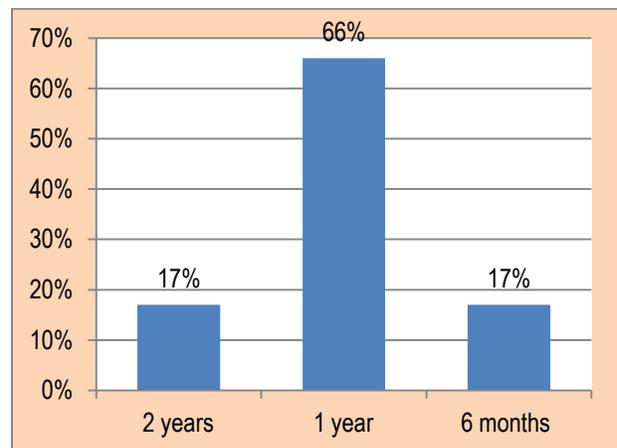
vii) Has the Ind AS implementation affected functions other than Finance and Accounting?



v) Has the Ind AS implementation affected your business model and operations e.g. product structures, pricing, contractual arrangements?

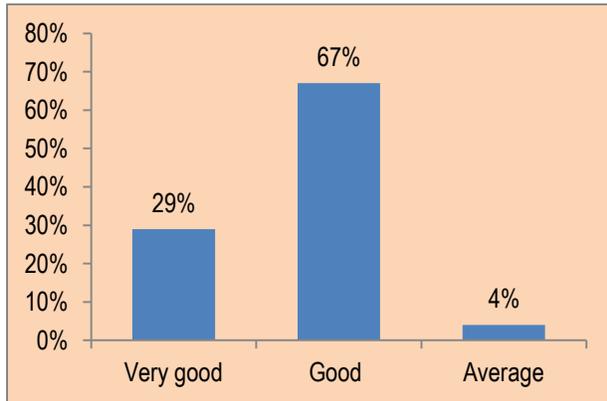


viii) What was the lead time required for Ind AS implementation?



Ind AS: Impact Analysis and Industry Experience

ix) What is your view/experience about the effectiveness of efforts made by ICAI in supporting and guiding stakeholders in Ind AS implementation?



B. Preparer's implementation experience – Words of Wisdoms



G Mohana Sundaram
Chief Controller

Aditya Birla Fashion and Retail Limited

Being a listed entity and having net worth more than INR 500 Crores, Ind AS was applicable for Aditya Birla Fashion and Retail Limited from April 1, 2016 (including re-statement of comparative numbers). Being a part of Aditya Birla Group, **embracing change** is one of our core values. Transition to Ind AS was a landmark change as these standards contains numerous carve outs from IFRS and would bring a paradigm shift in reporting and disclosures which involves application of significant management estimates and judgement to a great extent. On one hand it would certainly improve the transparency of financial statements and its comparability in the global markets, while on the other hand, application of these standards had its own challenges viz.

- understanding the new complex concepts such as Expected Credit Loss (ECL), basis of accounting other Comprehensive Income (OCI), fair value of deposits;
- training the resources to understand the standard and its interpretations;
- making necessary changes in the IT environment;
- understanding the impact of changes from the investors view point etc.

A core team was formulated to take care of the implementation who would interact with different teams, this would help in uniform application of interpretations, trainings were scheduled, brain storming discussions both formal and informal and a plan was formulated to understand the applicability of these standards to each division and the organization at large. The next step was to understand the transition impact on the reported numbers and the corrective measures for the on-going

transactions. A detailed exercise was done to understand the impact of Ind AS on the critical numbers and appraise the same to the stakeholders. Discussions with the business leaders was done to understand the methodology / option to be adopted by the organization and its impact such as opting for fair valuation of fixed assets and tax impact on the same, understand the impact of re-classifications such as re-classification of preference shares from share capital to debt, understand the exemptions in applicability of Ind AS, significant management estimates and judgements and assumptions.

With proper planning, regular meetings and guidance we carved out the opening balance sheet. We then proceeded to obtain in principle, understanding from the statutory auditors. This was a major milestone and gave a clear picture of the impact on the opening reserves and how the new standards would impact the critical numbers going forward. Timely clarification by the Institute on the deferment of the revenue standard was the need of the hour. A detailed reconciliation was prepared enlisting the changes which were either due to change in practice / methodology or reclassification and was presented to the Board. The movement between the iGAAP and Ind AS numbers was carved out quarter on quarter to have a clear picture.

The next challenge was preparation of the financial statements, though the impacts were crystalized but disclosures needed deliberations. The Guidance Note on Ind AS was in progress and pending for release. We scanned through the financials of organizations who had IFRS reporting to have a bird's eye view on few reporting changes. The team burned mid night oil to bring in place the minute of the disclosure so that the indented purpose of the change is met.

In a nutshell, I would say that change for better should always be welcomed. Through change we grow and such challenges makes us more competitive and professionally more strong. At the end I would like to conclude "Without change there is no innovation, creativity, or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable." – William Pollard.

Ind AS: Impact Analysis and Industry Experience



Bharat J Joshi
General Manager Accounts and Taxation
Atul Ltd

About the company: Atul Limited is an improvement driven, integrated chemical company serving about 6,000 satisfied customers belonging to 31 industries across the world. The Company has 7 overseas subsidiaries to serve its customers and thus enhancing breadth and depth of its business. With advancement and Development in science and technology Globally, Atul encompasses almost all unit processes and unit operations to manufacture world class 900 products and all possible chemical formulations and has state-of-the-art facilities. The company being diligent about its people follows high level of safety standards for its people and environment.

The Journey of IND AS in Atul started from October 2014 by putting up a repository of all Ind AS on a shared platform for use by 30 professionally qualified Chartered Accountants taking charge of financial reporting of whole Atul Group. There were series of programs conducted in in house for the Team and required support was obtained by sending few members for external trainings. After identification of Major Critical issues corporate team took the responsibility to analyse and study each area jointly with concerned members and a log was maintained for resolving all the issues in time bound manner.

Activities plunge into high gear after November 2015. At that point in time with our existing ERP system Oracle was not ready to maintain two sets of accounts and first ERP support has just pitched in. It is always a strenuous task to work with IT department when you are from Finance. We paired up with IT team and decided to use secondary ledger for the same. Entire set up was thoroughly tested and kept ready for all entries arising from Ind AS adjustments required for restating books of previous years maintained under erstwhile IGAAP.

Second major issues were to select various one time options available under Ind AS. Particularly irrevocable decisions like deemed cost exemptions for Property plant and equipment, Fair value of equity to be routed through FVOCI or through P &L. Our implementation strategy can be figured out as under –

Being new standards, everyone had different viewpoints, even within same audit firms and it was a real fun to make all stake holders to agree for one resolution. We followed a democratic approach pulled all stakeholders to one platform and finally agreed for a solution acceptable to all.

Change management was required at each level as we had to change the practices followed since many years. We carried out exhaustive training programs for group finance teams and a high level introductory sessions for all senior and top management. We kept updating even audit committee from time to time of all expected changes and this made the final transition a reasonably smooth.

For smooth transition process standard templates were prepared for each new item including financial statements, disclosure notes for group companies. This ensured easy consolidation for corporate team. As a result we could complete the Final consolidation process in just about 4 to 5 days effortlessly. Most interesting part was additional disclosures like financial risk management, Fair valuation and so on. I will just elaborate on Fair value disclosure

It was really a great learning experience to determine values of various asset lying in books at book value to its actual fair value keeping in mind availability of comparable market data. Each and every financial line items was evaluated for fair valuation by applying various available data and Concurred at a reasonable level. For each valuation, there were different parameters available and based on reliability of data and acceptability of parameters, views were agreed.

Another challenge was the Tax treatment of various adjustments that were to be made. We fall under MAT and final guidelines were not yet out by Income tax department. Taking a conservative stand and available drafts this was finalized with a doubt till the last moment for any unexpected announcement from tax authorities.

Industry Experience



Ravinder Bansal
Vice President – Finance
Bharti Infratel Limited

Bharti Infratel Limited ('BIL') is India's leading provider of tower and related infrastructure. It deploys, owns and manages telecom tower communication structure for various mobile operators. The Company provides access to its towers, primarily to wireless telecommunication service providers on a shared basis, under long term contracts.

BIL is having a nationwide presence with operations in all 22 telecommunications circles (including Bharti Infratel's 42% equity interest in Indus Towers Limited) in India. The Company is listed on National Stock Exchange of India (NSE) and BSE Limited.

Being a phase 1 company, the company was required to implement Ind AS from April 1, 2015 (the transition date). The company prepared and published its first Annual Ind AS Financial Statements for FY 2016-17.

Transitioning to the New Standard Regime from the Old Standard Regime was a big exercise involving lot of efforts, judgment and technical expertise required for smooth transition and preparation of Ind AS Compliant Financial Statements. Ind AS requires lot of disclosures and having a major bearing on the Financial Statements of the company.

The Ind AS implementation project was segregated into the following five milestones and designed in such a way that it leads to smooth drive of transition:

1. Identification of significant differences between Indian GAAP and Ind AS
2. Training to functional and cross functional employees.
3. Engagement with subject experts to align existing accounting policies with Ind AS to ensure minimal impact on business and financials

4. Alignment of existing IT systems to new accounting standards by creating separate adjustment trials, Financial Statement generators etc.
5. Migration and reporting of existing financials to Ind AS

Further, for effective transition, professionals with knowledge on IFRS/ Ind AS were hired by the company. The objective of providing training to the functional and cross functional employees was to make them aware of the changes in the new reporting requirement for accurate accounting, reporting, documentation etc.

The major changes which the company has experienced due to the transition from the Old Standard Regime (Indian GAAP) to the New Standard Regime (Ind AS) with an overall positive impact of Rs. 11,488 Mn on the transition date mainly consist of the following:

1. Treatment of the Proposed dividend including DDT
2. Fair valuation of Financial Assets like Investment in Mutual Funds
3. Reversal of Lease Equalisation & Revenue Equalisation Reserve (considering inflation linked escalation)
4. Fair value of Financial Assets and Financial liability like Security deposit paid and Security deposit received
5. Treatment of Assets retirement obligation

Apart from the above, mainly following impact were made in consolidated financial Statements, Equity method accounting for consolidation of JV i.e "Indus Tower Ltd". Consolidation of controlled trust, i.e. "Bharti Infratel Employee's welfare trust". Recognition of Deferred Tax Liability on undistributed profits of JV company. Considering Indus as a Segment in consol books

The presentation was done as per Division II of Schedule III and relevant Indian Accounting Standards. Presentation of Other Comprehensive Income, Statement of changes in Equity as an additional component, Format of Balance Sheet, Terms and Nomenclature which were required in Ind AS environment were carefully complied with. It was a big challenge to draft disclosures in the Financial Statements, which was done with due care and in consultation with the Auditors.

Ind AS: Impact Analysis and Industry Experience

The telecom infrastructure undertaking of Bharti Airtel Limited was transferred to BIL during the year ended March 31, 2008, according to the Scheme of Arrangement with Bharti Airtel Limited under sections 391 to 394 of the Companies Act, 1956. The Company has continued Scheme accounting under Ind AS as well.

Being a telecom infrastructure company, BIL is having a substantial portion of fixed assets and the company has opted to continue with the same carrying value as the deemed cost for its Property, plant and equipment and Intangible assets.

Considering Indus Towers as a Segment: In Indian GAAP, the company was reporting as per Proportionate consolidation method for its Joint venture, however under Ind AS Equity method accounting is required for consolidation of a joint venture. The Consolidated segment information has been prepared in line with the review of operating results by the chief operating decision maker (CODM) which includes review of the results of the joint venture on proportionate consolidation basis. The Company, however, considers joint venture as "Operating Segment" as defined under Ind AS 108, Operating segment based on review by CODM and accordingly presented segment information for two segments, i.e., Infratel (including subsidiaries) and Indus (proportionate share). The total segment revenue and segment results have also been reconciled with the amount reported in the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss".

In terms of application of Ind AS provisions to Security deposit received, Security deposit paid, Asset Retirement Obligation and Mark to Market accounting on Mutual Funds, the retrospective application was not a big challenge as the company was already reporting into International Financial Reporting Standards (IFRS) as per the requirement of its Parent company, Bharti Airtel Limited.

The Equity and Profit reconciliation were presented and every impacted line item was properly explained in the notes to the Financial Statements with suitable explanation to make the user understand the difference between the application of erstwhile Indian GAAP and Ind AS.

As concrete and detailed disclosures are the key requirement of Ind AS, the quality of financial statements has improved. The disclosures like Effective Tax Reco, Fair value of financial assets and liabilities, Sensitivity analysis in case of actuarial disclosures etc. results in better understanding to the stakeholders/ readers of financial statements. For Bharti Infratel, Ind AS implementation impact was favorable and a learning exercise with great experience.

Industry Experience



Samiran Dutta
General Manager (Finance)
Coal India Limited

Coal India Limited (CIL) is a Maharatna Company with seven wholly owned coal producing Subsidiaries and one mine planning and Consultancy Company, spread over eight states of India also a foreign subsidiary named Coal India Africana Limited. Further, Coal India is also having four joint ventures. CIL today is the single largest coal producer in the world producing 567 Mill Te during financial year 2017-18. The Accounting network of Coal India Limited spreads over 394 mines and several other support offices. The Financial Statements of these mines are grouped under different Areas within the subsidiary and each Area is subject to the audit by the auditors. The subsidiary consolidates all the Financial Statements of the Areas along with the JVs to arrive at the Subsidiary level Financial Statements. CIL, the holding Company prepares its Financial Statements and also consolidated Financial Statements including all Subsidiaries along with JVs. CIL, Consolidated Financial Statements duly audited are published with Stock Exchanges.

Preparation for implementation of Ind AS in CIL and its Subsidiaries began with the notification dated 16th February 2015, issued by MCA. CIL being a listed Company and having net worth of Rs. 33879 Crore as on 31.03.2016, the company had to comply with the Indian Accounting Standards (Ind AS) for the accounting periods beginning on 1st April, 2016.

To begin with, the Workshops and trainings were arranged at CIL for its executives and all its Subsidiaries where eminent members of ICAI were invited for sharing knowledge on Ind AS. Also at Subsidiaries level trainings were conducted and executives were deputed to attend different programs on Ind AS arranged by ICAI at various locations.

Thereafter, from time to time meetings of Director Finance(s) of Subsidiaries were held where team of Corporate Accounts of CIL and Subsidiaries shared their knowledge and presented the issues in implementation of Indian Accounting Standards at CIL and its Subsidiaries.

In the beginning of the FY 2016-17 a core Committee on Ind AS implementation was formed which consisted executives from CIL and Subsidiaries. The committee discussed each and every element of Financial Statements and its treatment under Ind AS. Issues which were brought to the meetings of Director (Finance) of CIL and Subsidiaries by the committee for deliberation and decision were mainly relating to; categorization of certain financial instruments, its initial and subsequent measurement, accounting of site restoration liabilities, accounting of investment in Joint venture. It was decided that CIL will follow cost model for measurement of investment in Subsidiaries and for subsequent measurement of Property Plant and Equipment.

The core team framed draft Accounting Policies keeping in view of the requirements of Ind AS and the same was circulated to all Subsidiaries for their views. Thereafter, considering the feedbacks of the Subsidiaries the policy was redrafted and was deliberated in a meeting of Director (Finances). The Accounting Policies were also submitted for review to Audit Committee, and valuable suggestions were incorporated in the accounting policies. A format of Financial Statement based on Ind AS complaint Schedule III issued by MCA was also finalized and circulated to all Subsidiaries. Accordingly based on the policies finalized Opening Balance Sheet of CIL, Subsidiaries and Consolidated Opening Balance sheet were prepared.

The first Ind AS compliant Financial Statements were prepared for the financial year 2016-17. Before submission of the same to Statutory Auditors for Audit, it was felt important to get views of an expert on the Financial Statements prepared in compliance of Ind AS. Eminent professionals were engaged for review of the Financial Statements and the improvements suggested by them on policies, treatments and disclosures were incorporated in the Financial Statements before submission to Statutory Auditors. Thereafter, Audited Financial Statements were submitted to C&AG Auditor's

Ind AS: Impact Analysis and Industry Experience

for Audit. C&AG's findings were also replied to their satisfaction. The Financial Statements were passed by the auditors and C&AG without any adverse comments.

The First Ind AS Financial Statements of the CIL and its Subsidiaries along with Consolidated Financial Statements were recommended by Audit Committees and approved by Boards and then adopted at AGM at CIL and Subsidiary Company level. The First Ind AS Financial Statement of CIL, was highly appreciated by Auditors, C&AG, Audit Committee and Board for efficient and effective implementation of Ind AS in such a large and complex company having Subsidiaries, sub-Subsidiaries and joint ventures.



G. Radha Krishna Babu
CFO

Delhi International Airport Limited

Corporate Information: Delhi International Airport Limited (DIAL) is a Public Limited Company domiciled in India. It was incorporated as a Private Limited Company on March 1, 2006 and was converted into a Public Limited Company w.e.f. April 10, 2017. DIAL is into the business of managing the operations and modernization of the Indira Gandhi International Airport ('Delhi Airport'). DIAL had entered into Operation, Management and Development Agreement ('OMDA') with Airports Authority of India ('AAI'), in the year 2006, which gives DIAL an exclusive right to operate, maintain, develop, modernize and manage the Delhi Airport on a revenue sharing model for an initial term of 30 years, which can be extended by another 30 years pursuant to the provisions of the OMDA.

Basis of Preparation of financial statements: The financial statements of the Company for the year ended March 31, 2017 have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standard) Amendments Rules, 2016.

The Company has adopted all the Ind AS standards and the adoption was carried out in accordance with Ind AS 101 First time adoption of Indian Accounting Standards.

Transition to Ind AS: DIAL started the Ind AS implementation process in December 2015 and engaged S R Batliboi & Associates LLP as our implementation partner. The entire process of Ind AS implementation took almost 12 months segregated as under:

Step 1: Diagnostic study – 6 months

Step 2: Solution development – 3 months

Step 3: Ind AS implementation – 3 months

During transition to Ind AS, the Company has faced many challenges on certain issues, however the Company has overcome those challenges with in-depth study of the Ind AS provisions, expert opinions, in-depth analysis of various exemptions available on First time adoption.

Some of the key challenges are listed below:

- 1. Applicability of Service Concession Arrangement (SCA) (Appendix A, Ind AS-11):** This was a major challenge for DIAL having significant impact on financial statements. Being a Public Private Partnership (PPP) model, whether SCA will be applicable to DIAL or not? This issue was discussed at length with other private airport operators alongwith their statutory auditors/consultants, mainly Big 4, as well as practices adopted by various airports across the globe having similar kind of business model. Finally it was concluded unanimously that service concession arrangement (SCA) (Appendix A, Ind AS-11) is not applicable to DIAL since DIAL concession arrangement has **significant non-regulated revenues**, which are apparently not ancillary in nature, as these are important from DIAL, AAI and users/passengers perspective. Further, the regulated and non-regulated services are substantially interdependent and cannot be offered in isolation.
- 2. Impact on MAT liability:** Due to implementation of Ind AS, certain Ind AS adjustments have resulted into increase in book profit and also significant increase in opening retained earnings, which are of notional in nature. As per section 115JB of the Income Tax Act, the Company is required to pay MAT on books profit (inclusive of Ind AS adjustments) and also on opening Ind AS adjustments at the time of transition. This is having significant impact on MAT liability. Company is required to pay MAT on notional incomes also which should not be the case.

Ind AS: Impact Analysis and Industry Experience

3. **Choosing exemption on first time adoption:** As per Ind AS 101, various exemptions are available on first time adoption of Ind AS, which are of one time in nature. It was difficult to arrive at the impact of these exemptions on future profitability in long term. Company has done the detailed analysis of each and every exemption and accordingly chooses the best as per the analysis.

In view of the above, overall it was quite challenging but very interesting experience. There was significant support from the ICAI, industry as well as implementation partner. Overall impact on financial statements was positive on following accounts:

Relevant Ind AS	Impact area	Financial Impact
Ind AS 109 – Financial Instruments	Fair Valuation of financial instruments	Increase in revenue and book profit due to discounting of interest free security deposits
Ind AS 11 – Construction Contracts	Development of common infrastructure from the common funds	Increase in revenue and expenses on account of construction activities by Company
Ind AS 101 – First time adoption	Foreign currency borrowings	The Company has decided not to avail the exemption available under paragraph D13AA of Ind AS 101 with regard to exchange fluctuation on foreign exchange borrowings, resulting into decrease in book profit.

Industry Experience



Mr Sushil Agarwal.
Whole Time Director and CFO
Grasim Industries Limited

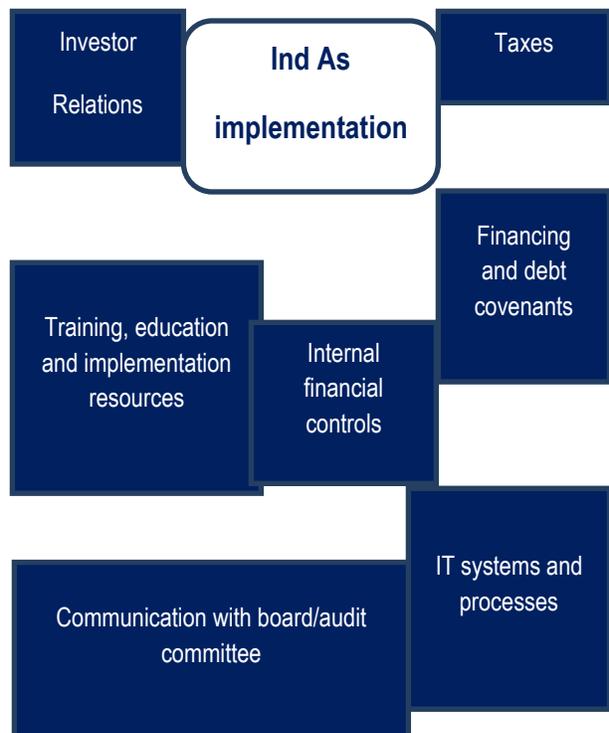
changes brought by Ind AS adoption are embedded into the Company's processes and systems. The goal should be to embrace the transformation and achieve a stage of 'Business as usual' for the Company.

Impact across the board



Transition to Ind AS - Company's Perspective

The adoption of Indian Accounting Standards (Ind AS) that are converged with International Financial Reporting Standards (IFRS) by large Indian companies is now a reality, with these companies going live during previous year with their public reporting under Ind AS. This culminates almost a decade of efforts by the regulators to make this transition. With this change, India Inc. has embraced a set of standards that are contemporary and better suited for the needs of multitude of domestic and international stakeholders. This also brings in a new era in financial reporting, which is more closely aligned to economic substance of business arrangements, while also bringing in greater transparency and comparability, including with global peers.



The Fundamental difference between existing and new standards is that the new accounting standards recognise substance over form and the importance of fair value in preparation of financial statements. This means accurate reporting will gain importance over just complying with legal provisions and it reflects the most current picture of financials.

Successful Ind AS implementation requires a thorough strategic assessment, a robust step-by-step plan, alignment of resources and training, effective project management as well as smooth integration of the various changes into normal business operations.

Finally the Ind AS implementation exercise needs to establish sustainable processes so as to continue to produce meaningful information long after the conversion exercise is completed. At the end, it is important that all

The knowledge gained during Ind AS implementation clearly illustrates that an Ind AS conversion involves more than a mere accounting or finance expertise. Thus there is an essential need of engaging company-wide participation in the conversion to Ind AS from IGAAP.

Our professional team at Head Office and across plants have gone through extensive trainings and attended various seminars to have an in depth knowledge of Ind AS. We have also organised offsite meetings for all our manufacturing plants to discuss about various practical challenges they are facing on implementation of Ind AS.

Ind AS: Impact Analysis and Industry Experience

All these discussions enables us to effectively and efficiently implement the new accounting standards.

We have put together a team consisting of accounting experts from within the organization, supplemented by major chartered accountants firm with knowledge and experience of IFRS conversion process overseas, to provide assistance in resolving complex issues.

The transition to Ind AS could not have been possible without the cooperation and assistance of our internal information technology support with respect to changes and/or up-gradation necessary to internal systems and processes that impact financial reporting under Ind AS.

Being such a massive exercise, transition to Ind AS couldn't be done in isolation it necessitate the involvement of human resources to ensure the availability of staff from key areas of the organization affected by new accounting standards. Other departments besides finance are also involved in the conversion to Ind AS. These include information technology (because of the effect on information systems), treasury (because of its impact on banking relationships and debt governance), human resources, and the legal department (which will conduct contract reviews).

We began education sessions with our audit committee and had an in-depth education session with them and with the board last year. We got that commitment right from the start, so that's really helped us.

With the world becoming a global village and with the liberalisation and globalisation of the economy it is imperative the disclosures and reporting of companies are made in line with that the international Regulations. The MCA had come a long way with the introduction of e-filing and the XBRL filing of financial results. With the introduction of Companies Act, 2013, many sweeping changes have brought into the system aiming at ease of doing business. The reporting under the Ind-AS makes the financials easily comparable with the financials of the peers globally. Though the transition has major implications on the financial reporting, it paves way for better standards and governance.



CA Anil Patwardhan
KPIT Technologies Limited

1. Applicability

KPIT Technologies Limited ("the Company") is a public limited company and its shares are listed on the National Stock Exchange and Bombay Stock Exchange. The Company has net worth more than INR 500 crore, and hence, adopted Indian Accounting Standard ("Ind AS") from April 1, 2016 based on Ind AS applicability criteria of phase I.

Accordingly the transition was carried out, from the accounting principles generally accepted in India as specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (IGAAP), in accordance with Ind AS 101 - First time adoption of Indian Accounting Standards. Accordingly, the impact on transition was recorded in opening reserves as at April 1, 2015 and all the periods presented had been restated accordingly.

The financial statements of the company were prepared in accordance with the Ind AS as specified under Section 133 of the Companies Act, 2013 read with the Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 and the provisions of Companies Act, 2013.

2. Planning

The planning phase was the most important phase in transition. KPIT, being aggressive in global acquisitions, had started working on IFRS financial statements at an earlier stage. This exercise effectively helped us in Ind AS implementation. Initially, we identified different stages involved in implementation, based on which we planned our activities and timelines accordingly.

We identified the gaps between old GAAP and Ind AS, then we started working areas which were relevant for the company. To understand the correct reporting and disclosure of such gaps we decided to do detailed analysis of the relevant standards.

3. Analysis

During this phase we made detailed analysis of all the gap differences relevant to KPIT. We had identified three major areas which were critical for reporting such as, business combination, financial instrument and ESOP accounting. The relevant standards were studied for getting clarifications on reporting of these issues. We prepared memos, work papers and had internal discussions and trainings from experts on these issues which were critical.

Once we were ready with our memos and workings we shared the same with a consultant to have an expert view on the same. Inputs given by the consultant were also incorporated before sharing the same with the auditors.

4. Implementation

As per the timelines planned we were ready with our detailed opening financial statements along with reconciliations from the previous GAAP. We shared this upfront with the auditors for their inputs.

Once the inputs on opening financial statements were received from auditors, we started with comparative financial statements of March 2016 along with Notes to accounts and were shared with the auditors by January 2017 for their review.

June 2016 was our first quarter in which we publish our results as per Ind AS with comparative quarter of June 2015.

Throughout this journey of transition to reporting as per Ind AS we identified four area, which were important for KPIT for reporting purpose:

- **Transition to Ind AS - Opening Financial Statements:**

Ind AS: Impact Analysis and Industry Experience

In preparing Ind AS compliant opening Financial Statement we adopted mandatory exceptions for hedge accounting and accounting estimates. Optional exemptions of business combination, share based payments, deemed cost and cumulative translation reserve were availed. While adopting optional exemptions we used our analysis and judgments to measure the impact of these exemptions on financial statements. For items which were required to be changed retrospectively such as fair valuation of security deposits, adjustments to financial instruments, deferred taxes, etc. had great impact opening financial statements.

• Impact on Balance Sheet:

As KPIT is aggressive in strategic global acquisitions/mergers, we had made an in depth analysis of Ind AS 103- "Business Combinations" and also took cognizance of Ind AS 101 for acquisitions made before transition date. We also prepared workings for contingent consideration payable for acquisitions made after transition date, wherein estimation of probability was a key factor and also involved a lot of management judgment.

The concept of fair valuation of financial instruments brought great change on balance sheet as it also involved classification of assets/liabilities into financial assets/liabilities and other than financial assets/liabilities.

Ind AS 103- Applying to "Business Combinations" arising out of strategic initiatives like Mergers, Amalgamations and Demergers etc. undertaken by the corporates. There is a need for clear guidance on applying book value accounting for the above stated business combinations *which will help the corporates to drive such strategic initiatives in the interest of business with the approval from Honorable High Court (now approval from NCLT as prescribed under the Companies Act 2013) and it will be considered as tax neutral transaction under the Income Tax Act. We need to avoid the complexity arising out of Reverse Merger situation compared with Simple merger and ambiguity whether Fair value accounting is required compared*

with Book value accounting. Fair value accounting may result into Goodwill and may dilute the tax neutrality status of the contemplated transaction under "Business Combinations"

• Impact on Statement of Profit and Loss:

KPIT being a listed company issues ESOPs to its employees. As per Ind AS- 102 "Share Based Payment", we were required to account for these ESOPs based on fair valuation. This was one of the major impacting area and required in depth study of the standard and also detailed working.

Fair valuation of financial liabilities, especially in case of borrowing, changed the way of recognition of finance cost.

Concept of Functional currency made impact on Statement of Profit and Loss as well as Balance Sheet as it changed the way of accounting for integral and non-integral operations of old GAAP.

• Disclosures – Notes to Accounts:

Financial instruments, wherein we were required to use fair valuation for financial assets and financial liabilities. Note on disclosure of financial instrument was a new concept, which required a lot of workings for additional disclosures about fair valuation techniques and financial risk management.

Another very important disclosure of reconciliation of quantification of effects of Ind AS transition on equity and total comprehensive income were required to be given.

5. Challenges Faced during transition

We faced few challenges in disclosure part. For compliance of Ind AS, we were required to give a lot of information as a part of disclosures which was earlier not required to be disclosed. It involved lot of analysis as why to disclose critical information. The reason behind this analysis was how a common investor who is not aware of Ind AS would interpret the financial statements in new format, how would he analyse the impact of differences between old and new standards on the financial statements and

also how this change will help him for decision making. Therefore, it involved many discussions regarding how information shall be presented to make it more understandable and more informative.

- **Financial Instruments:**

Further, being a multinational company, it has wide range of transactions turning out to be financial instruments under Ind AS, hence, we studied the applicability of Ind 32, Ind AS 109 & Ind AS 107 for various transactions from the perspective of accounting, reporting and disclosure. In valuation of financial instruments determining correct valuation techniques with respect to the nature of financial instrument was very important for reporting purpose. In addition to that reporting of Risk Management of Financial Instrument was another challenging area for study.

- **Fair valuation:**

In Ind AS fair valuations has great importance. However, fair valuation changes impact financial performance widely. Hence, it was challenging in estimation of financial performance due to fair valuation changes. And hence from management perspective it was difficult to adopt these changes.

In many of the transactions like finance lease, loan, deposits, etc. determination of present value was required for determination of fair value. It was difficult to find correct and applicable present value factor for calculation of present value for respective transaction.

- **Local audits of foreign subsidiaries:**

In local audit of foreign subsidiaries, few questions were asked for many Ind AS adjustments done. It was challenging to explain Ind AS impact on financial statements and how those adjustments have been derived.

6. Overall Experience

Indian Accounting Standards are converged format of International Financial Reporting Standards. Therefore the financial statements which are Ind AS compliant are globally accepted. The benefit of Ind AS compliant financial statements is that there is

hardly any departure from IFRS compliances, so in global market it becomes comparable. Also investors' confidence is strong when accounting standards used are globally accepted. An entity can enjoy lot of global opportunities because of these benefits.

However compliances of Ind AS had wide impact on the way of accounting. It changed recognition criteria of all types of transactions, assets, liabilities, income and expenses. To achieve the goal of Ind AS transition involved detailed study and in depth analysis. It was great learning exposure.

Ind AS: Impact Analysis and Industry Experience



Amrita Srikanth
AVP-Head Technical Accounting
Infosys Limited

Infosys adopted Indian Accounting Standards (INDAS) effective April 1, 2016, with April 1, 2015 as the date of transition. Given the fact that Infosys was already listed in US, many processes were set as and when Infosys transitioned to International Financial Reporting Standards (IFRS) as issued by IASB for Securities and Exchange Commission (SEC) reporting which helped the Company immensely at the time of transition from erstwhile Indian GAAP to INDAS. The company has largely tried to align the IFRS and INDAS financials to ensure investors and shareholders ease in having to deal with only one set of numbers.

The following were the main areas which had an impact on account of transition from IGAAP to Ind AS:

1. Business combination- Unlike IGAAP where there was no adequate guidance for business combinations, Ind AS 103 has extensive recognition, measurement and disclosure requirements. The company chose the exemption given in Ind AS 101 to restate all business combinations post to a particular date (April 1, 2007), which coincides with the company's adoption of IFRS for SEC reporting purposes. Accordingly, the adjustments pertaining to recognition of intangible assets, fair valuation of assets taken over, recording of deferred taxes, restatement of goodwill and others were carried out.
2. Financial instruments- The requirements of Ind AS 32, 107 and 109 particularly on fair valuation of financial instruments and the related disclosures were drawn up based on discussions with the

valuation experts and guidance checklists published by international accounting firms. Since INDAS 109 was already adopted in India, the Company chose to early adopt IFRS 9. Various internal and external factors were analyzed while drawing up the expected credit loss model

3. Share based payments- The company chose the exemption given under Ind AS 101 to apply Ind AS 102 only to the unvested options as of transition date. The fair value based on the Black Scholes Merton model was used for such options on the transition date, the impact of which was taken to retained earnings.
4. Disclosures for income tax- Tax disclosures including the rate reconciliation were new under Indian scenario. INDAS now prescribes extensive disclosures as compared to the erstwhile IGAAP. Detailed tax reconciliation was prepared for the holding as well as the various subsidiaries for disclosure purposes.
5. Segment – INDAS 108 introduced the concept management approach of CODM- Chief Operating Decision maker evaluates Company performance based on business segments. This differed from erstwhile IGAAP and accordingly, the Company gave revised disclosures under segment

Apart from the measurement criteria, IND AS also prescribed extensive disclosures along with detailed notes on transition impact as prescribed under INDAS 101. The company spent considerable amount of time in ensuring all the relevant disclosures were complied with to enable the reader to understand the impact of transition. The IFRS and IND AS financials for the group are now largely aligned.

Industry Experience



Kedar Gadgil
Head-Corporate F&A
Larsen & Toubro Infotech Limited

On 16th February 2015 the Ministry of Corporate Affairs (MCA) notified the Companies (Indian Accounting Standards) Rules, 2015 laying down the roadmap for application of IFRS converged standards (Ind AS) to Indian companies other than banking companies, insurance companies and non-banking finance companies (NBFCs). MCA declared adoption of Ind AS in a phase manner.

Larsen & Toubro Infotech (LTI) adopted Ind AS in mandatory phase I as its net worth was more than INR 500 Crores and LTI got listed in July'16 i.e application of Ind AS from the Financial year beginning on or after 1 April 2016, presenting the comparative information for previous periods. Accordingly the transition date was taken as 1st April 2015. Ind AS impact analysis was done and the same was published in Red herring prospectus (RHP) dated 28th June 2016.

LTI published its first Ind AS complied quarterly results in SEBI format within one week of company getting listed and first Ind AS complied balance sheet for period ended Sept'16 and Mar'16 along with equity and total comprehensive income reconciliation.

LTI started its preparation from the time the notification was received. A workshop on Ind AS organized by Ernst & Young was attended to get a overview of various aspects of Ind AS. Understanding the complexities that might be faced, a special team of qualified Chartered Accountants was identified to carry out a diagnostic study to determine the impact. This helped us identify the gaps and eventually carve out a plan to study different Ind AS applicable to LTI, its corresponding disclosures and get

internal systems in line to comply with the requirements. Guidelines from Group Company were received & considered while implementing the standards. Identified impacts of Ind AS were verified by the group auditors to ensure compliance from group consolidation perspective.

The impact of transition was on various areas right from presentation to accounting & later on to disclosures. New concepts like Financial assets, Financial Liabilities, Statement of Other comprehensive income (SOC1), Statement of changes in equity were introduced. The team went through each & every definition and classification and accordingly presented the Financials. The first financials were prepared as per Ind AS 101: "First time adoption of Indian Accounting Standards", with 1 April 2015 as the transition date. Each & every standard was analyzed & following exemptions allowed by the standards were availed on first time adoption.

i) Business combinations

Ind AS 101 provides the option to apply Ind AS 103 prospectively from the transition date or from a date when the entity acquires the control of the subsidiary. The Group has availed the exemption and has restated the balances prospectively as on the date of transition.

ii) Deemed cost

Ind AS 101 permits a first-time adopter to elect fair valuation or to continue with the carrying value for all property, plant and equipment measured as per the iGAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. On transition to Ind AS, the Group has elected to continue with the carrying value of all of its property plant and equipment recognized as at 1 April 2015 measured as per the iGAAP.

iii) Share-based payment

A first time adopter has option to apply Ind AS 102 Share-based payments to equity instruments that were granted on or before the date of transition to Ind AS. Accordingly at the date of transition the Group has measured such unvested options at fair value.

The major impacts of Ind AS in quarterly & annual financial disclosures were as follows:

Ind AS: Impact Analysis and Industry Experience

1. Financial Instruments:

The accounting, presentation & disclosures went through major changes, Ind AS 109 on Financial Instruments & Ind AS 107 on Financial Instruments Disclosure gave extensive guidance on identification, classification and measurement of financial instruments.

The major impact was because of premia accounting. Under previous GAAP the premia on cash flow hedges was accounted in P&L over the period of forward contracts. Mark-to-market valuation of o/s hedges was carried out after reducing premia income already accounted. As per Ind AS premia on cash flow hedges is not accounted in P&L. Fair valuation of o/s hedges will be done based on mark-to-market valuation without considering premia portion.

Additional disclosures like classification of financial instruments by category (FVTPL, FVTOCI, Amortized cost), by hierarchy (Level 1, Level 2, Level 3), financial risk management and Value – at – Risk were provided.

2. Treatment of Actuarial gains or losses on retirement benefit:

According to new standard Ind AS 19 on Employee benefits, some portion of changes in liability due to financial and demographic assumptions, experience adjustments, actual return on plan asset less interest on plan assets are to be recognized in SOCI which were earlier recognized in Profit & loss account.

3. Translation of foreign subsidiaries:

The concept of Functional currency was introduced by Ind AS 21 on The Effects of Changes in Foreign Exchange Rates wherein each foreign subsidiary had to identify its functional currency on basis of primary economic environment it functions. Functional currencies for all LTI subsidiaries were identified. The same on consolidation were converted to LTI groups reporting currency, i.e., INR. The impact of converting financials from functional currency to group reporting currency is to be taken in foreign currency translation reserves.

4. Deferred tax:

Ind AS 12 introduced various new concepts as a result of which deferred tax impact was given on Premia, provision for doubtful debts using Expected credit loss (ECL) model, valuation of current investment, unrealized intra – group profit, acquisition of subsidiary at CFS level.

Other areas wherein accounting as well as disclosure requirements were impacted include provision for doubtful debts using ECL model, deposits at fair value according to effective interest method, accounting of cash discount, related party disclosures, additional disclosures regarding projected plan cash flow & sensitivity analysis on post-retirement benefits and gratuity, accounting of business combinations, additional disclosures relating to reconciliation between expected tax rate and applicable tax rate for the reporting period, in segment reporting concept of Chief Operating Decision Maker (CODM) was introduced & reporting was to be done in accordance with how CODM reviews the segments etc.

All the Impacts can be seen in our Financials in Reconciliation statement prepared.

To conclude, it was an insightful journey full of learnings and a new experience all together.

For more details of Ind AS impacts kindly refer Annual Report available on our website www.lntinfotech.com.



R.S Raju
C.F.O & Associate Director (F&A)
NCC Ltd

Job role within the organization: Mr. R.S.Raju, is a Post-graduate in Commerce (M.Com) and Fellow Member of The Institute of Cost Accountants of India (ICWA) having three decades of experience in Fin & Accounts. Presently, he is heading the Finance & Accounts Department of NCC Limited (formerly known as Nagarjuna Construction Co Ltd) as Associate Director (F&A) (as CFO). He has worked 14 years in Singareni Collieries Co Ltd and for the past 23 years he is with NCC Limited. For the last 16 years he is leading the CFO functions of `9500 crs Turnover Company.

Ind-AS, based on the principles of “substance over form” and “fair valuation”, differs materially from IGAAP, which is focused on “legal form” and “conservatism”. There will be significant differences in the presentation of financials with respect to revenue recognition, employee benefits, financial instruments, consolidation, fixed assets and foreign currency fluctuation among others. Ind-AS will bring a more contemporary presentation of financials.

Migrating to Ind-AS will requires preparing an opening balance sheet on the transition day (01.04.2015), recognizing assets and liabilities in accordance with Ind-AS and adjusting the difference on adoption of Ind-AS through reserves.

We implemented Ind-AS effectively in our company from transition date 01.04.2015 and after implementing Ind-AS, our financials are more effective and adding value to the Investors and stakeholders. Recently we went for Qualified Institutions Placement (QIP) based on Ind-AS financials and we got overwhelmed response from the Investors for our QIP issue.

Ind AS: Impact Analysis and Industry Experience



Mahesh Kumar Mittal
Director (Finance)
NHPC Limited

Being a listed Company with net worth greater than Rs 500 crore, NHPC Limited was required to adopt Ind AS (mandatory adoption) w.e.f. FY 2016-17 as per the Companies (Indian Accounting Standards) Rules, 2015. The process of transitioning to Ind AS was kick-started in June 2015 with the formation of a study group to assess the impact areas of Ind AS in the Company. Based on the reports of the study-group and assessment of the magnitude of changes brought about by the adoption of Ind AS, it was decided to engage a consultant for guiding the Company through the process of Ind AS implementation.

After a thorough study of the changes brought about by Ind AS, reporting requirements as per the Division-II Ind AS Schedule-III of the Companies Act, 2013 and discussions with other Power Sector CPSUs, the following areas having major impact on the accounts of the Company were identified:

- a) Identification and classification of Financial Assets and Liabilities as per the Classification criteria in Ind AS 109- Financial Instruments.
- b) Fair valuation of Financial Assets and Liabilities subsequently measured at amortised cost based on the Effective Interest Rate Method. This includes long-term employee loans at reduced rate of interest, retention money of contractors & suppliers, etc.
- c) Fair valuation of quoted investments in Government Bonds & PSU Bonds classified at Fair Value through OCI based on the business model and cash flows of such investments being solely payments of principal and interest (SPPI).
- d) Fair valuation of sub-ordinate debts granted by the Government of India at concessional rates and recognition of Government Grant.
- e) Discounting of long-term provisions.
- f) Evaluation of Power Purchase Agreement (PPAs) in respect of Power Stations in which substantial output is taken by the customer in terms of Appendix-C (Determining whether an arrangement contains a Lease) of Ind AS 17- Leases.
- g) Modification to existing policy for recognition/ de-recognition of capital spares in terms of Ind AS-16- Property, Plant & Equipment.
- h) Review of existing policy for capitalization of administrative and general overheads.
- i) Change in consolidation method of joint ventures from proportionate consolidation to equity method.
- j) Change in presentation requirement of Regulatory Deferral Accounts as per Ind AS 114.
- k) Ascertaining the appropriate discount rates to be applied for fair valuation of the various provisions, financial assets & liabilities.

In addition to the above items which had an impact on the accounts of the Company as far as measurement and presentation of events and transactions are concerned, the major areas requiring substantial changes in disclosure requirement were as under:

- i) Identification of Related Parties within the meaning and scope of Ind AS 24- Related party Disclosures and presentation of related party transactions and balances.
- ii) Comprehensive disclosure requirements as per Ind AS 19- Employee Benefits.
- iii) Evaluation of hierarchy levels in determining fair value of the various financial assets and liabilities.
- iv) Evaluation of Financial Risk Management, disclosure of the various types of risks and mitigation measures.
- v) Evaluation of loan covenants, interest rate risk, sensitivity analysis, etc.
- vi) Evaluation of major customers, expected credit loss on trade debtors.
- vii) Evaluation of approvals granted by the Government for construction of Power Projects to ascertain de-

- viii) commissioning liability at the end of life of the Power Station.
- ix) Note on first time adoption of Ind AS including reconciliations of Total Equity, Total Comprehensive Income and Cash Flows.

The above changes required consequent changes to be made in Information Technology, systems and procedures. Further, substantial investments were made towards training of Finance Staff. Eight training programs were organized at Corporate Office and Regional Office levels and hundred percent coverage of Finance executives was achieved. Officers were trained on the areas impacted by Ind AS, presentation & disclosure requirements, formats devised for fair valuation as per EIR method, IT changes, etc.

Transition to Ind AS was facilitated to a large extent by the Institute of Chartered Accountants of India by way of setting up the ITFG to provide quick response to Ind AS transition related queries. It was also heartening to note that the market regulator, SEBI had also acknowledged the Ind AS transition exercise and provided relaxation in terms of timelines and disclosure requirements of quarterly results for FY 2016-17. It is, however, a matter of great satisfaction that NHPC Limited did not have to avail the relaxation in timelines given by SEBI and we were able to present our quarterly results in time, notwithstanding the volume of work and complexities involved.

Transition to Ind AS was a major event in the accounting history of the country. It is expected that the recognition, measurement, presentation and disclosure requirements shall bring us very close to international standards of financial reporting and result in reflecting the economic substance of business transactions on a fair and transparent basis.

Ind AS: Impact Analysis and Industry Experience



A. K. Gautam
General Manager (Accounts)
NTPC Limited

Experiences on Ind AS Implementation in NTPC Limited

NTPC Limited being a listed Company with a net worth greater than Rs.500 crore was covered under the Phase I implementation. Accordingly, the annual accounts for the financial year 2016-17 with comparatives for the year 2015-16 and opening balance sheet on transition date of 1 April 2015 were prepared.

The implementation process of Ind AS in NTPC was as follows:

1. A detailed action plan for Ind AS implementation was drawn.
2. A separate Ind AS team was formed.
3. Timely appointment award of the Ind AS consultant.
4. Timelines set for different activities.
5. Regular follow up w.r.t. progress achieved.
6. All activities planned and carried out through ERP-SAP.
7. Regular interactions on the important issues within power sector companies and also with other PSUs for adoption of the best practices.
8. Regular training to employees, statutory auditors and C&AG officials through the consultant.
9. Information about changes shared with employees through circulars, messages, video conferences etc.
10. References to ICAI and Ind AS Transition Facilitation Group for redressal of important issues (Accounting of embedded leases, Discounting of vendor liabilities – retention money, Related party disclosures - Govt.

controlled entity and capitalization of spares from inventory – effective date).

11. Required support expended to all Joint Ventures and Subsidiaries.
 - i) creating awareness about Ind AS implementation requirement.
 - ii) follow up and provide clarifications as required for timely preparation.
12. Completion of all activities as per schedule resulted in successful implementation of Ind AS across the Company and its Joint Ventures and Subsidiaries.
13. Vetting of the annual accounts by the Consultants
 - a) Standalone and consolidated financial statements were got vetted from the consultant.
 - b) All disclosures were cross checked with the disclosures made by other Companies/PSUs.

Some of the challenges faced are as follows:

1. Drafting of the accounting policies meeting requirement of Ind AS
 - a) Most of the policies had to be redrafted.
 - b) Several new areas/aspects incorporated for which few references were available.
 - c) Several rounds of discussion with the consultant and with the statutory/Government Auditors.
2. Capitalization of spares from Inventory meeting definition of PPE
 - a) Review of a very large number of spares (by a separate high level committee).
 - b) Technical aspects – same spare could be used for several purposes.
 - c) Cumbersome process of recognition/reinstatement.
3. Capitalization of major inspection/overhaul costs
 - a) Different technology and capacities of plants with different frequency of overhaul.
 - b) High level committee formed to study the above along with activities that will form part of major inspection/overhaul.
 - c) Aligning different processes in SAP (PM, MM, FI, CO, etc.).

Industry Experience

4. Accounting of a Unit as Finance Lease
 - a) De-recognising assets while still maintaining their status (in view of future changes).
 - b) Working out the lease module. Complexities due to multiple CERC tariff orders.
 5. Measurement of employee loans at amortised cost
 - a) Existence of different kinds of employee loans with varying interest rates.
 - b) Multiple draws in the case of HBA and Education loans.
 - c) Complexities due to existence of options like partial/full repayment, change in number/amount of installment.
 6. Measurement of vendor liabilities at amortised cost
 - a) Nature of long term liability to be assessed for discounting.
 - b) Voluminous data base.
 - c) Issues w.r.t scheduled payment date.
 - d) Partial discharge of liability, clubbing and creation of new liability.
 7. Measurement of borrowings at amortized cost
 - a) Multiple borrowings with each borrowing drawn in several tranches with varying interest rates.
 - b) Period of drawl stretching several years.
 - c) Reset of rates at frequent intervals in case of floating interest rate borrowings.
 8. Accounting of Leasehold land
 - a) Agreements with different lease periods.
 - b) Agreements with different state bodies with varying terms and conditions.
 - c) Computation of present value of minimum lease payment.
 9. Implementing changes in ERP-SAP
 - a) Classification of GL codes as financial/non-financial.
 - b) Programming to incorporate changes done internally without any external support.
 - c) Several new GL codes created.
 - d) Integration of different modules.
 - e) Upload of data of comparative periods.
 10. Balance Sheet restructuring as per requirement of Schedule III
 - a) Restructuring of formats.
 - b) Additional information relating to notes to accounts.
 11. Preparation of consolidated financial statements
 - a) All subsidiaries and JVs of the Company also covered under Ind AS as per the MCA notification.
 - b) Guiding / handholding all these companies for preparation of Ind AS financial statements within the time schedule.
 12. Disclosure requirements
 - a) Manifold disclosures.
 - b) Several new areas covered
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Ind AS: Impact Analysis and Industry Experience



Mr. Santanu Majumder
Senior Manager (F&A)
Oil India Limited

Introduction of Ind AS has made significant transformation in financial reporting in India. Transitioning into Ind AS has major implications across the company which often has extended beyond accounting. It has brought about changes not only in financial reporting but has impacted many business processes, IT-ERP systems and MIS reporting structure. With the announcement of road map in February 2015 by MCA, corporate houses and PSUs had to gear up quickly to meet the statutory time line for shifting to Ind AS from the then existing GAAP for the purpose of financial reporting.

Considering the complexities of the Ind AS which are not akin to accounting standards adopted hitherto, it was never a straightforward task for the internal finance team to implement the project without any external support. Up skilling of the internal finance professionals was required to equip them properly to work hand in hand with the external consultants.

Preparation of road map

An internal committee comprising executives of different sections of the F&A Department was constituted by Executive Director (Finance & Accounts) with General Manager (Finance & Accounts) as convenor. One of the big four accounting firms (Deloitte) was appointed as consultant and implementation partner for Ind AS project in our company. SAP(I) (P) Ltd was engaged for effecting necessary changes in ERP configurations to assist implementation of Ind AS

Up skilling of internal finance and accounts team

Team members were imparted extensive training through a number of seminars and workshops on Ind AS

conducted by big four accounting firms as well by other consulting firms. In-house training programmes were also conducted at our Fields Head Quarter Duliajan (Assam) with the involvement of The Institute of Chartered Accountants of India (ICAI). Some executives took up Diploma Certification Programme on IFRS (Dip IFR, ACCA, UK) and got the certification, which enhanced our proficiency on the subject and helped us in proper coordination with the external experts, evaluating various options, understanding the implications for recommendations to the higher-ups for decision making. All these were very crucial to have a smooth transition to the new standards for financial reporting. Training by way of workshops and seminars are still being continued.

Facing the challenge

After conclusion of the Impact Assessment Study, preparation of the opening balance sheet and then quarterly (interim) financial statements was a daunting task. However, Securities Exchange Board of India (SEBI)'s allowed some extended time period for filing quarterly Ind AS compliant financial for the listed companies which helped a lot.

The most radical change brought about by Ind AS is the principles of Fair Valuation and Accounting based on Substance over Legal Form. Hence, preparation of financial statements requires considerable extent of judgement, assumptions and estimates much more than those of the previous GAAP. It was crucial for deciding the "Materiality" which was a hard task for the management. One must appreciate that concept of Materiality is of paramount importance for true and fair view of financial statement. Our company being in oil exploration, development and production had to reframe its accounting policies in line with the requirements of newly notified standard on exploration and evaluation of mineral resources (IndAS106). In the absence of any specific standard for accounting of development of mineral resources, principles of Ind AS (16) read with the revised Guidance Note on Accounting for Oil and Gas Producing Activities (Ind AS) were applied in reframing the oil and gas related accounting policies. Principles introduced by Appendix A [Similar to IFRIC 1] of (Ind AS)16 - Changes in existing decommissioning,

Industry Experience

restoration and similar liabilities has significantly changed the values of Property, plant and equipment including oil and gas assets of the Company and related decommissioning obligations. Appendix C [Similar to IFRIC 4] of (Ind AS) 17 on assessment of existence of lease like arrangement has thrown major challenges to industry whereby an item of Property, plant and equipment could become a finance lease if the asset is built for providing goods or services to specific customers. Crude oil and petroleum products transportation pipelines are owned by the Company. However, it serves only 2 companies. Hence, these pipelines were subjected to meticulous assessment to test the existence of lease like conditions. This test was required because, under somewhat regulated economic environment of oil industry in India, only one or two refining companies are located in a particular region. However, these pipelines could be justified to be outside the purview of Appendix C of (Ind AS) 17 on the principle that the refining companies do not have the right to operate the pipelines owned by Oil India Limited. That apart, financial instruments recognition, measurement and plethora of disclosures required by Ind AS as it felt necessary to be disclosed for the stakeholders' interest posed considerable challenges in terms of volume as well as complexities of the information. In the context of Consolidated Financial Statements, the company experienced significant changes as it required the financial statements of its foreign subsidiaries prepared under divergent accounting standards to be converted in to Ind AS before consolidation of financial results. Some of the foreign subsidiaries which were consolidated on line by line basis under erstwhile GAAP are subject to Equity basis of accounting owing to changes in the definition of "Control" as induced by (Ind AS) 110- Consolidated Financial Statements.

As mentioned earlier, apart from accounting, Ind AS has brought changes across various processes, IT-ERP systems in particular which had to be developed and/or reconfigured for proper capturing of information relating to operations, equipments and materials so as to facilitate preparation Ind AS compliant financial statements.

Ind AS is still an emerging issue where changes are being notified by the MCA keeping in harmony with global accounting standards IFRS. Many accounting disclosures related issues have been encountered during implementation where no clear cut accounting guidance was available. However, the help of external domain experts, clarifications provided by the Ind AS Transition Facilitation Group (ITFG) of the Institute and persistent and dedicated efforts from the Internal Finance Team has made the Ind AS transition from GAAP to Ind AS provided a great learning experience for the organization and also provided a good platform to face the future changes and challenges.

Ind AS: Impact Analysis and Industry Experience



Mr. B M Sharma,
CFO,
RSWM Limited

It is said that the only thing which is constant is change. And when you have to manage the inevitable change, it's your attitude and approach to said change which determine whether change is going to be painful or painless. Well in our case, it was mainly painless to a great extent. I would like to share here how we made a smooth transition to Ind AS across all 10 operating units + 3 other accounting units of the Company.

The process started as soon as Ind AS were notified with a one day meeting of all accounting heads of Units and auditors wherein the changes that were to come about were sensitized. An external expert was roped in for guiding accounting units and handholding of stake holders to make the transition smooth. Applicable Ind AS were discussed in brief in this meeting. This very first meeting evidenced very positive attitude of the Accounting Team. And positive attitude to the eminent changes set the tone for a structured approach to make transition painless.

In the first meeting, 7 groups were formed comprising of Units' Accounting Heads. They were allocated 2 or 3 Ind AS for in-depth study of each applicable Ind AS. They were given 2 weeks' time for their individual study & group discussion and preparation of Discussion Paper/s for the next meeting.

We all met again after 2 weeks in a two days' workshop. Each Group shared its study and open house discussions were held. This included discussion on corresponding IFRS and Carve Outs provided in Ind AS. The first and foremost discussion was on Ind AS 101-

First Time Adoption of Accounting, which provided guidance for the adoption of Ind AS. A Broad framework was made of changes that we were obligated to make and changes where we had alternative options for accounting treatments. Considering most suitable option/s available out of such alternatives, we decided to take the issue to coming meeting of the Audit Committee for further guidance on the issue.

Our Audit Committee comprises of all independent directors. The Audit Committee is headed by an eminent personality in the field of Accounting and Audit who also happened to be ex- Director of ICAI, Author of books on the related subjects and renowned consultant on technical issues relating to Accounting, Audit, Corporate Law etc. When we presented our study, details of options available to us and choices made by us, Audit Committee appreciated our efforts and preparedness for the transition. I must say that guidance provided by the Audit Committee in general and its Chairman particularly was of immense help to us.

Thereafter, we sat down for re-writing Accounting Policies in compliance with Ind AS. Major areas addressed were relating to Ind AS-1 Presentation of Financial Statements, Ind AS 103 - Business combinations so far as it related to merger of a subsidiary that had taken place around that time only, Ind AS 109- financial instruments and Ind AS 107- financial instruments- disclosures, Ind AS- 110- Consolidated financial statements so far as it related to consolidation of results of Subsidiary and Associates, Ind AS-113 fair value measurements specially of Investments in Subsidiary, Associates and other listed entities, Ind AS 16 – Property, Plant and Equipment, Ind AS 20 - Accounting for Government Grants and Disclosures so far as it related to accounting of entitlement of capital grants on account of investment in new manufacturing facilities and interest subvention available under RIPS, Ind AS 24 - Related Party Disclosures, Ind AS 28- Investment in Associates and Joint ventures, Ind AS 32- Financial Instruments Presentation and Ind AS40 - Investment Property so far as it related to differentiating property acquired/built for the purpose of earning from rentals. Company had issued OCRPS (Optionally Convertible Redeemable Preference Shares) to the s

shareholders of subsidiary company merged with parent company. Disclosure of the same as a Debt and Dividend payable thereon above the line as Finance Cost was a conceptual change. A company which previously was not an "Associate" became so under Ind AS. Also, decisions regarding recognition of changes in fair valuation of few items to be disclosed in OCI which were subsequently to be routed or not routed through PL were taken.

Once Accounting Policies were re-written, the same were discussed with both the Joint Auditors and then with the Audit Committee of the Board for approval. Once Accounting Policies based on Ind AS were frozen, next step was to convert previous years/periods financial statements into Ind AS compliant Financial Statements. This also required making changes in Chart of Accounts and Grouping and configuring ERP so that it could generate Financial Statements in revised formats.

All above stated processes were completed well in advance so that from day one of the accounting year, we were in compliance of applicable Ind AS. Intra-Group and Inter Group discussions and brain storming, technical inputs and guidance of external expert and members of the Audit Committee made us the first company of the LNJ Bhilwara Group to be Ind AS compliant.

When I look back, I find that it was not such a big thing as it was made out by number of writers and consultants who saw applicability of Ind AS as an opportunity to make money by creating panic in the affected entities. It certainly required disregarding some of old accounting practices but also provided an opportunity to Indian Companies to be internationally recognized so far as it related to recognition, measurement of disclosure of transactions. The experience gained has also helped us to prepare ourselves for Ind AS 115-*Revenue from Contracts with Customers*.

Ind AS: Impact Analysis and Industry Experience



Mr. Barindra Sanyal
Vice President-Finance
Tata Consultancy Services

Transition to IND AS – Experience Sharing

- Theme
In our case, US GAAP was being followed since inception and in FY 2011-12 IFRS was adopted. While implementing Ind AS, the central theme was congruency between the two sets of financial statements, namely, IFRS and Ind AS. It is important for a company to have clarity on the theme for implementation of Ind AS which would run through the process of Ind AS implementation.
- Significant impact areas of Ind-AS implementation
 1. In the case of acquisition, as per IFRS 3/Ind AS 103, intangibles embedded in goodwill have to be separately identified and amortized for purchase price allocation. This mean additional charge in P/L compared to IGAAP. There is a 'first time adoption option', by which a company could retain its earlier accounting or accounting after a chosen date for past business combinations. This option was chosen in a manner so as to minimize the differences between the IFRS & Ind AS balance sheets.
 2. Impact of change in valuation of employee benefit plan arising out of changes in actuarial assumptions are required to be taken to 'other comprehensive income' in IFRS/Ind AS whereas the same is taken to P/L in IGAAP. Volatility in IGAAP P/L on this score will now be avoided.
 3. In IFRS/Ind AS the concept of effective interest rate (EIR) is applied for valuation of financial assets and liabilities. In IGAAP, the accrued interest based on the coupon rate is taken in
- P/L. Applying the same concept, in the case of revenue when amount is receivable over long period of time, the revenue is split into revenue and interest – such interest is recognized in P/L over time. This was a change over IGAAP.
- 4. Under I GAAP, the only relevant source of authoritative guidance was the notified standard AS 11, which did not provide adequate guidance for hedging contracts. We used to follow IAS 39 and in 2013-14 early adopted IFRS9. In view of inadequacy of AS11, AS30 & AS31, TCS decided to apply IAS39/IFRS9 to report under I GAAP. Therefore, transition to Ind AS 109 was a 'no change' exercise.
- 5. Investments such as mutual fund are valued at market price (MTM) and the change is taken to P/L as per IFRS9/Ind AS. As per IGAAP, such investments are taken at cost or market price whichever is lower. If market price goes up, there will be a difference in recognition of other income. TCS has been applying this principle in IFRS – the same has been extended to Ind AS.
- 6. In IGAAP, usually consolidation is based on voting power, whereas in IFRS/Ind AS, consolidation is based on 'control'. This had a minor effect on the basis of consolidation.
- 7. Ind AS 101 allows first time adopters to set the cumulative translation reserve (CTD) to zero. This option benefits companies who have multiple foreign subsidiaries and where the subsidiary wise break-up of the composition of CTD, till the date of transition to Ind AS may not be easily available. At the time of Ind AS adoption, we did not use this option, because we had clear visibility of the composition of CTD.
- 8. Ind AS 101 allows an option to carry forward I GAAP balances as the opening PPE balance in Ind AS. We did not avail this option and we used Ind AS16 retrospectively to account for existing PPE. This helped us in aligning our PPE balances with what we had in IFRS.
- Some of the unaddressed issues of Ind AS

- Ind AS mainly follows IFRS, after suitable carve outs/ins, so there are not many issues unaddressed by Ind AS. In fact, Ind AS-8, on Accounting Policies, changes in accounting estimates and errors, specifically mentions in paragraph 12 that management can refer to most recent pronouncements of IFRS. However, for the carve outs, though an explanatory point has been added in the relevant standards, detailed basis for conclusion would have been useful. For example, Ind AS 103 differs from IFRS 3, in treatment of bargain gain purchase. Though the difference has been highlighted in the section under “Comparison with IFRS 3” and the carve out is fully justified, the underlying basis for conclusion is currently absent.
- Benefits of transparency and improved financial reporting
The benefits will slowly sink in. The shift will benefit the investors/analysts the most. Examples:
 - (a) Consolidation is on the basis of control rather than equity holding. It would give clearer picture of the financial performance of the group.
 - (b) Fair valuation concept especially in the area of financial instruments would improve the quality of disclosure of the company’s assets and liabilities.
 - (c) On acquisition of an entity, not under common control, statement of assets and liabilities at fair value instead of cost would provide clearer picture of the net assets acquired.
 - (d) The definition of ‘related party’ is wider in IFRS/Ind AS. Accordingly, disclosures and coverage of related party transactions in the notes to accounts would be far more detailed.
 - (e) Disclosures on tax reconciliation in IFRS/Ind AS are far more comprehensive, which would help the investors in understanding of the financials better.
 - (f) Accounting of hedges is not covered by IGAAP, whereas IFRS9/Ind AS 109 have separate guidance – it would ensure consistency in hedge accounting process for all companies.
 - (g) Disclosures on business combinations are substantially more in IFRS/Ind AS, which would benefit the investors.
 - There is no substitute for internal training
Our internal team was already experienced with IFRS implementation. An extended team was taken through training on Ind AS. We organized training sessions both class room types and online, to spread knowledge of Ind AS not only to finance teams but also other operational teams impacted. In fact training is a continuous process – for example, in anticipation of implementation requirements of IFRS 15/ Ind AS115, one team has been deployed to give technical guidance and required training at an enterprise level and yet another team has been engaged in assessment of contracts in the backdrop of IFRS15/Ind AS115 requirements.
 - Explanation of changes to other stakeholders – CEO / Audit Committee
We informed the board in advance about the options elected and differences that would arise due to Ind AS implementation. After we had the board approval, we informed our investors in advance about the likely impact on the quarterly and annual financial statements.
 - Need to make changes to IT systems
We had to make few changes in the IT system. The size and scale of the organization and the requirement decides whether it can be handled with ‘desktop adjustments’ or requires changes in the IT system. In our case, over time, ‘desktop adjustments’ have come down substantially.

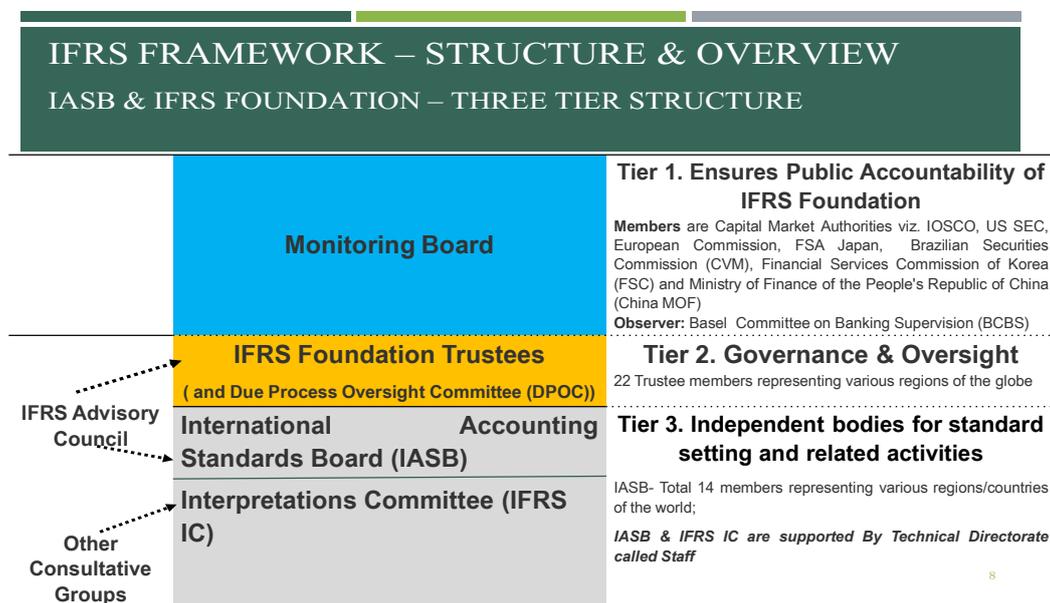
V. New Era of Financial Reporting

IFRS Standard: Basis of Ind AS

IFRS Standards are set by the IFRS Foundation's standard-setting body, the International Accounting Standards Board (IASB). IFRS Standards are currently required/ permitted in more than 140 jurisdictions. The IFRS Foundation is a not-for-profit, public interest organisation established to develop a single set of high-quality, understandable, enforceable and globally accepted accounting standards—IFRS Standards—and to promote and facilitate adoption of the standards.

The mission of IFRS Foundation is to develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world. The work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.

The International Accounting Standards Board is the independent standard-setting body of the IFRS Foundation.



ICAI's Engagement at International Level

IFRS Foundation Trustees - The Trustees are responsible for the governance and oversight of the International Accounting Standards Board (Board).

1. CA.Mohandas Pai, Former CFO & Board Member, Infosys Ltd, was the first Trustee appointed from India and served two terms from 2006 to 2011.
2. Shri C.B.Bhave, Former Chairman, SEBI, completed two terms from 1/1/2012 till 31/12/2017.
3. Shri Vinod Rai, Former C&AG India appointed for a three year term on 1/1/2018

IASB - The IASB is an independent group of experts with an appropriate mix of recent practical experience in setting accounting standards, in preparing, auditing, or using financial reports, and in accounting education.

CA.Prabhakar Kalvacherla, was appointed during the years 2009-2013

<p>IFRS Advisory Council</p> <p>It is an advisory body and acts as a sounding board to IASB and IFRS Trustees. It was formerly known Standards Advisory Council. It mandatorily consults IASB in advance of any major projects and Trustees before any amendment to the Constitution. It shall meet at least Three times a year and meetings are open for public .</p> <p>India Representation on IFRS Advisory Council</p> <ol style="list-style-type: none"> 1. CA. Y.H.Malegam - 2002-2004 2. CA. Shailesh Haribhakti - 2005-2008 3. CA. N.P.Sarda - 2009-2011 4. CA.R Sankaraiah - 2012-2015 5. CA.Suresh Senapaty - 2017-till date <p>Accounting Standards Advisory Forum</p> <ul style="list-style-type: none"> • Created in 2012 by IFRS Trustees to constructively contribute towards the achievement of the Board's goal of developing globally accepted high-quality accounting standards. ASAF generally meets four times a year for two days, normally in London. It comprises of 12 members from national standard-setters (NSS) and Regional Bodies. Trustees review the membership of ASAF once in three years. <p>Asian-Oceanian Standard-Setters Group (AOSSG)</p> <ul style="list-style-type: none"> • AOSSG is a grouping of the accounting standard-setters in the Asian-Oceanian region which was formed in 2009 to discuss issues and share experiences on the adoption of International Financial Reporting Standards (IFRS) and to contribute to the development of a high-quality set of global accounting standards. Currently, AOSSG has 26 members and it represents the region in the Accounting Standards Advisory Forum of IFRS Foundation. India has led the Working Group of AOSSG on Agriculture (Co-Chaired by Malaysia). • CA. S.B. Zaware, Chairman, ASB, ICAI, has been elected as the Vice-Chair of the AOSSG from November 2017 to November 2019. As per current convention, Vice-Chair assumes the position as Chair for next two years subject to confirmation by members. This election will give India an opportunity to play a lead role in global accounting standards setting. <p>Emerging Economies Group (EEG)</p> <p>EEG was created by IFRS Trustees in 2011 with the</p>

<p>aim of enhancing the participation of emerging economies in the development of IFRS Standards. The EEG generally holds two meetings each year, which will take place in one of the member countries.</p> <p><i>ICAI is a founder member of this group. It is the only who has hosted EEG meetings twice in December 2011 and May 2017 since its formation.</i></p>
<p>World Standard-setters Conferences (WSS)</p> <p>It is part of IASB's initiative to work with National Standard-setters and Regional Standard-setting communities. The conference is organised by the national standard-setters team and chaired by a Board member. It is held in London in September or October each year.</p>
<p>International Federation of Accounting Standard-Setters (IFASS)</p> <p>It is a grouping of national accounting standard – setters (formerly known as National Standard-setters) from around the World and other organisations that have a close involvement in financial reporting issues. IFASS meets twice a year.</p> <p>Two IFASS meetings held on March 06-07, 2014, and April 12-13, 2018, was hosted by the ASB, ICAI.</p>
<p>Global Preparers Forum (GPF)</p> <p>It was created in November 2008 and as per its Constitution it can have upto 16 members comprising 4 each from Europe, Americas, Asia-Oceania & rest of the world. The GPF members meet with the Board representatives three times a year at the IFRS Foundation office in London. One of those meetings is held jointly with the Capital Markets Advisory Committee (CMAC).</p> <p><i>Mr Barindra Sanyal, Global Head Finance Functions, TCS is a member from India. Previously, Mr Kaushik Chatterjee Group CFO, Tata Steel India is a member of this group.</i></p>

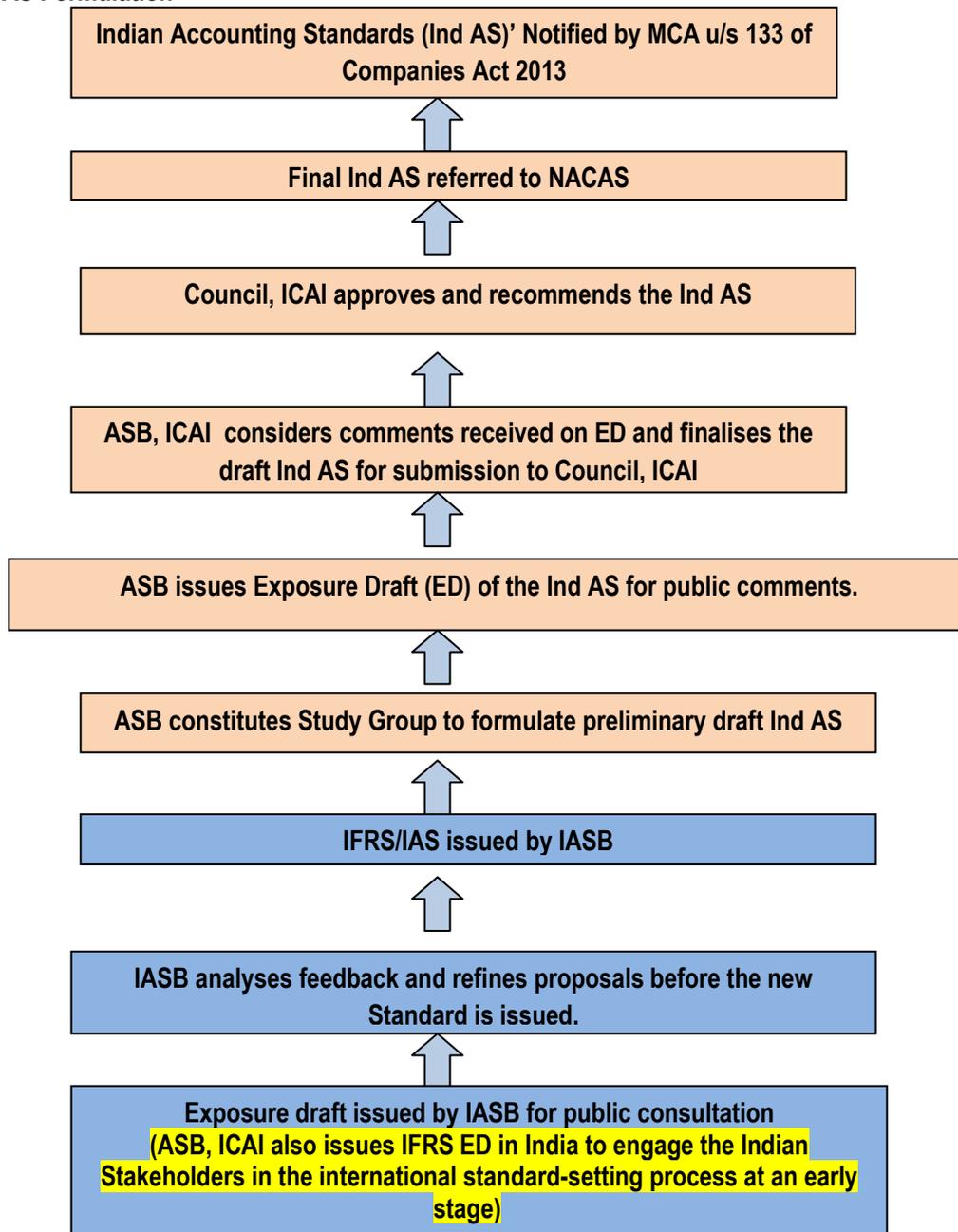
Ind AS: Impact Analysis and Industry Experience

Ind AS - Standard-setting process in India

The Institute of Chartered Accountants of India (ICAI) being the premier accounting body in India has been engaged in formulation of Accounting Standards (AS)/ Indian Accounting Standards (Ind AS). ICAI formulates Accounting Standards through its Accounting Standards Board (ASB).

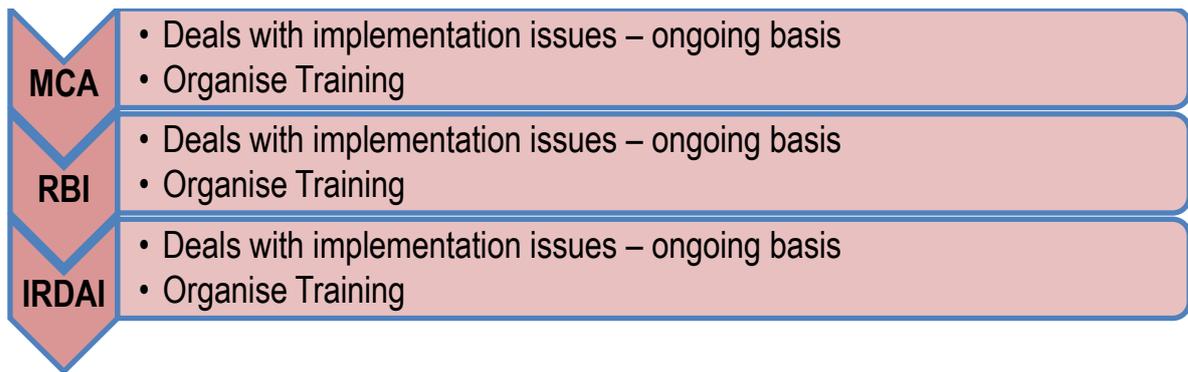
Indian Accounting Standards formulation and Regulators Engagement

Ind AS Formulation



Interfaces with Regulators

ASB maintains continuous dialogues with relevant regulators, such as, Reserve Bank of India (RBI), Insurance Regulatory and Development Authority of India (IRDA), Ministry of Corporate Affairs (MCA), etc., to address issues involved in Ind AS implementation.



Participation in RBI Working Group

- In order to facilitate a smooth implementation of Ind AS and to address implementation issues for the Indian banking system, RBI set up a Working Group in July, 2010, under the Chairmanship of Shri P R Ravi Mohan, the then Chief General Manager of erstwhile Department of Banking Operations and Development (DBOD). The Working Group comprised professionals with experience in IFRS implementation, representatives from the Indian Banks' Association (IBA) and ICAI as well as officers from various regulatory bodies, supervisory and market departments of the RBI. The RBI Working Group submitted an interim report in November 2012 based on IFRS 9 as finalised up to July 2012 and it was decided to monitor further developments on the matter before proceeding with the implementation of Ind AS.
- Subsequently, the Union Finance Minister in his speech on the Union Budget for 2014-2015, while expressing the urgent need for convergence of extant accounting standards with IFRS, announced the implementation of Ind AS by Indian companies voluntarily from the financial year (FY) 2015-16 and mandatorily from FY 2016-17. In this context, the RBI constituted a Working Group on the Implementation of Ind AS by banks in India under the Chairmanship of the Shri. Sudarshan Sen, Chief General Manager-in-Charge, Department of Banking Regulation (DBR, formerly DBOD), to build upon the work already done by the previous Working Group.
- The Working Group submitted the Report on Implementation of Ind AS by Banks in India in October, 2015.
- ASB participated actively in the Working Group.
 - Ind AS 110: Consolidation of mutual fund, venture capital funds, etc. and Equity acquired for restatement of NPA
 - Ind AS 109: Computation of Effective Interest Rate, Valuation of loan to employees at concessional costs,

- The Working Group has structured its recommendations in following key areas:
 - Classification & measurement of financial assets
 - Classification & measurement of financial liabilities
 - Hedge accounting and derivatives
 - Fair value measurement
 - Impairment of financial assets
 - Presentation of financial statements and disclosure
 - Derecognition, consolidation and other residuary issues
- Working Group has also devised formats for financial statements of banks under Ind AS & application guidance thereon.

ICAI Study Group to consider Ind AS implementation issues for the Indian banking system

- As a part of the Working Group Report, certain implementation issues for banks were identified for which required guidance was to be provided by the ICAI.
- In this context, a specific Study Group was constituted by ASB under the convenorship of CA. S.B. Zaware, Chairman, Accounting Standards Board, to consider the issues related to implementation of Ind AS in banking sector.
- Four meetings of the Study Group have been held so far.
- Critical issues for banking sector considered by the Study Group:
 - Ind AS 12 : Creation of deferred tax liabilities on special reserve created under Section 36(1)(viii) of the Income Tax Act, 1961

Impairment based ECL, Guidance on the terms 'infrequent number of sales' or 'infrequent in value', 29 FAQs formulated by RBI reviewed by ICAI in detail.

Ind AS: Impact Analysis and Industry Experience

Participation in IRDAI Working Group

- ICAI has participated actively in IRDAI Working Group on implementation of Ind AS in insurance sector.
- Report of Implementation Group on Ind AS in Insurance Sector in India was submitted in December, 2016.
- The report contains detailed recommendations of group regarding implementation issues and facilitates formulation of operational guidelines to converge with Ind AS in insurance sector.
- Post issuance of IFRS 17 by IASB, The Working Group has been reconstituted by IRDAI. ICAI is also a member of the Working Group. ICAI and IRDAI are working jointly on formulation of Ind AS 117, new Standard on Insurance Contracts.

Other Initiatives of the ASB

- The ASB initiated to host various comments received on various consultative documents issued by the ASB and comments submitted by the Board on various document issued by the International Accounting Standards Board on Institute's website to bring more transparency into the standards setting process.

Online submission of comments on various documents issued by the ASB – 2015

- While formulating Accounting Standards, the ASB exposes the draft of the Standard and invites comments from members and the public at large. With a view to bring more transparency into the standards setting process and functioning of the ASB, a paperless

initiative of online submission of comments on the various documents issued by the ASB on the Institute's website was introduced. Comments which were hitherto sent by e-mail or by other mode can now be submitted online by uploading the comment file on the website of the ICAI. The comments submitted till the last date for comments are uploaded and the same are available for public viewing.

Facilitation of Ind AS Implementation

Ind AS Implementation Group's initiatives:

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 had constituted a Committee, namely, Ind AS Implementation Committee in the year 2011. The Committee has been entrusted with the task of providing guidance to the members on Indian Accounting Standards (Ind AS). For this purpose, the Committee 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 the year 2018, the said Committee reconstituted as Ind AS Implementation Group under the aegis of Accounting Standards Board. However, the primary objective and activities of the former Ind AS Implementation Committee continued as the objective and purpose of the Ind AS Implementation Group as well.

IFRS Convergence Adoption: Ind AS Implementation Implementation Guidance Mechanism

Ind AS Transition Facilitation Group (ITFG)

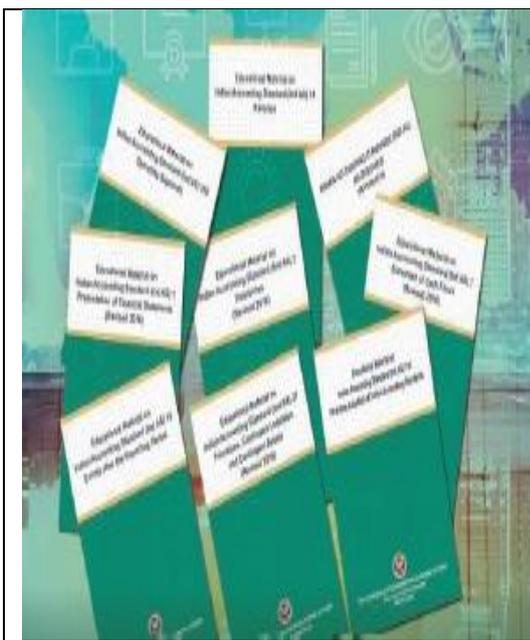
- Provide timely clarification to stakeholders on the technical issues raised
- So far, the Group has issued 15 bulletins. Around 114 queries have been resolved.

Ind AS Implementation Group

- Education Materials
- Training and Awareness Programmes
- Certification Course
- Webcasts

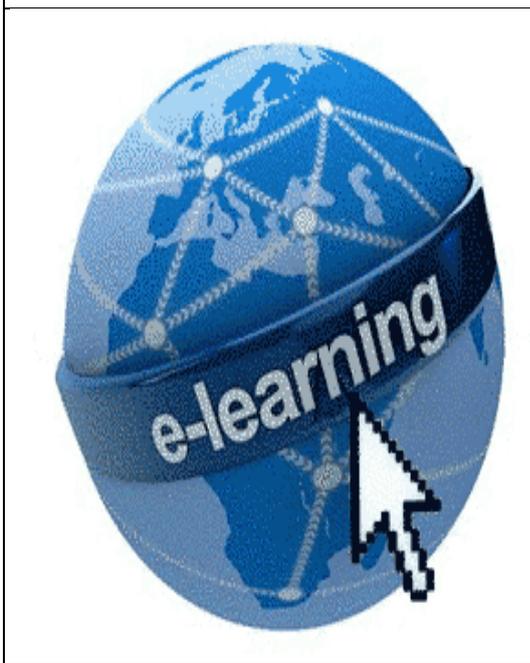
Ind AS Support Desk

- To provide guidance in a timely manner on less complex areas



10 Educational Materials

- Educational Material on Ind AS 1, *Presentation of Financial Statements* (Revised 2016)
- Educational Material on Ind AS 2, *Inventories* (Revised 2016)
- Educational Material on Ind AS 7, *Statement of Cash Flows* (Revised 2016)
- Educational Material on Ind AS 10, *Events after the Reporting period*
- Educational Material on Ind AS 16, *Property, Plant and Equipment*
- Educational Material on Ind AS 18, *Revenue* (Revised 2017)
- Educational Material on Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets* (Revised 2016)
- Educational Material on Ind AS 101, *First-time Adoption of Indian Accounting Standards*
- Educational Material on Ind AS 103, *Business Combinations*
- Educational Material on Ind AS 108, *Operating Segments*

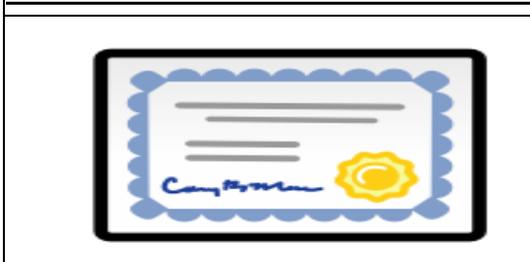


12 E-learning Modules

- Introduction to Ind AS
- E-learning module on Ind AS 1, *Presentation of Financial Statements and Ind AS based Schedule III*
- E-learning module on Ind AS 2, *Inventories*
- E-learning module on Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*
- E-learning module on Ind AS 23, *Borrowing Costs*
- E-learning module on Ind AS 34, *Interim Financial Reporting*
- E-learning module on Ind AS 36, *Impairment of Assets*
- E-learning module on Ind AS 40, *Investment Property*
- E-learning module on Ind AS 16, *Property, Plant and Equipment*

Webcast

In order to widen the reach in spreading awareness amongst the members of ICAI for smooth implementation of Ind AS, Ind AS Implementation Group organised series of webcasts on Ind AS from time to time.



Number of batches of Certification Course on Ind AS = 232
Number of Members trained = 8900

Ind AS: Impact Analysis and Industry Experience

<u>Ind AS training programmes for Regulators, Corporates and other organizations</u>	Customised In-house training programmes on Ind AS for officials/employees of various organisations are conducted to impart training on Ind AS. Session plan of the programme is designed keeping in view topics relevant to them and customised as per their needs and requirements. Such programmes have been organised for various regulators/ministries such as Comptroller & Auditor General of India (C&AG), CBDT, IRDA, Department of Telecommunications (DoT), Department of Public Enterprises, Ministry of Heavy Industry and Public Enterprises etc. and other corporate bodies.
<u>Ind AS Transition Facilitation Group</u>	<p>Following the MCA notification, dated February 16, 2015, various issues related to the applicability of Ind AS/implementation under Companies (Indian Accounting Standards) Rules, 2015 are being raised by preparers, users and other stakeholders. Considering the need to address various issues raised, an Ind AS Transition Facilitation Group (ITFG) was formed by the ASB on the following basis:</p> <p>The ITFG under the aegis of Ind AS Implementation Group issues clarification bulletins addressing implementation issues from time to time. So far, 15 bulletins covering 114 issues were issued. The Group had also issued a Compendium of ITFG Clarification bulletins which contains a compilation of the issues alongwith topic wise and standard wise indexation.</p>

VI. APPENDICES

A. Comparative list of IFRSs with Ind AS notified by the MCA (As of April, 2018)

S No.	IFRS/ IAS	Indian Accounting Standard	Title
			<i>Ventures</i>
16.	IAS 29	Ind AS 29	<i>Financial Reporting in Hyperinflationary Economies</i>
17.	IAS 32	Ind AS 32	<i>Financial Instruments: Presentation</i>
18.	IAS 33	Ind AS 33	<i>Earnings per Share</i>
19.	IAS 34	Ind AS 34	<i>Interim Financial Reporting</i>
20.	IAS 36	Ind AS 36	<i>Impairment of Assets</i>
21.	IAS 37	Ind AS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>
22.	IAS 38	Ind AS 38	<i>Intangible Assets</i>
23.	IAS 40	Ind AS 40	<i>Investment Property</i>
24.	IAS 41	Ind AS 41	<i>Agriculture</i>
25.	IFRS 1	Ind AS 101	<i>First-time Adoption of Indian Accounting Standards</i>
26.	IFRS 2	Ind AS 102	<i>Share-based Payment</i>
27.	IFRS 3	Ind AS 103	<i>Business Combinations</i>
28.	IFRS 4	Ind AS 104	<i>Insurance Contracts</i>
29.	IFRS 5	Ind AS 105	<i>Non-current Assets Held for Sale and Discontinued Operations</i>
30.	IFRS 6	Ind AS 106	<i>Exploration for and Evaluation of Mineral Resources</i>
31.	IFRS 7	Ind AS 107	<i>Financial Instruments: Disclosures</i>
1.	IAS 1	Ind AS 1	<i>Presentation of Financial Statements</i>
2.	IAS 2	Ind AS 2	<i>Inventories</i>
3.	IAS 7	Ind AS 7	<i>Statement of Cash Flows</i>
4.	IAS 8	Ind AS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
5.	IAS 10	Ind AS 10	<i>Events after the Reporting Period</i>
6.	IAS 12	Ind AS 12	<i>Income Taxes</i>
7.	IAS 16	Ind AS 16	<i>Property, Plant and Equipment</i>
8.	IAS 17	Ind AS 17	<i>Leases</i>
9.	IAS 19	Ind AS 19	<i>Employee Benefits</i>
10.	IAS 20	Ind AS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>
11.	IAS 21	Ind AS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>
12.	IAS 23	Ind AS 23	<i>Borrowing Costs</i>
13.	IAS 24	Ind AS 24	<i>Related Party Disclosures</i>
14.	IAS 27	Ind AS 27	<i>Separate Financial Statements</i>
15.	IAS 28	Ind AS 28	<i>Investments in Associates and Joint</i>

Ind AS: Impact Analysis and Industry Experience

S No.	IFRS/IAS	Indian Accounting Standard	Title
32.	IFRS 8	Ind AS 108	<i>Operating Segments</i>
33.	IFRS 9	Ind AS 109	<i>Financial Instruments</i>
34.	IFRS 10	Ind AS 110	<i>Consolidated Financial Statements</i>
35.	IFRS 11	Ind AS 111	<i>Joint Arrangements</i>
36.	IFRS 12	Ind AS 112	<i>Disclosure of Interest in Other Entities</i>
37.	IFRS 13	Ind AS 113	<i>Fair Value Measurement</i>
38.	IFRS 14	Ind AS 114	<i>Regulatory Deferral Account</i>
39.	IFRS 15	Ind AS 115	<i>Revenue from Contracts with Customers</i>

* 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.

** Since India has decided to converge early with IFRS 9, *Financial Instruments*. Accordingly, Ind AS 109, *Financial Instruments*, has been issued and Ind AS 39, *Financial Instruments: Recognition and Measurement*, has not been issued.

IFRS not yet effective

S No.	IFRS/IAS	Indian Accounting Standard	Title
1.	IFRS 16	Ind AS 116 and Ind AS 117* are under formulation	<i>Leases (Effective from April 01, 2019, will replace Ind AS 17)</i>
2.	IFRS 17		<i>Insurance Contracts (Proposed to be effective from April 01, 2020, and will replace Ind AS 104)</i>

* In view of implementation of Ind AS in Insurance Sector from 2020-21, India may implement Ind AS 117 early.

IFRICs/SICs included in the corresponding Appendices to Ind AS (As of April, 2018)

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 4	Appendix C to Ind AS 17	Determining whether an Arrangement contains a Lease
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
6.	IFRIC 10	Appendix A to Ind AS 34	Interim Financial Reporting and Impairment
7.	IFRIC 12	Appendix A to Ind AS 11	Service Concession Arrangements

B. Major differences between Ind AS and existing Accounting Standards notified under Companies (Accounting Standards) Rules, 2006, as amended from time to time⁵

Ind AS 1, *Presentation of Financial Statements*, and AS 1, *Disclosure of Accounting Policies*

Ind AS 1 deals with presentation of financial statements, whereas AS 1 deals only with the disclosure of accounting policies. The scope of Ind AS 1 is thus much wider and line by line comparison of the differences with AS 1 is not possible. However, the major requirements as laid down in Ind AS 1 are as follows:

- (i) Ind AS 1 requires an enterprise to make an explicit statement in the financial statements of compliance with all the Indian Accounting Standards.
- (ii) Ind AS 1 requires presentation and provides criteria for classification of Current / Non- Current assets / liabilities.
- (iii) Ind AS 1 prohibits presentation of any item as 'Extraordinary Item' in the statement of profit and loss or in the notes.
- (iv) Ind AS 1 requires disclosure of judgments made by management while framing of accounting policies. Also, it requires disclosure of key assumptions about the future and other sources of measurement uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year.
- (v) Ind AS 1 requires classification of expenses to be presented based on nature of expenses.
- (vi) 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.

In respect of reclassification of items, Ind AS 1 requires disclosure of nature, amount and reason for reclassification in the notes to financial statements.

(vii) 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.

(ix) 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.

(x) 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)

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

⁵ 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, 2006 on the subject.

- (iv) 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.
 - (v) Ind AS 2 excludes from its scope only the measurement of inventories held by producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products though it provides guidance on measurement of such inventories (refer paragraphs 4 and 20 of Ind AS 2). However, AS 2 excludes from its scope such types of inventories.
 - (vi) 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)
- (iii) Ind AS 7 includes the following new examples of cash flows arising from financing activities (refer paragraph 17 of Ind AS 7):
 - (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 finance 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 and non-controlling interests' 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 activities to be separately classified as arising from operating, investing and financing activities, whereas Ind AS 7 does not contain this requirement.

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.
- (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).

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- (vii) AS 3 does not contain such requirements.
- (viii) 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.
- (ix) 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.
- (x) Ind AS 7 uses the term 'functional currency' instead of 'reporting currency' (as used in AS 3). Ind AS 7 also deals with translation of cash flows of a foreign subsidiary (refer paragraphs 25 to 27 of Ind AS 7) whereas in AS 3, it is not dealt with.
- (xi) Ind AS 7 requires disclosure of changes in liabilities arising from financing activities. AS 3 does not contain such requirement.

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

- (i) Objective of AS 5 is to prescribe the classification and disclosure of certain items in the statement of profit and loss for uniform preparation and presentation of financial statements. Objective of Ind AS 8 is to prescribe 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. Ind AS 8 intends 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.

Keeping in view that Ind AS 1, *Presentation of Financial Statements*, prohibits the presentation of any items of income or expense as extraordinary items, Ind AS 8 does not deal with the same.

AS 5 restricts the definition of accounting policies to specific accounting principles and the methods of applying those principles while Ind AS 8 broadens the definition to include bases, conventions, rules and practices (in addition to principles) applied by an entity in the preparation and presentation of financial statements.

In addition to the situations allowed under Ind AS 8 for changing an accounting policy, AS 5 allows change in accounting policy if required by statute.

Ind AS 8 specifically states that an entity shall select and apply its 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. Neither AS 5 nor any other Accounting Standard specifically requires accounting policies to be consistent for similar transactions, other events and conditions.

Ind AS 8 requires that changes in accounting policies should be accounted for with retrospective effect subject to limited exceptions viz., where it is impracticable to determine the period specific effects or the cumulative effect of applying a new accounting policy. On the other hand, AS 5 does not specify how change in accounting policy should be accounted for.

AS 5 defines prior period items as incomes or

(viii) 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 8 uses the term 'errors' and relates it to errors or omissions arising from a failure to use or misuse of reliable information (in addition to mathematical mistakes, mistakes in application of accounting policies etc.) that was available when the financial statements of the prior periods were approved for issuance and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Ind AS 8 specifically states that errors include frauds, which is not covered in AS 5.

(ix) Ind AS 8 requires rectification of material prior period errors with retrospective effect subject to limited exceptions viz., where it is impracticable to determine the period specific effects or the cumulative effect of applying a new accounting policy. On the other hand, AS 5 requires the rectification of prior period items with prospective effect.

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 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. However, AS 1 requires the disclosure of the fact in case going concern assumption is not followed.

(iii) Consequent to changes made in Ind AS 1, 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.

(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.

Ind AS 11, Construction Contracts and AS 7, Construction Contracts

(i) AS 7 includes borrowing costs as per AS 16, *Borrowing Costs*, in the costs that may be attributable to contract activity in general and can be allocated to specific contracts, whereas Ind AS 11 does not specifically make reference to Ind AS 23.

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- (ii) AS 7 does not recognise fair value concept as contract revenue is measured at consideration received/receivable, whereas Ind AS 11 requires that contract revenue shall be measured at fair value of consideration received/receivable.
- (iii) AS 7 does not deal with accounting for Service Concession Arrangements, i.e., the arrangement where private sector entity (an operator) constructs or upgrades the infrastructure to be used to provide the public service and operates and maintains that infrastructure for a specified period of time, whereas Appendix A of Ind AS 11 deals with accounting aspects involved in such arrangements and Appendix B of Ind AS 11 deals with disclosures of such arrangements.

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.

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.

- (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 22 deals with disclosure of deferred tax assets and liabilities in the balance sheet. Ind AS 12 does not deal with this aspect except that it requires that income tax relating to each component of other comprehensive income

- (v) shall be disclosed as current or non-current asset/liability in accordance with the requirements of Ind AS 1.
- (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 explains virtual certainty supported by convincing evidence. Since the concept of virtual certainty does not exist in Ind AS 12, this explanation is not included.
- (ix) 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.
- (x) 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.
- (xi) Ind AS 12 specifically provides guidance regarding Recognition of Deferred Tax Assets for Unrealised Losses. AS 22 does not specifically deal with these situations.
- 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 fixed assets 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 does not contain this guidance.
- Ind AS 18, Revenue and AS 9, Revenue Recognition**
- (i) Definition of 'revenue' given in Ind AS 18 is broad as compared to the definition of 'revenue' given in AS 9 because it covers all economic benefits that arise in the ordinary course of activities of an entity which result in increases in equity, other than increases relating to contributions from equity participants. On the other hand, as per AS 9, revenue is gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends.
- (ii) Measurement of revenue is briefly covered in the definition of revenue in AS 9, while Ind AS 18 deals separately in detail with measurement of revenue. As per AS 9, revenue is recognised at the nominal amount of consideration receivable. Ind AS 18 requires the revenue to be measured at fair value of the consideration received or receivable.
- (iii) Ind AS 18 specifically deals with the exchange of goods and services with goods and services of similar and dissimilar nature. In this regard specific guidance is given regarding barter transactions

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involving advertising services. This aspect is not dealt with in AS 9.

- (iv) Ind AS 18 provides guidance on application of recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. AS 9 does not specifically deal with the same.
- (v) AS 9 requires the recognition of revenue from interest on time proportion basis. Ind AS 18 requires interest to be recognised using effective interest rate method as set out in Ind AS 109, *Financial Instruments*.
- (vi) Ind AS 18 specifically provides guidance regarding revenue recognition in case the entity is under any obligation to provide free or discounted goods or services or award credits to its customers due to any customer loyalty programme. AS 9 does not deal with this aspect.
- (vii) Disclosure requirements given in Ind AS 18 are more detailed as compared to AS 9.

Ind AS 17, Leases and AS 19, Leases

- (i) AS 19 excludes leases of land from its scope. Ind AS 17 does not have such scope exclusion. It has specific provisions dealing with leases of land and building applicable. Further, Ind AS 17 is not applicable as the basis of measurement for:
 - property held by lessees/provided by lessors under operating leases but treated as investment property and
 - biological assets held by lessees/provided by lessors under operating leases that are covered in the Standard on Agriculture.

AS 19 does not contain such provisions.
- (ii) Ind AS 17 makes a distinction between inception of lease and commencement of lease. In AS 19, though both the terms are used at

some places, these terms have not been defined and distinguished. Further, Ind AS 17 deals with adjustment of lease payments during the period between inception of the lease and the commencement of the lease term. This aspect is not dealt with in AS 19. Also, as per Ind AS 17, the lessee shall recognise finance leases as assets and liabilities in balance sheet at the commencement of the lease term whereas as per AS 19 such recognition is at the inception of the lease.

- (iii) Treatment of initial direct costs under Ind AS 17 differs from the treatment prescribed under AS 19. This is tabulated below:

Subject	AS 19	Ind AS 17
Finance lease-lessee accounting	Added to the amount recognised as asset.	Same as per AS 19.
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; there is no need to add them separately.

Manufacturer/dealer	Recognised as expense at the commencement of the lease term.	Same as per AS 19.
Operating lease-Lessee accounting	No discussion	No discussion
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.

- (iv) Ind AS 17 requires current/non-current classification of lease Liabilities if such classification is made for other liabilities. Also, it makes reference to Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*. These matters are not addressed in AS 19.
- (v) 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. While Ind AS 17 retains the deferral and amortisation principle, it does not specify any method of amortisation.
- (vi) Ind AS 17 requires that in case of operating lease, where escalation of lease rentals is in line with the expected general inflation so as to

compensate the lessor for expected inflationary cost increases shall not be straight lined. AS 19 does not provide for the same.

Ind AS 19, Employee Benefits and AS 15, Employee Benefits

- (i) In Ind AS 19, employee benefits arising from constructive obligations are also covered whereas AS 15 does not deal with the same. (Paragraph 4(c) of Ind AS 19)
- (ii) As per AS 15, the term 'employee' includes whole-time directors whereas under Ind AS 19 the term includes directors. (Paragraph 7 of Ind AS 19)
- (iii) 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 the AS 15 does not contain similar provisions. (Paragraph 42 of Ind AS 19)
- (iv) 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 though does not require involvement of a qualified actuary, does not specifically encourage the same. (Paragraph 59 of Ind AS 19)
- (v) 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 should not be recognised in profit or loss.

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- (vi) 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)
- (vii) 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.
- (viii) Under Ind AS 19, more guidance has been given for timing of recognition of termination benefits. Recognition criteria for termination benefits under the revised standard differ from the criteria prescribed in AS 15. (Paragraph 165 of Ind AS 19)
- (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

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

Appendix B

should be recorded at a nominal value. Ind AS 20 requires to value non-monetary grants at their fair value, since it results into presentation of more relevant information and is conceptually superior as compared to valuation at a nominal amount.

- (v) AS 12 gives an option to present the grants related to assets, including non-monetary grants at fair value in the balance sheet either by setting up the grant as deferred income or by deducting the grant from the gross value of asset concerned in arriving at its book value. Ind AS 20 requires presentation of such grants in balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at its book value is not available under Ind AS 20.
- (vi) Ind AS 20 includes Appendix A which deals with *Government Assistance—No Specific Relation to Operating Activities*.
- (vii) 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 require so.

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 does not exclude accounting for such contracts.
- (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 fixed assets; where such items are related to acquisition of fixed 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) AS 11 is based on integral foreign operations and non-integral foreign operations approach for accounting for a foreign operation, whereas Ind AS 21 is based on the functional currency approach.
- (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) Ind AS 21 gives guidance on 'Foreign Currency Transactions and Advance Consideration'. However, AS 11 does not provide so.
- (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

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- (ii) AS 16 does not provide for such scope relaxation.
- (iii) Ind AS 23 excludes the 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 relaxation and is applicable to borrowing costs related to all inventories that require substantial period of time to bring them in saleable condition.
- (iv) 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 have been deleted, as some of these components of borrowing costs are considered as the components of interest expense calculated using the effective interest rate method.

- (v) AS 16 gives explanation for meaning of 'substantial period of time' appearing in the definition of the term 'qualifying asset'. This explanation is not included in Ind AS 23.

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.

- (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 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.
 - (vi) 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) AS 23 requires application of the equity method only when the entity has subsidiaries and prepares consolidated financial Statements. Ind AS 28 requires application of equity method in financial statements other than separate financial statements even if the investor does not have any subsidiary.
 - (iv) 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.
 - (v) Ind AS 28 now 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.
 - (vi) 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 fulfill the criteria to be classified as held for sale in accordance with Ind AS 105. AS 23 does not specifically deal with this aspect.
 - (vii) 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*.
 - (viii) 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

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- (ix) 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.
- (x) 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 provides 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.
- (xi) 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.
- (xii) 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.

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.

Ind AS 34, *Interim Financial Reporting* and AS 25, *Interim Financial Reporting*

- (i) Under AS 25, if an entity is required or elects to prepare and present an interim financial report, it should comply with that standard. Ind AS 34 applies only if an entity is required or elects to prepare and present an interim financial report in accordance with Accounting Standards. Consequently, it is specifically stated in Ind AS 34 that the fact that an entity may not have provided interim financial reports during a particular financial year or may have provided interim financial reports that do not comply with Ind AS 34 does not prevent the entity's annual financial statements from conforming to Ind AS if they otherwise do so. (Paragraph 2 of Ind AS 34)
- (ii) In Ind AS 34, the term 'complete set of financial statements' appearing in the definition of interim

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- financial report has been expanded as compared to AS 25. Accordingly, the said term (as described in Ind AS 1, *Presentation of Financial Statements*) includes 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 and comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of Ind AS 1. (Paragraph 5 of Ind AS 34)
- (iii) As per AS 25, the contents of an interim financial report include, at a minimum, a condensed balance sheet, a condensed statement of profit and loss, a condensed cash flow statement and selected explanatory notes. Ind AS 34 requires, in addition to the above, a condensed statement of changes in equity. (Consequential to change in Ind AS 1)
- (iv) Ind AS 34 prohibits reversal of impairment loss recognised in a previous interim period in respect of goodwill 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 certain financial assets in Ind AS 109, and the effect of that interaction on subsequent interim and annual financial statements
- (v) 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 prepared on a consolidated basis.
- (vi) 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)
- (vii) AS 25 requires furnishing information, in interim financial report, of dividends, aggregate or per share (in absolute or percentage terms), for equity and other shares. Ind AS 34 requires furnishing of information, in interim financial report, on dividends paid, aggregate or per share separately for equity and other shares. (Paragraph 16A(f) of Ind AS 34)
- (viii) 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 15B(m) of Ind AS 34)
- (ix) 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)
- (x) Under AS 25, a change in accounting policy, other than the one for which the transitional provisions are specified by a new Standard, should be reflected by restating the financial statements of prior interim periods of the current financial year. Ind AS 34 additionally requires

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- (xi) restatement of the comparable interim periods of prior financial years that will be restated in annual financial statements in accordance with Ind AS 8, subject to specific provisions when such restatement is impracticable.
 - (xii) Convergence of all other standards with IFRS also has impact on interim financial reporting. For example, treatment of constructive obligation in Ind AS 37, will have impact in interim financial reporting which could be different in the context of relevant accounting standards. There are other consequential impacts also. For example, AS 20 requires EPS with and without extraordinary items. Since the concept of extraordinary items is no longer valid in the context of Ind AS 1 the question of EPS with and without extraordinary items does not arise in the context of Ind AS 33. This changed requirement of Ind AS 33 is equally applicable to interim financial reporting under Ind AS 34.
 - (xiii) 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.
- (ii) Ind AS 36 specifically excludes biological assets related to agricultural activity. AS 28 does not specifically exclude biological assets. 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

AS 28 does not apply to the above assets.

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

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.

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 requires creation of provisions in respect of constructive obligations also [However, AS 29 requires creation of provisions arising out of normal business practices, custom and a desire to maintain good business relations or to act in an equitable manner]. This has resulted in some consequential changes also. For example, definitions of provision and obligating event have been revised in Ind AS 37, while the terms 'legal obligation' and 'constructive obligation' have been inserted and defined in Ind AS 37. Similarly, the portion of AS 29 pertaining to restructuring provisions has been revised in Ind AS 37.
- (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 notes the practice of disclosure of contingent assets in the report of the approving authority but prohibits disclosure of the same in the financial statements. 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 such guidance.

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, i.e., Schedule II to the Companies Act, 2013.

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- (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 was not a necessary condition for identifiability. Ind AS 38 provides detailed guidance in respect of identifiability. (Paragraphs 11 and 12 of Ind AS 38)
- (iv) 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)
- (v) 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.
- (vi) 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)
- (vii) 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.
- (viii) 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)
- (ix) Ind AS 38 requires that if an intangible asset is acquired in exchange of a non-monetary asset, it should be recognised at the fair value of the asset given up unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. However, the AS 26 requires the principles of AS 10 to be followed which require that when an asset is acquired in exchange for another asset, its cost is usually determined by reference to the fair market value of the consideration given. It may be appropriate to consider also the fair market value of the asset acquired if this is more clearly evident. An alternative accounting treatment to record the asset acquired at the net book value of the asset given up; in each case an adjustment is made for any balancing receipt or payment of cash or other consideration also.
- (x) 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

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- attributable to making the asset ready for intended use. (Paragraph 33 of AS 26 and paragraph 44 of Ind AS 38)
- (x) 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 fulfillment of certain conditions, in which case it should not be amortised but should be tested for impairment.
- (xi) 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.
- (xii) 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.
- (xiii) 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.
- (xiv) Paragraph 94 of Ind AS 38 acknowledges that the useful life of an intangible asset arising from contractual or legal rights maybe shorter than the legal life. AS 26 does not include such a provision.
- (xv) 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.
- (xvi) 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.
- (xvii) As per AS 26, change in the method of amortisation is a change in accounting policy whereas as per Ind AS 38 (paragraph 104), this would be a change in accounting estimate.
- (xviii) 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 defines a business combination which has a wider scope whereas AS 14 deals with amalgamation and mergers.
- (ii) Under AS 14, there are two methods of

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- (iii) accounting for amalgamation: the pooling of interest method and the purchase method. Ind AS 103 prescribes only the acquisition method for every business combination. (Paragraph 7 of AS 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)
- (iv) 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)
- (v) 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.
- (vi) Ind AS 103 deals with reverse acquisitions, whereas AS 14 does not deal with the same.
- (vii) 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.
- (viii) 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 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. (Paragraph 34 of Ind AS 103 and paragraph 17 of AS 14)
- (ix) Appendix C of Ind AS 103 deals with accounting for common control transactions, which prescribes a method of accounting different from Ind AS 103. AS 14 does not 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*. AS 24 establishes principles for reporting information about *discontinuing operations*. It does not deal with the non-current assets held for sale; fixed assets retired from active use and held for sale, which are dealt in AS 10, *Accounting for Fixed Assets*. (Paragraph 1 of Ind AS 105 and 'Objective' of AS 24)
- (ii) In AS 24, requirements related to cash flow statement are applicable when the enterprise presents a cash flow statement. Ind AS 105 does not mention so. (Paragraph 2 of AS 24)
- (iii) Under Ind AS 105, a discontinued operation is a component of an entity that either has been

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disposed of or is classified as held for sale. In AS 24, there is no concept of discontinued operations but it deals with discontinuing operations.

- (iv) 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.
- (v) AS 24 specifies about the initial disclosure event in respect to a discontinuing operation. Ind AS 105 does not mention so as it relates to discontinued operation. (Paragraph 15 of AS 24)
- (vi) 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 fixed assets 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.
- (vii) Ind AS 105 specifically mentions that abandonment of assets should not be classified as held for sale. In AS 24, abandonment of assets is classified as a discontinuing operation; however, changing the scope of an operations 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)
- (viii) 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)
- (ix) As per Ind AS 105, a discontinued operation is

a component of an entity that represents a separate major line of business or geographical area, or is a subsidiary acquired exclusively with a view to resale. Under AS 24, a discontinuing operation is a component of an entity that 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)

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. 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 also 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) An explanation has been given in AS 17 that in case there is neither more than one business

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- (v) 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. Ind AS 108 requires certain disclosures even in case of entities having single reportable segment.
- (vi) An explanation has been given in AS 17 that 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.
- (vii) 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.
- (i) Ind AS 110 makes the preparation of Consolidated Financial Statements mandatory for a parent. AS 21 does not mandate the preparation of consolidated financial statements by a parent. 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 governing body. However, unlike rule based definition given in AS 21, definition of control in Ind AS 110 is principle based which states that, 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.
- (ii) AS 21 provides clarification regarding inclusion of notes appearing in the separate financial statements of the parent and its subsidiaries in the consolidated financial statements. However, Ind AS 110 does not provide any clarification in this regard.
- (iii) Under AS 21, there can be more than one parent of a subsidiary therefore AS 21 provides clarification regarding consolidation in case an entity is controlled by two entities. No clarification has been provided in this regard in Ind AS 110, keeping in view that as per the definition of control given in Ind AS 110, control of an entity could be with one entity only.
- (iv) As per AS 21, difference between the date of the subsidiary's financial statements and that of the consolidated financial statements shall not exceed 6 months. However, as per Ind AS 110 the difference shall not be more than three months.
- (v) Ind AS 110 provides detailed guidance as compared to AS 21 regarding accounting in case of loss of control over subsidiary.
- (vi) Both AS 21 and Ind AS 110, require the use of

Ind AS 110, Consolidated Financial Statements and AS 21, Consolidated Financial Statements

- (vii) uniform accounting policies. However, AS 21 specifically states that if it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied. However, Ind AS 110 does not recognise the situation of impracticability.
- (viii) As per AS 21, minority interest should be presented in the consolidated balance sheet separately from liabilities and equity of the parent's shareholders. However, as per Ind AS 110, non-controlling interests shall be presented in the consolidated balance sheet within equity separately from the parent shareholders' equity.
- (ix) For considering share ownership, potential equity shares of the investee held by investor are not taken into account as per 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 the subsidiary.
- (x) As per AS 21, subsidiary is excluded from consolidation when control is intended to be temporary or when subsidiary operates under severe long term restrictions. Ind AS 110 does not give any such exemption from consolidation.
- AS 21 explains where an entity owns majority of voting power because of ownership and all the shares are held as stock-in-trade, whether this amounts to temporary control. AS 21 also explains the term 'near future'. However, Ind AS 110 does not explain the same, as these are not relevant.
- (i) AS 27 recognises three forms of joint venture namely: a) jointly controlled operations, b) jointly controlled assets and c) jointly controlled entities. As per Ind AS 111, a joint arrangement is either a joint operation or a joint venture. Such classification of joint arrangement depends upon the rights and obligations of the parties to the arrangement and disregards the legal structure.
- (ii) AS 27 provides that in some exceptional cases, an enterprise by a contractual arrangement establishes joint control over an entity which is a subsidiary of that enterprise within the meaning of Accounting Standard (AS) 21, *Consolidated Financial Statements*. In those cases, the entity is consolidated under AS 21 by the said enterprise, and is not treated as a joint venture. Ind AS 111 does not recognise such cases keeping in view the definition of control given in Ind AS 110.
- (iii) Ind AS 111 provides that a venturer can recognise its interest in joint venture using only equity method as per Ind AS 28. AS 27 prescribes the use of proportionate consolidation method only.
- (iv) In case of separate financial statements under AS 27, interest in jointly controlled entity is accounted for as per AS 13, *Accounting for Investments*, i.e., at cost less provision for other than temporary decline in the value of investment. Ind AS 111 requires that the joint operator shall recognise its interest in joint operation as given in the paragraphs 20-22 and a joint venture in accordance with Ind AS 28, *Investments in Associates and Joint Ventures*.
- (v) An explanation has been given in AS 27 regarding the term 'near future' used in an exemption given from applying proportionate consolidation method, i.e., where the investment is acquired and held exclusively with

Ind AS 111, Joint Arrangements and AS 27, Financial Reporting of Interests in Joint Ventures

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- (vi) a view to its subsequent disposal in the near future. This explanation has not been given in the Ind AS 111, as such situations are now covered by Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*.
- (vii) AS 27 requires application of the proportionate consolidation method only when the entity has subsidiaries and prepares Consolidated Financial Statements. Ind AS 111 requires application of equity method in financial statements other than separate financial statements in case of a joint venture, even if the venturer does not have any subsidiary in the financial statements
- (viii) AS 21 provides clarification regarding disclosure of venturer's share in post-acquisition reserves of a jointly controlled entity. The same has not been dealt with in the Ind AS 111.

Ind AS 115, Revenue from Contracts with Customers 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 are 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.

- (vi) Ind AS 115 provides guidance on recognition of costs to obtain and fulfill a contract, as asset, whereas AS 7 and AS 9 do not deal with such capitalisation of costs.

C. Exemptions under Ind AS 101, First-time Adoption of Indian Accounting Standards

PPE/Intangible Assets

D5 An entity may elect to measure an item of property, plant and equipment at the date of transition to Ind AS at its fair value and use that fair value as its deemed cost at that date.

D6 A first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment at, or before, the date of transition to Ind AS as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to:

- (i) fair value; or
- (ii) cost or depreciated cost in accordance with Ind AS, adjusted to reflect, for example, changes in a general or specific price index.

D7 The elections in paragraphs D5 and D6 are also available for:

- (i) intangible assets that meet:
- (ii) the recognition criteria in Ind AS 38 (including reliable measurement of original cost); and
- (iii) the criteria in Ind AS 38 for revaluation (including the existence of an active market).

An entity shall not use these elections for other assets or for liabilities.

D7AA Where there is no change in its functional currency on the date of transition to Ind AS, a first-time adopter to Ind AS may elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments in accordance with paragraph D21 and D21A, of this Ind AS. For this purpose, if the financial

statements are consolidated financial statements, the previous GAAP amount of the subsidiary shall be that amount used in preparing and presenting consolidated financial statements. Where a subsidiary was not consolidated under previous GAAP, the amount required to be reported by the subsidiary as per previous GAAP in its individual financial statements shall be the previous GAAP amount. If an entity avails the option under this paragraph, no further adjustments to the deemed cost of the property, plant and equipment so determined in the opening balance sheet shall be made for transition adjustments that might arise from the application of other 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*.

D8 A first-time adopter may have established a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatization or initial public offering.

(a) If the measurement date is at or before the date of transition to Ind AS, the entity may use such event-driven fair value measurements as deemed cost for Ind AS at the date of that measurement.

(b) If the measurement date is after the date of transition to Ind AS, but during the period covered by the first Ind AS financial statements, the event-driven fair value measurements may be used as deemed cost when the event occurs. An entity shall recognise the resulting adjustments directly in retained earnings (or if appropriate, another category of equity) at the measurement date. At the date of transition to Ind AS, the entity shall either establish the deemed cost by applying the criteria in paragraphs D5–D7 or

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measure assets and liabilities in accordance with the other requirements in this Ind AS.

- D8A Under some GAAP's exploration and development costs for oil and gas properties in the development or production phases are accounted for in cost centers that include all properties in a large geographical area. A first-time adopter using such accounting under previous GAAP may elect to measure oil and gas assets at the date of transition to Ind AS on the following basis:
- exploration and evaluation assets at the amount determined under the entity's previous GAAP; and
 - assets in the development or production phases at the amount determined for the cost centre under the entity's previous GAAP. The entity shall allocate this amount to the cost centre's underlying assets pro rata using reserve volumes or reserve values as of that date.

The entity shall test exploration and evaluation assets and assets in the development and production phases for impairment at the date of transition to Ind AS in accordance with Ind AS 106, *Exploration for and Evaluation of Mineral Resources*, or Ind AS 36 respectively and, if necessary, reduce the amount determined in accordance with (a) or (b) above. For the purposes of this paragraph, oil and gas assets comprise only those assets used in the exploration, evaluation, development or production of oil and gas.

- D8B Some entities hold items of property, plant and equipment or intangible assets that are used, or were previously used, in operations subject to rate regulation. The carrying amount of such items might include amounts that were determined under previous GAAP but do not qualify for capitalisation in accordance with Ind AS. If this is the case, a first-time adopter may elect to use the previous GAAP carrying amount of such an item

at the date of transition to Ind AS as deemed cost. If an entity applies this exemption to an item, it need not apply it to all items. At the date of transition to Ind AS, an entity shall test for impairment in accordance with Ind AS 36 each item for which this exemption is used. For the purposes of this paragraph, operations are subject to rate regulation if they are governed by a framework for establishing the prices that can be charged to customers for goods or services and that framework is subject to oversight and/or approval by a rate regulator (as defined in Ind AS 114, *Regulatory Deferral Accounts*).

Equity Instrument at fair value through Other Comprehensive Income

- D19B An entity may designate an investment in an equity instrument as at fair value through other comprehensive income in accordance with paragraph 5.7.5 of Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

Leases

- D9 A first-time adopter may apply paragraphs 6-9 of the Appendix C of Ind AS 17 *Determining whether an Arrangement contains a Lease* to determine whether an arrangement existing at the date of transition to Ind AS contains a lease on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material.

- D9A If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by Appendix C of Ind AS-17 but at a date other than that required by D9 above, the first-time adopter need not reassess that determination when it adopts Ind AS. For an entity to have made the same determination of

whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from applying Ind AS 17, *Leases*, and Appendix C of Ind AS 17.

- D9AA 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 date of transition 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; and any difference between those fair values is recognised in retained earnings.

Business Combinations

- C1 A first-time adopter may elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind AS). However, if a first-time adopter restates any business combination to comply with Ind AS 103, it shall restate all later business combinations and shall also apply Ind AS 110 from that same date. For example, if a first-time adopter elects to restate a business combination that occurred on 30 June 2010, it shall restate all business combinations that occurred between 30 June 2010 and the date of transition to Ind AS, and it shall also apply Ind AS 110 from 30 June 2010.

Share –based Payments

- D2 A first-time adopter is encouraged, but not required, to apply Ind AS 102 *Share-based payment* to equity instruments that vested before date of transition to Ind AS. However, if a first-time adopter elects to apply Ind AS 102 to such equity

instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in Ind AS 102. For all grants of equity instruments to which Ind AS 102 has not been applied (eg, equity instruments vested but not settled before date of transition to Ind AS, a first-time adopter shall nevertheless disclose the information required by paragraphs 44 and 45 of Ind AS 102. If a first-time adopter modifies the terms or conditions of a grant of equity instruments to which Ind AS 102 has not been applied, the entity is not required to apply paragraphs 26–29 of Ind AS 102 if the modification occurred before the date of transition to Ind AS.

- D3 A first-time adopter is encouraged, but not required, to apply Ind AS 102 to liabilities arising from share-based payment transactions that were settled before the date of transition to Ind AS.

Financial Instruments – Fair Value

- B8C If it is impracticable (as defined in Ind AS 8) for an entity to apply retrospectively the effective interest method in Ind AS 109, the fair value of the financial asset or the financial liability at the date of transition to Ind AS shall be the new gross carrying amount of that financial asset or the new amortised cost of that financial liability at the date of transition to Ind AS.

Service Concession Arrangements

- D22 A first-time adopter may apply the following provisions while applying the Appendix A to Ind AS 11:
- 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

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- 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 AS;
 - (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 remeasurement. 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 remeasurement of service arrangement assets might not always be practicable. However, the fact should be disclosed.

Investments in subsidiaries, joint ventures and associates

- D14 When an entity prepares separate financial statements, Ind AS 27 requires it to account for its investments in subsidiaries, joint ventures and associates either:
- (a) at cost; or
 - (b) in accordance with Ind AS 109.

- D15 If a first-time adopter measures such an investment at cost in accordance with Ind AS 27, it shall measure that investment at one of the following amounts in its separate opening Ind AS Balance Sheet:
- (a) cost determined in accordance with Ind AS 27; or
 - (b) deemed cost. The deemed cost of such an investment shall be its:
 - (i) fair value at the entity's date of transition to Ind AS in its separate financial statements; or
 - (ii) previous GAAP carrying amount at that date.
- A first-time adopter may choose either (i) or (ii) above to measure its investment in each subsidiary, joint venture or associate that it elects to measure using a deemed cost.

Long Term Foreign Currency Monetary Items

- D13AA 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.

Foreign Currency Translation Reserve

- D12 Ind AS 21 requires an entity:
- (a) to recognise some translation differences in other comprehensive income and accumulate these in a separate component of equity; and
 - (b) on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal.

D13 However, a first-time adopter need not comply with these requirements for cumulative translation differences that existed at the date of transition to Ind AS. If a first-time adopter uses this exemption:

- (a) the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to Ind AS; and
- (b) the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to Ind AS and shall include later translation differences.

Decommissioning liabilities

D21 Appendix 'A' to Ind AS 16 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. A first-time adopter need not comply with these requirements for changes in such liabilities that occurred before the date of transition to Ind AS. If a first-time adopter uses this exemption, it shall:

- (a) measure the liability as at the date of transition to Ind AS in accordance with Ind AS 37;
- (b) to the extent that the liability is within the scope of Appendix A of Ind AS 16, estimate

the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate(s) that would have applied for that liability over the intervening period; and

- (c) calculate the accumulated depreciation on that amount, as at the date of transition to Ind AS, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity in accordance with Ind AS.

D21A An entity that uses the exemption in paragraph D8A(b) (for oil and gas assets in the development or production phases accounted for in cost centers that include all properties in a large geographical area under previous GAAP) shall, instead of applying paragraph D21 or Appendix A of Ind AS 16:

- (a) measure decommissioning, restoration and similar liabilities as at the date of transition to Ind AS in accordance with Ind AS 37; and
- (b) recognise directly in retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to Ind AS determined under the entity's previous GAAP.

D. Industry Survey- A Questionnaire

Ind AS Impact Study- Phase I-Questionnaire

BACKGROUND INFORMATION ABOUT THE COMPANY

* Required

1. Email address *
2. Full Name *
3. Name of your organization *
4. Role/Title/Designation within the organization *
5. If part of a group name of the holding company *
6. Sector/Industry *
7. Whether Listed or Unlisted *
Mark only one oval.
 Listed
 Unlisted
8. If your company is unlisted, are you in the process of being listed? *
Mark only one oval.
 Yes
 No
9. Based on Net worth, the size of your company
Mark only one oval.
 Networth > =Rs.10,000 Cr
 Networth > = to Rs.5000 Cr but <Rs.10,000 Cr

Networth > = or Rs.500 Cr but < Rs.5,000 Cr

10. Company's international activities in terms of operations, suppliers and customers? *
Mark only one oval.

Significant activity
 Moderate activity
 No

QUALITY AND TRANSPARENCY OF IND AS FINANCIAL STATEMENTS

11. How effective are Ind AS in reflecting the economic substance of the business transactions on a fair and transparent basis?

Mark only one oval.

Very effective
 Moderately effective
 No change
 Less effective than previous Standards
 Not effective
 No comments

12. Which area/areas of Accounting Disclosure have improved significantly as a result of implementation of Ind AS?

Check all that apply.

Financial Instruments
 Business Combinations
 Share-based payments

- Revenue
- Consolidation
- Investment in subsidiaries, joint ventures, associates
- Leases
- Other:
13. In your view/experience, whether implementation of Ind AS has made company's financial statements more transparent (e.g. in terms of quantity, quality and the usefulness of accounts and disclosures) than they were before mandatory adoption?
Mark only one oval.
- Significantly more transparent
- Moderately more transparent
- No change
- No comments
- a) Have financial statements under Ind AS Framework become easier or complex to understand?
Mark only one oval.
- Highly Complex
- Moderately complex
- Less complex
- No change, in general
- No comments
- 37 What tangible benefits do you foresee by applying Ind AS?
Check all that apply.
- Improved ability to trade/expand internationally
- Improved access to global capital markets/funding
- Reduced cost of capital and funds
- Robust accounting framework for preparing financial statements
- Improved control and governance process
- Other:
16. In your view, when would you expect to realize or start observing the tangible benefits?
Mark only one oval.
- After 2 years of implementation
- After 1 year of implementation
- Immediately after implementation
17. What is your overall opinion of the quality (transparency, understandability, relevance, reliability and comparability) of financial statements prepared by Indian Companies under Ind AS?
Mark only one oval.
- Very Good
- Good
- Moderate
- Low
18. In your view, which of the following carve outs have major challenge in asserting equivalence of Ind AS to IFRS Standards?
Check all that apply.
- Ind AS 101 – D7AA Indian GAAP carrying values of PPE as deemed cost
- Ind AS 101 – D13A To continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign

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- currency monetary items recognised in the financial statements
- Ind AS 103 – Business Combinations: Bargain purchase gain to be recognised in OCI or directly in Capital reserve (SOCE)
- Ind AS 1 – Loan liability need not be reclassified as current if the lender agrees before B/S date to not demand immediate repayment in case of material breach of covenant
- Ind AS 18 – IFRIC 18 Agreement for Construction of Real Estate not included and existing guidance note of ICAI continued
- Ind AS 32 – Equity 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
19. In your view/experience, is it practical to track the effect of carve out in Ind AS 101 – D7AA (PPE deemed cost option) and determine the timing when its effect is not material and hence Ind AS 16 accounting is equivalent to IAS 16?
Mark only one oval.
- Yes
- No
- No opinion
20. In your opinion, do the options available for alternative accounting treatments under Ind AS impact the comparability of financial statements?
Mark only one oval.
- Yes
-
- No
21. Ind AS have eliminated certain optional alternative accounting treatments available under IFRS Standards (e.g. Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance). Is this approach appropriate?
Mark only one oval.
- Yes
- No
22. Unlike IFRS Standards, new Ind AS and amendments to Ind AS do not allow 'Early Adoption' option. Is this policy appropriate?
Mark only one oval.
- Yes
- No
23. Whether in your view carve-outs made in Ind AS have diminished the acceptability of Ind AS financial statements at the Global level?
Mark only one oval.
- Yes
- No
- Maybe
- No comments
24. In your view/experience, situations of gain arising on bargain purchase business combination accounting are
Mark only one oval.
- Very rare
- Common
- Very Common
25. In your opinion, what is the way forward in respect of the carve outs granted under Ind AS from the

perspective of full convergence with IFRS?

Mark only one oval.

- Should be removed immediately
- Should be removed after relative stabilization
- Should never be removed

26. Which area/areas of accounting requirement under Ind AS have significantly impacted the financial results of your company? (High, Medium, Low)

Check all that apply.

	High	Medium	Low
Financial Instruments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Share-based payments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Revenue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deferred tax	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Ind AS Implementation - Standard Specific Issues

27. Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement? Ind AS 109, *Financial Instruments*

Check all that apply.

- Contract to buy or sell non-financial item – whether these are derivatives?
- Embedded Derivatives- identification & valuation
- De-recognition criteria
- Amortised Cost & EIR for Floating Rate instruments
- Impairment - Expected Credit Loss Model
- Hedge Accounting

Others

28. Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement? Ind AS 32, *Financial Instruments: Presentation*

Check all that apply

- Preference shares
- Compound instruments
- Puttable instruments
- Other

29. Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement? Ind AS 113, *Fair Value Measurement*

Check all that apply.

- Unquoted equity instruments
- Biological assets
- Most advantageous market, Active Market
- Unobservable inputs & their significance
- Highest and Best Use (HaBU) concept for non-financial item
- Inter-group loans and other items with uncertain maturity date
- Overall application of management judgement
- Other:

30. Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement? Ind AS 101, *First Time Adoption of Indian Accounting Standards* (which areas more guidance is needed)

Check all that apply.

- Recognition of transition adjustments in retained earnings or other component of equity e.g. PPE, Fair Value
- Deemed cost option for investment in subsidiaries, associates and joint ventures
- Adjustments arising from other Ind AS when deemed cost or fair value options are chosen
- Impairment for non-financial items
- Other

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31. Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement? Ind AS 103, *Business Combinations*
Check all that apply
- Determining the acquisition date
 - Identifying business combination versus purchase of asset/group of asset
 - Acquisition-related costs v/s asset acquisition costs
 - Reacquired rights
 - Share based payment transactions
 - Common control business combinations
 - Other
- (vii) Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement? Ind AS 110, *Consolidated Financial Statements*
Check all that apply.
- Assessing 'Control'- is the guidance in Appendix B adequate and unambiguous?
 - Substantive rights v/s Protective Rights
 - Voting rights less than 51% but other voting rights with public at large
 - Special cases – Franchisees, SPVs, Control with multiple entities
 - Determining 'Investment Entity' for exemption
 - Uniform accounting policy and uniform accounting year
 - Other:
33. Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement? Ind AS 11, *Construction Contracts* & Ind AS 18, *Revenue*
Check all that apply.
- Segregation of transaction into separately identifiable components
 - Measurement of revenue based on fair value of consideration
 - Service Concession Arrangements
 - Other
34. Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement? Ind AS 12, *Income Taxes*
Check all that apply
- Recognition of Temporary Differences –initial recognition exemption
 - Unused tax credits – lack of definition of tax credit
 - DTA & DTL recognition of entities under MAT for long period of time
 - Recognition of tax in P/L & SOCE e.g. DDT
 - Other
35. Which area/areas of accounting requirement under Ind AS have been highly challenging to understand and implement? Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance*
Mark only one oval.
- Export Incentive schemes- Classification into Revenue and Asset related
 - Other
36. As per Ind AS 103 and Ind AS 36, goodwill acquired in a business combination is not amortized but tested for impairment periodically for recognition of impairment loss, if any. Is this accounting principle appropriate, in your view?
Mark only one oval.
- Yes
 - No
37. Based on your experience of implementation of Ind AS, which areas should be aligned with the requirements enunciated under Ind AS?
Check all that apply.
- Requirements of Companies Act
 - Computation of book profit for MAT calculation
 - Income Computation and Disclosure Standards
 - Acquisition date under court approved schemes
 - Other

38. Which of following aspects are materially impacted by Ind AS implementation?
Check all that apply.
- Capital/Networth
 - Earnings
 - Credit rating
 - Market capitalisation
 - Dividend Distribution
 - Debt Covenants
 - Internal MIS & Performance Measures
 - IT Systems
 - Other
39. Has the Ind AS implementation affected your business model and operations e.g. product structures, pricing, contractual arrangements?
Mark only one oval.
- Significant (High)
 - Moderate
 - Low
40. Has the Ind AS implementation affected your corporate governance and control processes
Mark only one oval.
- Significant (High)
 - Moderate
 - Low
41. Has the Ind AS implementation affected functions other than Finance and Accounting?
Mark only one oval.
- Significant (High)
 - Moderate
 - Low

VII. Ind AS Impact Study Team

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