

**Exposure Draft**

**Annual Improvements to Ind AS (2018)**  
(Corresponding to Annual Improvements to IFRS Standards  
2015–2017 Cycle issued by the IASB)

(Last date for the comments: 11<sup>th</sup> July, 2018)



*Issued by*

Accounting Standards Board

**The Institute of Chartered Accountants of India**

## Exposure Draft

### **Annual Improvements to Ind AS (2018) (Corresponding to Annual Improvements to IFRS Standards 2015–2017 Cycle issued by the IASB)**

Following is the Exposure Draft of Annual Improvements to Ind AS (2018) issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments.

The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

#### **How to Comment**

Comments should be submitted using one of the following methods, so as to receive not later than **11<sup>th</sup> July, 2018:**

- 1 Electronically: Click on the below mentioned option to submit a comment letter or visit at the following link (Preferred method):  
<http://www.icai.org/comments/asb/>
- 2 Email: Comments can be sent at [commentsasb@icai.in](mailto:commentsasb@icai.in)
- 3 Postal: Secretary, Accounting Standards Board,  
The Institute of Chartered Accountants of India,  
ICAI Bhawan, Post Box No. 7100,  
Indraprastha Marg, New Delhi – 110 002

Further clarifications on any aspect of this Exposure Draft may be sought by e-mail to [asb@icai.in](mailto:asb@icai.in).

## The Standards amended

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The following table shows the Standards amended and the subject of the amendments.

<b>Standard</b>	<b>Subject of amendment</b>
Ind AS 103, <i>Business Combinations</i>	Previously held interest in a joint operation
Ind AS 111, <i>Joint Arrangements</i>	
Ind AS 12, <i>Income Taxes</i>	Income tax consequences of payments on financial instruments classified as equity
Ind AS 23, <i>Borrowing Costs</i>	Borrowing costs eligible for capitalisation

## Amendments to Ind AS 103, *Business Combinations*

Paragraphs 42A and 64O are added.

### **Additional guidance for applying the acquisition method to particular types of business combinations**

#### **A business combination achieved in stages**

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42A When a party to a joint arrangement (as defined in Ind AS 111, *Joint Arrangements*) obtains control of a business that is a joint operation (as defined in Ind AS 111), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation in the manner described in paragraph 42. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.

### **Effective date and transition**

#### **Effective date**

...

64O *Annual Improvements to Ind AS (2018)* added paragraph 42A. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April, 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

## Amendments to Ind AS 111, *Joint Arrangements*

Paragraph B33CA and Appendix C are added.

### Accounting for acquisitions of interests in joint operations

...

B33CA A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in Ind AS 103. In such cases, previously held interests in the joint operation are not remeasured.

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## Appendix C

### Effective date

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C1AB *Annual Improvements to Ind AS (2018)* added paragraph B33CA. An entity shall apply those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 April, 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.

## Amendments to Ind AS 12, *Income Taxes*

Paragraphs 57A and 98I are added, the heading of the example below paragraph 52B is amended and paragraph 52B is deleted. New text is underlined and deleted text is struck through.

## Measurement

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52B [Refer Appendix 1] In the circumstances described in paragraph 52A, the income tax consequences of dividends are recognised when a liability to pay the dividend is recognised. The income tax consequences of dividends are more directly linked to past transactions or events than to distributions to owners. Therefore, the income tax consequences of dividends are recognised in profit or loss for the period as required by paragraph 58 except to the extent that the income tax consequences of dividends arise from the circumstances described in paragraph 58(a) and (b).

### Example illustrating paragraphs 52A and 52B57A

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## Recognition of current and deferred tax

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57A An entity shall recognise the income tax consequences of dividends as defined in Ind AS 109 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

## Effective date

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...

98I Annual Improvements to Ind AS (2018) added paragraph 57A and deleted paragraph 52B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April, 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

## Appendix 1

Paragraph 4 is amended.

4. The following paragraph numbers appear as ‘Deleted’ in IAS 12. In order to maintain consistency with paragraph numbers of IAS 12, the paragraph numbers are retained in Ind AS 12:
- (i)-(x) .....
  - (xi) paragraph 52B

### **Amendments to Ind AS 23, *Borrowing Costs***

Paragraph 14 is amended, and paragraphs 28A and 29D are added. Deleted text is struck through and new text is underlined.

## Recognition

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...

### **Borrowing costs eligible for capitalisation**

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**14** **To the extent that an entity borrows funds generally and uses them for the purpose**

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

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### **Transitional provisions**

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28A Annual Improvements to Ind AS (2018) amended paragraph 14. An entity shall apply those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

### **Effective date**

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29D Annual Improvements to Ind AS (2018) amended paragraph 14 and added paragraph 28A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April, 2019. Earlier application is permitted. If an entity applies those amendments earlier, it shall disclose that fact.