CNK & Associates LLP

- The Companies (Accounting Standards) Amendment Rules,2016

- Overview of IND AS

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Amendments

Upgraded set of Accounting Standards under The Companies (Accounting Standards) Amendment Rules,2016

Need for the upgraded Accounting Standards

- To align the pre-existing accounting standards with the IND AS
  - The pre-existing accounting standards differ significantly from the newly issued IND AS.
  - IND AS are not applicable to all the companies (Net worth < 250 Crores)
  - The companies not following IND AS may have significantly different financial results had they been following the IND AS.
  - To streamline the differences, a relatively EASY version of IND AS having several exemptions/concessions from the provisions of IND AS have been issued, known as upgraded Accounting Standards.
  - Certain difficult concepts are omitted from the 'upgraded' AS (e.g. fair value, derivative accounting., etc.)
- The 'upgraded' Accounting Standards have been issued vide notification dated 30th March, 2016 by amending the Companies (Accounting Standards) Rules, 2006, effective form 1st April 2016.

List of Upgraded Accounting Standards

- **In the Companies (Accounting Standards) Amendment Rules,2016, the following standards have been modified:**
  1) AS 2 Inventories
  2) AS 4 Contingencies and Event Occurring After Balance Sheet Date
  3) AS 13 Accounting for investments
  4) AS 14 Accounting for Amalgamations
  5) AS 21 Consolidated Financial Statements
  6) AS 29 Provisions, Contingent Liabilities and Contingent Assets

1) **The following two standards have been merged into a new standard:**

Pre Existing Accounting Standard(s)	Newly Issued Accounting Standard
AS 6 – Accounting for Depreciation AS 10 – Accounting for Fixed Assets	AS 10 - Property, Plant and Equipment

Amendments

AS 10 - Property, Plant and Equipment (PPE)

AS 10 - Property, Plant and Equipment (PPE)

- **New AS 10 -PPE is introduced by –**
  - Substituting (Old) AS 10 – Accounting for Fixed Asset
  - Omitting AS 6 – Accounting for Depreciation (provisions of which are now incorporated in the new AS 10 -PPE).

- **Out of all the amendments, most amendments are contained in this AS.**

- **This AS has been cross referenced in the newly amended following AS:**
  - AS 2 Inventories
  - AS 13 Accounting for investments
  - AS 29 Provisions, Contingent Liabilities and Contingent Assets

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
Definition of Fixed Assets (AS Text) : Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business.	**Definition of PPE (AS Text) :** PPE are **tangible** items that: (a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; **and** (b) are expected to be used during **more than a period of twelve months.**

➢Effect of Amendment

➢The definition was a narrower one including only assets used for producing or providing goods or services. ➢No time period for qualifying an asset as a fixed asset was provided.	➢ As per the definition, PPE also includes investment properties and assets held for administrative purpose. ➢ A minimum holding period of 12 months is specified. Therefore, even if an asset is producing or supplying goods or services, but is not held for more than 12 months, then it is not PPE.

AS 10 - Property, Plant and Equipment (PPE)..

- **Impact on Financial Statements**

  - Due to increased scope and wider definition of PPE in the AS, previously unrecognized PPE falling under the purview of AS will be recognized as PPE in the Balance Sheet.

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
<u>**Concept of Unit of Measure**</u> ➢ No such concept exists. ➢ According to certain EAC opinions, prohibition for the companies on capitalization of certain enabling Assets. ➢ **Enabling assets** means capital expenditure by the company on items **not owned** or **controlled** by them	<u>**Concept of Unit of Measure :**</u> ➢ Specific recognition of unit of measure approach. ➢ For instance, for recognition of certain expenditure incurred on construction of assets not owned by an enterprise during the construction stage of a project.
➢Effect of Amendment	
➢ The company incurring these expenditures were required to charged them off immediately in the statement of profit and loss. ➢This had a significant impact on the financial statements of many companies in the construction phase.	➢ Under to Unit of Measurement Concept, if a company can demonstrate that the project under construction and enabling assets are one "unit of measure," it can capitalize the expense incurred on the enabling assets as the cost of the project.

AS 10 - Property, Plant and Equipment (PPE)..

➢ Examples of Enabling Assets

- Construction of an access road and electricity transmission lines by a company setting up a refinery in an under-developed area, available for public use

➢ Impact on Financial Statements

- Due to possible capitalization, the companies under construction phase will have strong position statement
- Under **transitional provisions**, companies may apply this amendment **retrospectively** for a project. Any impact arising from the retrospective application, as adjusted by related tax expense, is to be recognized in the **revenue reserves**.

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
Component Accounting : Component accounting was recommended but **not mandatory**.	**Component Accounting (AS Text) :** ➢ Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. ➢ Component accounting is made **mandatory**.
➢Effect of Amendment	
Due to non mandatory requirement of component accounting, the companies had option to capitalize the machine as a single unit instead of capitalizing each major parts of the machine and maintaining the separate details of each parts.	➢ Due to mandatory component accounting, companies now will have to keep detailed record of major components of the machines instead of capitalizing the whole machine. ➢ Component accounting will also have effect on major repairs and overhaul expenditures.

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
Major repairs and Overhaul Expenditure : In most of the cases, they were charged off to the statement of profit and loss as and when incurred.	**Major repairs and Overhaul Expenditure :** ➢ Due to mandatory applicability of component accounting, major repairs and overhaul expenditure are capitalized as replacement costs, if they satisfy the recognition criteria. ➢ The carrying amount of replaced part is derecognized, whether the it had been depreciated separately or not.
➢Effect of Amendment	
➢Items such as cost of performing major inspections, replacement of spare parts were charged to the statement of profit and loss in the year of their occurrence.	➢ Major inspection costs are recognized in the carrying amount of PPE and depreciated accordingly. Any remaining carrying amount of the cost of the previous inspection (as distinct from physical parts) is derecognized. ➢ Same is applicable for major repairs.

AS 10 - Property, Plant and Equipment (PPE)..

- **Impact on Financial Statements**

  - The amount of PPE in the balance sheet will be increased due to capitalization of certain costs.

  - Statement of profit and loss will not have much deviation in the year in which major repairs and inspection expenses are occur as compared to other years as they are capitalized in the year of occurrence and afterwards, systematically written off in the statement of profit and loss.
  - Need of component accounting will increase administrative and accounting burden.

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
<u>**Components of Cost :**</u> No such item is included in the cost of Fixed Asset.	<u>**Components of Cost (AS Text):**</u> The cost of an item of property, plant and equipment comprises: The initial estimate of the costs of dismantling, removing the item and restoring the site on which it is located, referred to as '**decommissioning, restoration and similar liabilities**', the obligation for which an enterprise incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

➢ Effect of Amendment

Such liabilities are not included at all.	Such liabilities are included at the discounted value in the carrying value of PPE.

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
Measurement of Cost : No such provision.	**Measurement of Cost (AS Text) :** The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit unless such interest is capitalized in accordance with AS 16.
➢ Effect of Amendment	
➢ The entities used to separate finance element only in the case of assets acquired on hire purchase. ➢ Even if an asset was purchased on deferred payment basis, interest portion was not separated. The general practice was not to discount future cash flows.	➢ Unless interest portion is required to be capitalized under borrowing costs, in case of asset purchased using extended credit terms, the interest for such term will be charged to the statement of profit and loss. ➢ This is because the interest cost incurred is due to delay in payment, i.e. delay in financing the asset. It has nothing to do with bringing asset to its present location or form.

AS 10 - Property, Plant and Equipment (PPE)..

- **Impact on Financial Statements**

  - As the decommissioning, restoration and similar liabilities are required to be shown as a cost of asset, the total assets will increase.

  - As interest on extended credit period to be charged to the statement of profit and loss, finance cost will be increased.

AS 10 - Property, Plant and Equipment (PPE)..

<table>
<tr><th>Pre revised AS 10 /AS 6</th><th>Revised AS 10</th></tr>
<tr><td><u>Measurement after recognition :</u>
➢ No such models are available.
➢ However, it recognizes revaluation of the fixed assets.</td><td><u>Measurement after recognition :</u>
➢ Two models are available as alternative accounting policies to measure value of PPE:
1) Cost Model
2) Revaluation Model
➢ The entity is required to apply any one of policies to an entire class of property, plant and equipment.</td></tr>
<tr><td colspan="2">➢Effect of Amendment</td></tr>
<tr><td>➢ The asset is carried at its cost less accumulated depreciation.
➢ The revaluation is permitted only when there is a permanent change in the market value of the asset.</td><td><u>Cost Model:</u> An item of PPE will be carried at its cost less any accumulated depreciation and impairment losses.
<u>Revaluation Model :</u> An item of PPE whose fair value can be measured reliably will be carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Regular revaluations should be made to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.</td></tr>
</table>

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
Treatment of Depreciation (AS Text) : ➢ No such explicit referencing available in – AS 10 – Accounting for Fixed Assets AS 6 – Accounting for Depreciation. ➢ Though the effect of depreciation was mentioned in – AS 2 – Accounting for inventories AS 26 – Intangible Assets	**Treatment of Depreciation (AS Text) :** The depreciation is usually recognized in the statement of profit and loss. However, sometimes, the future economic benefits embodied in an asset are absorbed in producing other assets. In this case, the depreciation charge constitutes part of the cost of the other asset and is included in its carrying amount. For example, the depreciation of manufacturing plant and equipment is included in the costs of conversion of inventories (see AS 2). Similarly, the depreciation of property, plant and equipment used for development activities may be included in the cost of an intangible asset recognized in accordance with AS 26, Intangible Assets
➢Effect of Amendment	
Depreciation was generally charged to statement of profit and loss. Uncertainties were there for capitalizing the depreciation or including it in the cost of inventories.	Uncertainties relating to treatment of depreciation are removed now.

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
Land (AS Text) : ➢ This standard (AS 6 – Depreciation) does not apply to land unless it has a limited useful life for the enterprise.	**Land (AS Text) :** ➢ Land and buildings are separable assets and are accounted for separately, even when they are acquired together. ➢ With some exceptions, such as quarries and sites used for landfill, land has an unlimited useful life and therefore land is not depreciated. ➢ If the cost of land includes the costs of site dismantlement, removal and restoration, that portion of the land asset is depreciated over the period of benefits obtained by incurring those costs.
➢Effect of Amendment	
Some uncertainties were prevailing for depreciation on land.	Uncertainties relating to treatment of depreciation in respect of land is removed.

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
Mandatory Review of Residual Value and Useful Life of the Asset : No such provision exists.	**Mandatory Review of Residual Value and Useful Life of the Asset (AS Text) :** The **residual value** and the **useful life** of an asset should be **reviewed at least at each financial year-end** and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with **AS 5**, *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.*
➢Effect of Amendment	
➢The company **may** have a periodic review of residual value and the useful life of an asset . ➢The period for review can be chosen at the company's discretion.	➢The company **will** have a periodic review of residual value and the useful life of an asset, period being **one financial year**. ➢Changes arising due to change in residual value or useful life of the asset will be accounted as change in the **accounting estimate**.

AS 10 - Property, Plant and Equipment (PPE)..

Pre revised AS 10 /AS 6	Revised AS 10
<u>Change in the Method of Depreciation was change in accounting policy (AS Text) :</u> ➢The depreciation method selected should be applied **consistently** from period to period. A change from one method to another should be made only if, it is I. required by statute II. for compliance with an accounting standard III. Resulted in a more appropriate preparation or presentation of the financial statements	**<u>Change in the Method of Depreciation will be change in accounting estimate (AS Text) :</u>** The depreciation method applied to an asset should be **reviewed at least at each financial year-end** and, if there has been a **significant change** in the expected pattern of consumption of the future economic benefits embodied in the asset, the method should be changed to reflect the changed pattern. Such a change should be accounted for as a **change in an accounting estimate** in accordance with AS 5.
➢Effect of Amendment	
➢No compulsion for periodic review of depreciation at the year end. ➢Once a method was adopted it was to be followed unless there was a change in the above mentioned parameters.	➢Compulsory review of depreciation method at the year – end. ➢The method adopted can be changed if there is a significant change in the receipt of expected economic benefit or consumption pattern.

AS 10 - Property, Plant and Equipment (PPE)..

Impact on Financial Statements

- As change in the method of depreciation is to be treated as change in accounting estimate instead of change in accounting policy, prospective effect of change is to be given instead of retrospective effect.

AS 10 - Property, Plant and Equipment (PPE)..

➢**Following point of differences and their financial impacts have been covered in the earlier slides:**

Point of difference in the upgraded AS	Related AS
Items such as spare parts, stand-by equipment and servicing equipment are recognized in accordance with this Standard when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.	**Accounting Standard 2 - Valuation of Inventories**
An enterprise holding investment properties are required to account for them in accordance with cost model as per this standard.	**Accounting Standard 13 - Accounting for Investments**
Discounting of decommissioning, restoration and similar liabilities that are recognized as a cost of Property, Plant and Equipment according to this standard.	**Accounting Standard 29 - Provisions, Contingent Liabilities and Contingent Assets**

Amendments

AS 2 - Valuation of Inventories

AS 2 - Valuation of Inventories

Pre revised AS	Revised AS
No such provision exists.	**<u>Exclusion of certain items (AS Text):</u>** Inventories do not include spare parts, servicing equipment and standby equipment which meet the definition of property, plant and equipment as per AS 10, *Property, Plant and Equipment*.
➢**Effect of Amendment**	
➢ Spare parts were usually treated as inventories and charged to P&L account ➢ Specific spare parts were capitalized and depreciated over a period not exceeding remaining useful life of the principal asset.	Spare parts meeting the definition of property, plant and equipment as per AS 10, i.e. if, intention to use the spare part is more than 12 months, such will be capitalized irrespective of whether the spare part is for general use or for specific use.

Amendments

AS 4 Contingencies and Event Occurring After Balance Sheet Date

AS 4 Contingencies and Event Occurring After Balance Sheet Date

Pre revised AS	Revised AS
Events occurring after Balance Sheet Date (AS Text) Events taking place after the balance sheet date are sometimes reflected in the financial statements due to statutory requirements or because of their special nature. Such events are **adjusting** events.	**Events occurring after Balance Sheet Date (AS Text)** Events taking place after the balance sheet date are sometimes reflected in the financial statements due to statutory requirements or because of their special nature. Such events are **non adjusting** events.
➢**Effect of Amendment**	
Accordingly, **proposed dividend** for the period covered by financial statements declared after the balance sheet date **was adjusted.**	➢ If an enterprise **declares dividends** to shareholders after the balance sheet date, the enterprise **should not recognize** those dividends as a liability at the balance sheet date unless a statute requires otherwise. ➢ It should be disclosed in the notes.

Amendments

AS 13 Accounting for Investments

AS 13 Accounting for Investments

Pre revised AS	Revised AS
Method of Valuation (AS Text) : An enterprise holding investment properties should account for them as long term investments.	**Method of Valuation (AS Text) :** An enterprise holding investment properties should account for them in accordance with **cost model** as per AS 10, Property, Plant and Equipment.

➢ Effect of Amendment

Pre revised AS	Revised AS
➢ long term investments were to be carried in the financial statements at cost and provision for diminution was made for a permanent decline in the value. ➢ So, investment properties were shown **at cost** less provision for permanent decline, if any.	➢ As per cost model, item of property, plant and equipment should be carried at its cost less accumulated depreciation and impairment losses. ➢ Accordingly, Investment properties will be valued at **cost less accumulated depreciation** and impairment losses.

Amendments

AS 14 Accounting for Amalgamations

AS 14 Accounting for Amalgamations

Pre revised AS	Revised AS
<u>**Definition of amalgamation(AS Text):**</u> ➢ Amalgamation means an amalgamation pursuant to the provisions of the **Companies Act, 1956** or any other statute which may be applicable to companies. ➢ In cases, where treatment of transferor company's reserves prescribed under the AS 14 was differed from the statute (Companies Act, 1956), the statute would override.	<u>**Definition of amalgamation (AS Text):**</u> ➢ Amalgamation means an amalgamation pursuant to the provisions of the **Companies Act, 2013** or any other statute which may be applicable to companies and includes '**merger**'. ➢ Vide footnote to the standard, it has been clarified that this provision will not apply to the scheme of amalgamation approved under the Companies Act, 2013.

➢ Effect of Amendment

➢ The term **'Merger'** was not included in the definition of amalgamation ➢ The amalgamations were taking places according to the sections 390-396A of the companies Act, 1956.	➢ To bring out clarity, term **'Merger'** has been included in the definition of amalgamation. ➢ The amalgamations will take place as per sections 230-240 of the Companies Act, 2013

Amendments

AS 21 Consolidated Financial Statements

AS 21 Consolidated Financial Statements

Pre revised AS	Revised AS
No such provision exists.	**<u>Scope to prepare CFS (AS Text):</u>** Where an enterprise does not have a subsidiary but has an associate and/or a joint venture, such an enterprise should also prepare consolidated financial statements in accordance with AS 23, *Accounting for Associates in Consolidated Financial Statements*, and AS 27, *Financial Reporting of Interests in Joint Ventures* respectively.
➢Effect of Amendment	
➢The enterprise having associate and/or a joint venture were not required to prepare consolidated financial statements. ➢If the enterprise had subsidiary in addition to associate/ joint venture, then in CFS by the enterprise, it need not to include the associate/ joint venture.	The enterprise having investment in an associate and/or a joint venture is mandatorily required to prepare consolidated financial statements whether it has a subsidiary or not.

Amendments

AS 29 Provisions, Contingent Liabilities and Contingent Assets

AS 29 Provisions, Contingent Liabilities and Contingent Assets

Pre revised AS	Revised AS
<u>**Measurement of provision (AS Text):**</u> The amount of a provision should not be discounted to its present value.	<u>**Measurement of provision (AS Text):**</u> The amount of a provision should not be discounted to its present value **except** in case of **decommissioning, restoration** and **similar liabilities** that are recognized **as cost of PPE under AS 10 , Property, Plant and Equipment**

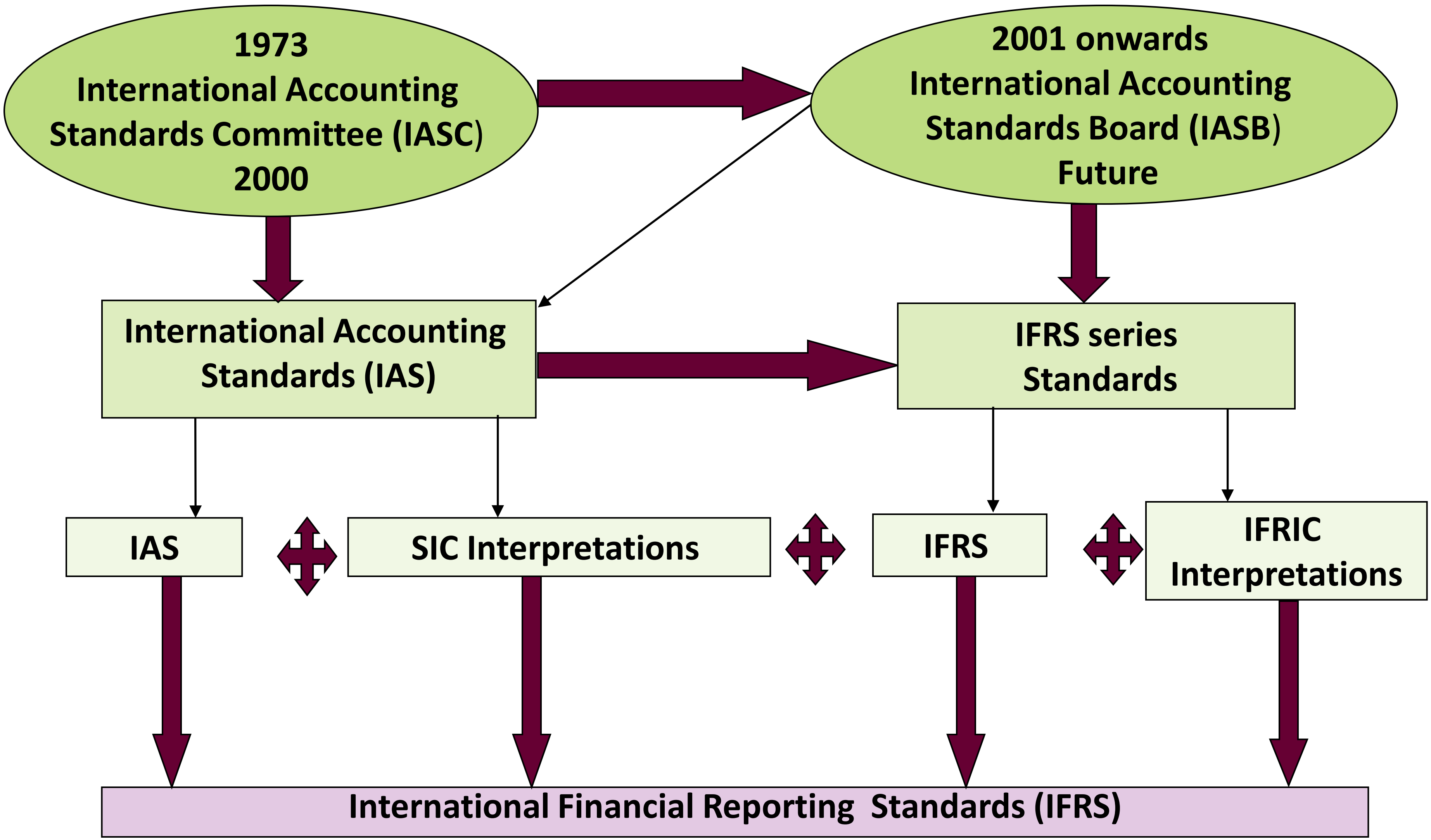
➢Effect of Amendment

➢The provisions for decommissioning, restoration and similar liabilities were created at anticipated cost of completing and capitalized as a cost of the related fixed asset. ➢No discounting was done ignoring time value of money.	➢The discount rate(s) for creating provision will be a pre-tax rate (s) that reflect(s) current market assessments of the time value of money and the risks specific to the liability, but will not reflect risks for which future cash flow estimates have been adjusted. ➢ Periodic unwinding of discount will be recognized in the statement of profit and loss. ➢Under the transitional provision, all existing liabilities for decommissioning and restoration will be discounted **prospectively**.

IND AS Overview

IFRS application in India

What is IFRS?



1973
International Accounting
Standards Committee (IASC)
2000
2001 onwards
International Accounting
Standards Board (IASB)
Future
International Accounting
Standards (IAS)
IFRS series
Standards
IAS
SIC Interpretations
IFRS
IFRIC
Interpretations
International Financial Reporting Standards (IFRS)

What is IFRS? …

- **IFRS-IAS issued to date**
  - **Conceptual Framework**
  - **16 IFRS**
  - **28 IAS**
  - **17 IFRIC**
  - **8 SIC**

- ***IFRIC – IFRS Interpretations Committee***
- ***SIC – Standards Interpretations Committee***

What is IFRS? …

- Principle based – rather than Rule Based
  - Principles encourage compliance whereas Rules can promote avoidance
- Detailed Disclosure requirements
- Extensive Judgement required – Involves subjectivity
- Extensive consultative process before final issuance of any Standard

Global application of IFRS

- Currently, more than 149 countries require or permit listed entities use of IFRS.
- European Union (EU) required listed companies in its member states to follow IFRS from 2006 for CFS
- Most countries in Africa, America (except USA) have adopted IFRS
- China, Japan have recently adopted IFRS (with minor changes)
- USA is the only major country which has not yet adopted IFRS
    - On-going discussions between IASB-FASB for convergence into a single set of standards – likely date 2018/2019
- India had initially set date of 1st April 2011 – deferred due to industry pressure
- **New standards notified by MCA in Feb 2015 – phase-wise applicability**

Use of IFRS – 149 profiles (as on Dec 2016)

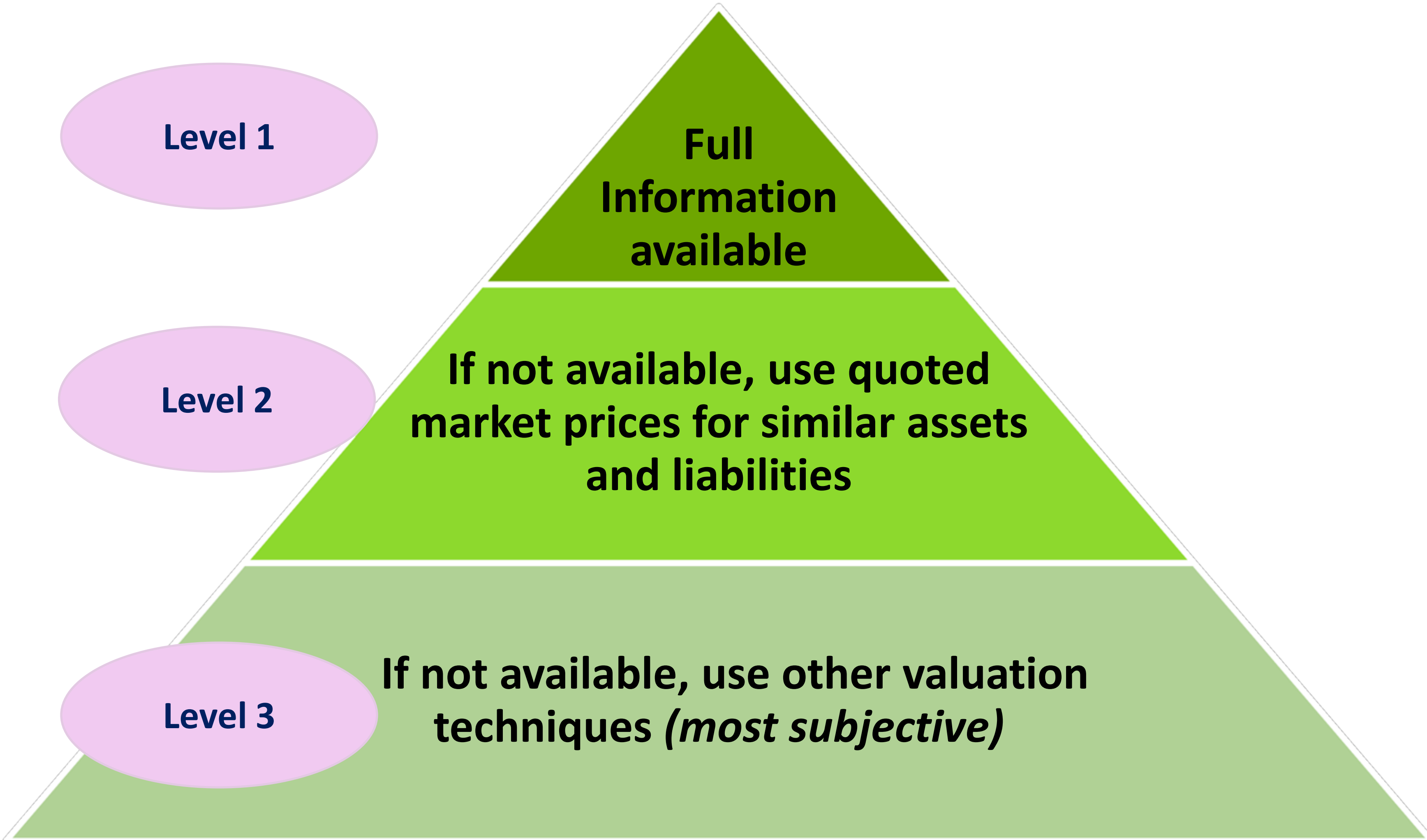
	Number of Jurisdictions surveyed				
Region		That require IFRS for all or most domestic publicly accountable Entities	That require IFRS as % of total jurisdictions in the region	That permit or require IFRS for at least some (but not all or most) domestic publicly accountable Entities	That neither require nor permit IFRS for any domestic publicly accountable Entities
Europe	43	42	98%	1	0
Africa	23	19	83%	1	3
Middle East	13	13	100%	0	0
Asia-Oceania	33	24	73%	3	6
Americas	37	27	73%	8	2
Total	149	125	84%	13	11
As % of 149	100%	84%		9%	7%

GDP of 149 profiled jurisdictions represents 98.6% of the total world GDP. (2015 data)

IFRS Framework (Pillars of IFRS)

Historical Cost is not relevant	Fair Value more relevant for measurement of assets and liabilities
Time Value of Money	Discounting to be done for future cash flows
Substance over Form	Contractual Substance over Legal Form
Balance Sheet is the focus not statement of profit and loss	Difference between 2 BS is Income statement

Fair value hierarchy



What is IFRS? … comparison of pages

	Number of Pages
IFRS	> 3,000
US GAAP	> 17,000
I-GAAP	> 1,000
Ind AS	> 2,000

Adoption vs. Convergence

- Adoption: start applying IFRS from an announced date
- Convergence: modify IFRS to suit local requirements
- **In India, ASB / NACAS decided to *converge* rather that *adopt***
- **India accordingly issued a new set of standards called Ind AS**
- These Ind AS contain certain "carve-outs" from IFRS –
- Apparently, these "carve-outs" are to amend the IFRS to suit conditions prevailing in India –

IFRS Implementation in India

- Converged Standards to be called Ind AS
- Changes in many Ind AS as compared to IFRS
- Ind AS finalized by ICAI and notified by MCA (NACAS)

IAS / IFRS	Corresponding Ind AS
IAS 1	Ind AS 1
IAS 2	Ind AS 2
IFRS 1	Ind AS 101
IFRS 2	Ind AS 102

- IFRIC and SIC incorporated within respective Ind AS itself

IFRS vs. Ind AS

- IFRS-IAS issued to date
  - Conceptual Framework
  - 16 IFRS
  - 28 IAS
  - 17 IFRIC
  - 8 SIC

- Ind AS issued to date
  - Conceptual Framework
  - 14 Ind AS*
  - 26 Ind AS**
  - Included in Ind AS
  - Included in Ind AS

*IFRS 15: Revenue, IFRS 16 : Leases (effective later)

**Ind AS 26 : Accounting and Reporting by Retirement Benefit Plans
Ind AS 39: Financial Instruments: Recognition and Measurement - (since 109 is notified)

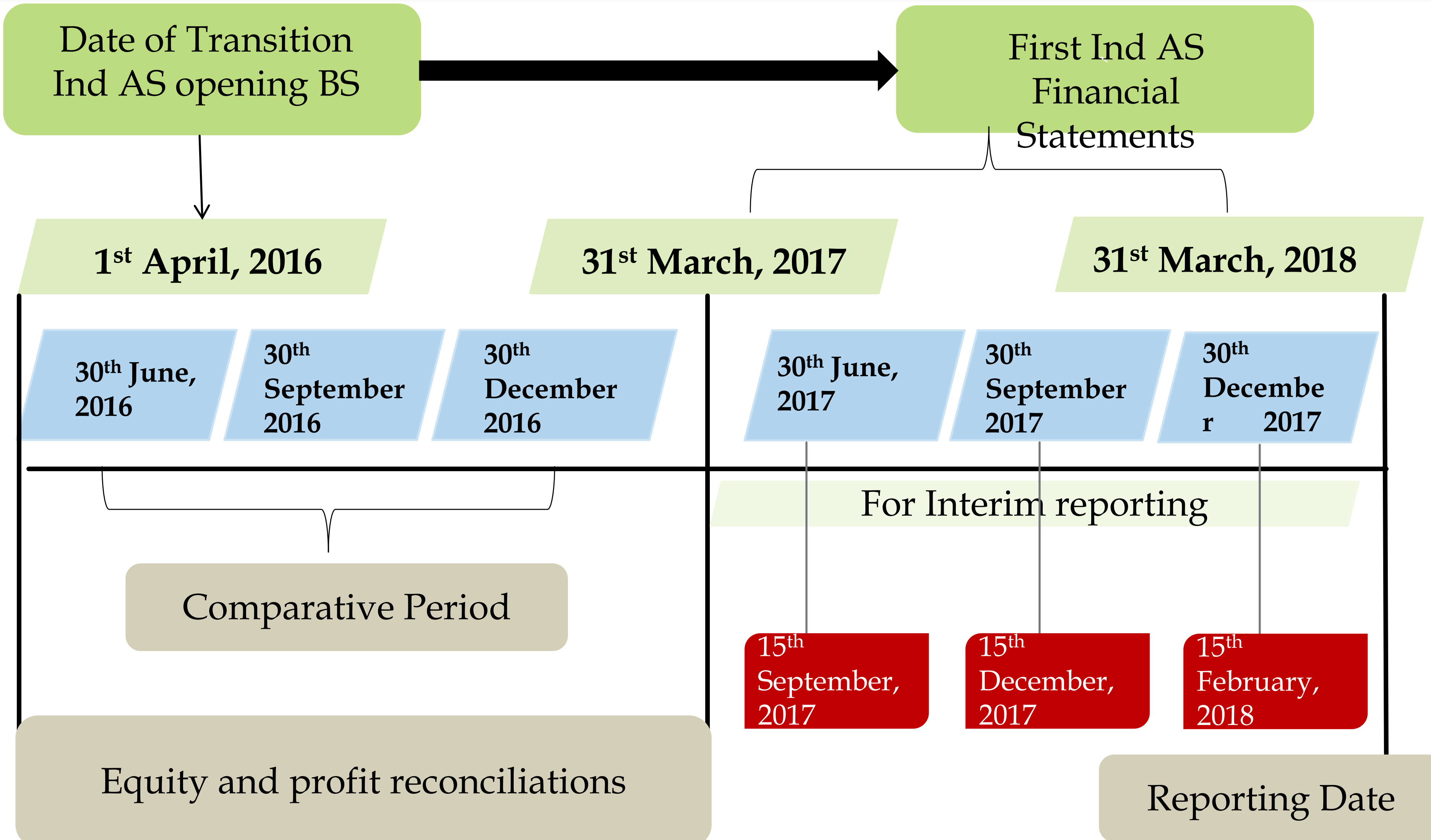
Timelines for Ind AS implementation

July 2014	16th Feb 2015	29th Sept 2015	17th Nov 2015	7th Dec 2015
Announcement to implement Ind AS by Finance Minister in his Union Budget	MCA issues Corporate road map for Cos. For implementation of Ind AS in 2 phases beginning from 1st April, 2015	RBI recommends a road map to MCA for banks and NBFC's	IRDA announces that insurance sector is to converge with Ind AS	IRDA issues Discussion Paper on Ind AS implementation for insurance sector

Corporate Road Map

Current Requirements	Phase I	Phase II	Voluntary Adoption
Year of Adoption	FY 2016 – 17	FY 2017 – 18	FY 2015 – 16 or thereafter
Comparative Year	FY 2015 – 16	FY 2016 – 17	FY 2014 – 15 or thereafter
Companies covered:			
Listed Companies	All companies with net worth >= INR 500 crores	All companies listed or in the process of getting listed	Any company could voluntarily adopt Ind AS
Unlisted Companies	All companies with net worth >= INR 500 crores	Companies having a net worth >= INR 250 crores	
Group Companies	Applicable to holding, subsidiaries, joint ventures, or associates of companies covered in (a) and (b) above. This may also impact fellow subsidiary companies while preparing consolidated financial statements of the holding company.		

Phase II


Date of Transition Ind AS opening BS
First Ind AS Financial Statements
1st April, 2016
31st March, 2017
31st March, 2018
30th June, 2016
30th September 2016
30th December 2016
30th June, 2017
30th September 2017
30th December 2017
For Interim reporting
Comparative Period
15th September, 2017
15th December, 2017
15th February, 2018
Equity and profit reconciliations
Reporting Date

Requirements as per SEBI…

Results for Quarter Ended 30th June 2017 / 30th Sept 2017

Particulars	Amount (Rs. Lakhs)	
	Quarter ended 30/06/2017	Quarter ended 30/06/2016 *

Particulars	Amount (Rs. Lakhs)				
	Quarter ended 30/09/17	Quarter ended 30/06/17	Quarter ended 30/09/16 *	Half year ended 30/09/17	Half year ended 30/09/16 *

* *Need not be reviewed*

Requirements as per SEBI…

Statement of Assets and Liabilities (Balance Sheet) as on 30th September 2017

Particulars	Amount (Rs. Lakhs)
	As at 30/09/2017

Requirements as per SEBI…

Reconciliation of Profit as per Previous GAAP and Ind-AS

Particulars	Amount (Rs. Lakhs)
	Quarter ended 30/06/2017
Net Profit after tax as per previous GAAP	
Effect of Ind AS 16- Property Plant and Equipment	
Effect of Ind AS 109- Financial Instruments	
Effect of Ind AS 21-Effects of changes in Foreign exchange	
Net Profit after tax as per Ind-AS before other Comprehensive Income	
Other Comprehensive Income	
Total Comprehensive Income after tax	

How many Ind AS are issued?

- **Notification dated 16 February 2015:**
  - Companies (Indian Accounting Standards) Rules, 2015
  - 39 Ind AS notified effective from 1st April, 2015
  - Rule 4 states: ‘ The Companies and ***their auditors*** shall comply with the Indian Accounting Standards (Ind AS)…’

- **Notification dates 30th March 2016:**
  - Companies (Indian Accounting Standards)(Amendment) Rules, 2016
  - Gives roadmap for Banks and NBFCs for Ind AS implementation
  - Ind AS 115 omitted – Ind AS 11 and Ind AS 18 notified
  - Several other Ind AS amended
  - **Total Ind AS now applicable: 40**

- **Notification dated 6th April 2016:**
  - Schedule III of Companies Act 2013 amended to prescribe format for Ind AS financial statements

List of notified Ind AS

Ind AS	
1	Presentation of Financial Statements
2	Inventories
7	Statement of Cash Flows
8	Accounting Policies. Changes in Accounting Estimates and Errors
10	Events After the Reporting Period
11	Construction Contracts
12	Income Taxes
16	Property, Plant and Equipment
17	Leases
18	Revenue
19	Employee Benefits
20	Accounting for Government Grants and Disclosure of Government Assistance
21	The Effects of Changes in Foreign Exchange Rates

List of notified Ind AS …

Ind AS	
23	Borrowing Costs
24	Related Party Disclosures
27	Separate Financial Statements
28	Investments in Associates and Joint Ventures
29	Financial Reporting in Hyperinflationary Economics
32	Financial Instruments: Presentations
33	Earnings per Share
34	Interim Financial Reporting
36	Impairment of Assets
37	Provisions, Contingent Liabilities and Contingent Assets
38	Intangible Assets
40	Investment Property
41	Agriculture

List of notified Ind AS …

Ind AS	
101	First time adoption of Indian Accounting Standards
102	Share based payment
103	Business Combinations
104	Insurance Contracts
105	Non current assets held for sale and discontinued operations
106	Exploration for and evaluation of mineral resources
107	Financial Instruments: Disclosures
108	Operating Segments

List of notified Ind AS …

Ind AS	
109	Financial Instruments
110	Consolidated Financial Statements
111	Joint Arrangements
112	Disclosure of Interest in Other Entities
113	Fair Value Measurements
114	Regulatory Deferral Accounts
~~115~~	~~Revenue from Contracts with Customers~~ (deleted vide notification dated 30 March 2016)

IND AS Overview

Some important terms in Ind AS

Some important terms in Ind AS

Effective Interest Rate (EIR) method:

- It is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

- The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

- The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method:
  - the amortised cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate, and
  - the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

Some important terms in Ind AS …

Amortised cost:

The amortised cost of a financial asset or financial liability at each reporting date is the net of the following amounts:

- the amount at which the financial asset or financial liability is measured at initial Recognition;
- minus any repayments of the principal;
- plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount;
- minus, in the case of a financial asset, any reduction for impairment

Example of effective interest rate calculation and amortised cost …

A bank gives loan to its customer as per the following terms:

Loan amount: Rs.5,00,000

Processing charges: 2 % of loan amount.

Maturity : 5 years

Interest : year 1 – 6%, year 2 – 6%, year 3 – 7%, year 4 – 7%, year 5 – 8%

Interest to be paid annually and principal at the maturity date.

EIR is calculated at the rate that exactly discounts estimated future cash flows through the expected life of this instrument.

5,00,000 $\rightarrow$

$30{,}000/(1+EIR)^1+30{,}000/(1+EIR)^2+35{,}000/(1+EIR)^3+35{,}000/(1+EIR)^4+(40{,}000+5{,}00{,}000)/(1+EIR)^5$

XIRR function to be used in excel for EIR calculation

Accounting as per current I-GAAP

- The amortized cost of the loan at the end of each period will be accounted as follows:

Year	Opening Balance (Rs.)	Principal + Interest (Rs.)	Closing Balance (Rs.)
1	5,00,000	30,000	5,00,000
2	5,00,000	30,000	5,00,000
3	5,00,000	35,000	5,00,000
4	5,00,000	35,000	5,00,000
5	5,00,000	5,40,000	0

Accounting as per Ind AS

- The amortized cost of the loan at the end of each period will be accounted as follows:

Year	Amortized Cost at the Start of the Year (A)	EIR (B) (A)*7.22%	Cash Flow (C)	Amortized Cost at the end of the Year (D) = (A) +(B) – (C)
1	4,90,000	35,386	30,000	4,95,386
2	4,95,386	35,775	30,000	5,01,160
3	5,01,160	36,192	35,000	5,02,352
4	5,02,352	36,278	35,000	5,03,630
5	5,03,630	36,370	5,40,000	0

Some important terms in Ind AS …

Subsidiary Control:

An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee.

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.

Thus, an investor controls an investee if and only if the investor has **all** the following:

(a) power over the investee;

(b) exposure, or rights, to variable returns from its involvement with the investee; and

(c) the ability to use its power over the investee to affect the amount of the investor's returns.

Some important terms in Ind AS …

Fair Value:

This Ind AS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement is for a particular asset or liability. Therefore, when measuring fair value an entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include, for example, the following:

(a) the condition and location of the asset; and

(b) restrictions, if any, on the sale or use of the asset

Some important terms in Ind AS …

Other Comprehensive Income (OCI):

Other Comprehensive Income comprises items of income and expense that are not recognised in profit or loss as required or permitted by other Ind ASs.

Amendments

Ind AS Compliant Schedule III Format

Ind AS Compliant Schedule III Format

	Particulars	Note	Figures for the current reporting period	Figures for the previous reporting period
I	Revenue From Operations			
II	Other Income			
III	**Total Income (I + II)**			
IV	Expenses			
	Cost of Materials Consumed			
	Purchases of Stock in Trade			
	Changes in inventories of finished goods, Stock-in -Trade and work-in-progress			
	Employee benefits expense			
	Finance costs			
	Depreciation and amortization expense			

Ind AS Compliant Schedule III Format …

	Particulars	Note	Figures for the current reporting period	Figures for the previous reporting period
	Other Expenses			
	Total Expenses (IV)			
V	Profit/(Loss) before exceptional items of tax (III - IV)			
VI	Exceptional Items			
VII	Profit/(Loss) before tax (V - VI)			
VIII	Tax expense :			
	Current Tax			
	Deferred Tax			
IX	Profit/(Loss) for the period after tax from continuing operations (VII - VIII)			
X	Profit/Loss) from discontinued operations			
XI	Tax expense of discontinued operations			

Ind AS Compliant Schedule III Format …

	Particulars	Note	Figures for the current reporting period	Figures for the previous reporting period
XII	Profit/(Loss) from discontinued operations (after tax) (X- XI)			
XIII	**Profit/(Loss) for the period (IX + XII)**			
XIV	*Other Comprehensive Income*			
	A (i) Items that will not be reclassified to profit or loss			
	(ii) Income tax relating to items that will not be reclassified to profit or loss			
	B (i) Items that will be reclassified to profit or loss			
	(ii) Income tax relating to items that will be reclassified to profit or loss			
XV	*Total Comprehensive income for the period (XIII + XIV) (Comprising Profit/ (Loss) and OCI)*			

Ind AS Compliant Schedule III Format …

	Particulars	Note	Figures for the current reporting period	Figures for the previous reporting period
XVI	Earnings per share (for continuing operations):			
	(1) Basic			
	(2) Diluted			
XVII	Earnings per share (for discontinuing operations):			
	(1) Basic			
	(2) Diluted			
XVIII	Earnings per share (for discontinued & continuing operations):			
	(1) Basic			
	(2) Diluted			

Ind AS Compliant Schedule III Format …

	Assets
1	**Non Current Assets**
	(a) Property, Plant and Equipment (b) Capital work-in progress (c) Investment Property (d) Goodwill (e) Other intangible assets (f) Financial Assets • Investments • Trade receivables • Loans • Others (g) Deferred tax Assets (net) (h) Other non current assets

Ind AS Compliant Schedule III Format …

Assets	
2	**Current Assets**
	(a) Inventories (b) Financial Assets • Investments • Trade receivables • Cash and cash balance • Bank balances other than above • Loans • Other (c) Current tax assets (Net) (d) Other current assets
	Total Assets (1+2)

Ind AS Compliant Schedule III Format …

	Equity and Liabilities
	Equity
	(a) Equity share capital (b) Other Equity
	Liabilities
1	Non current liabilities
	(a) Financial Liabilities • Borrowings • Trade payables • Other financial liabilities (b) Provisions (c) Deferred tax liabilities (net) (d) Other non current liabilities

Ind AS Compliant Schedule III Format …

Equity and Liabilities	
2	Current Liabilities
	(a) Financial Liabilities • Borrowings • Trade payables • Other financial liabilities (b) Other current liabilities (c) Provisions (d) Current Tax Liabilities (net)
	Total Equity and liabilities

Statement of Other Equity

	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus				Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income (specify nature)	Money received against share warrants	Total
			Capital Reserve	Securities Premium Reserve	Other Reserves (specify nature)	Retained Earnings								
Balance at the beginning of the reporting period														
Changes in accounting policy or prior period errors														
Restated balance at the beginning of the reporting period														
Total Comprehensive Income for the year														
Dividends														
Transfer to retained earnings														
Any other change (to be specified)														
Balance at the end of the reporting period														

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