Ind AS

an overview (Simplified)

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Author Introduction

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Introduction & Road Map

Currently, there are more than 100 countries across the world where entities are required or permitted to speak a common financial accounting language, such as, IFRS. India will join the list of such countries albeit with the convergence model.

Adopting IFRS in the financial statements increases comparability of entities within the country as well as with their global counterparts. IFRS is also looked upon as a reliable framework by users of financial statements. It helps entities gain cross-border capital listing and it also helps management, who may be based in another country, to follow uniform systems of reporting across the group in entities with worldwide presence.

The MCA has notified Company (Indian Accounting Standard) Rules 2015 vide its G.S.R dated 16 February 2015. Accordingly, it has notified 39 Ind AS and has laid down an Ind AS transition road map for companies other than banking companies, insurance companies and non- banking finance companies.

Ind AS roadmap

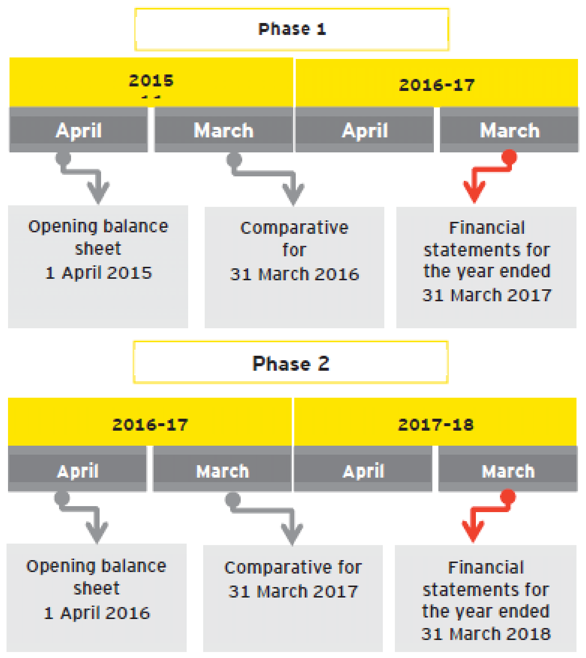
Once adopted, cannot be revoked

Phase 1 : applicable from 1 April 2016 onward to:

- Listed or unlisted companies whose net worth is >= INR 500 crores
- Holding, subsidiaries, joint ventures or associates of these companies

Phase 2 is applicable from 1 April 2017 onward to:

- Listed companies whose net worth is < INR 500 crores (All Listed Companies)
- Unlisted companies whose net worth is >= INR 250 crores but < INR 500 crores
- Holding, subsidiaries, joint ventures or associates of these companies.



Notes: Early adoption and BS

1. **Net worth**

Paid Up Share Capital + Reserves out of Profit + Securities Premium – Acc. Losses – Deferred Exp. – Misc Exp (Not includes Revaluation Reserve, Amalgamation Reserve and W. Back Dep)

Net worth for a company is to be calculated in accordance with its stand-alone financial statements as on 31 March 2014 or the first audited financial statements for accounting period which ends after that date. Accordingly, if any company's networth is more than INR 500 crore as of March 31, 2015, then it will be covered in Phase 1 itself.

2. **Exemption: Not applicable to Insurance companies, banking companies and non-banking finance companies.**
3. **Not Applicable on companies listed on SME exchange**

Carve-outs:

Is Ind AS the same as the IFRS issued by IASB?

Ind AS is not the same as IFRS. It is a separate accounting framework based on IFRS as created by the MCA and has certain carve-outs to accommodate Indian business nuances.

Following are some of the key carve-outs in Ind AS vis-à-vis IFRS as issued by IASB:

- IFRS 1 defines the previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting IFRS. However**, Ind AS 101 defines the previous GAAP as the basis of accounting that a first-time adopter used for its reporting requirement in India immediately before adopting Ind AS.** The change makes it mandatory for Indian entities to consider the financial statements prepared in accordance with existing notified Indian accounting standards as was applicable to them as previous GAAP when it transitions to Ind AS.

- Foreign exchange fluctuations: Ind AS provides an option to continue with the policy adopted for accounting for exchange differences arising from the translation of long-term foreign currency monetary items recognized 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. Under IFRS, such exchange difference is charged to the income statement.

- Foreign currency convertible bonds (FCCB): Ind AS states that **where the exercise price for the conversion of the FCCB is fixed, irrespective of any currency, it is to be classified as equity rather than as an embedded derivative.** IFRS on the other hand, requires that where the conversion of bond into equity shares is fixed, but the exercise price for such conversion is defined in currency other than the functional currency of the entity, the conversion aspect is to be accounted as embedded derivative.

- Straight lining of lease rentals: Keeping in mind the Indian inflationary situation, Ind AS states that the **straight lining of lease rentals may not be required in cases where periodic rent escalation is due to inflation.** IFRS does not provide an exception to straight lining of lease rentals where rent escalation is due to inflation.

- Property, plant and equipment: Ind AS permits (subject to limited exceptions around change in functional currency) an entity to use carrying values of all property, plant and equipment as on the date of transition to Ind AS, in accordance with the previous GAAP, as an acceptable starting point under Ind AS. IFRS does not provide a similar option on first-time adoption.

- IFRS 3 requires bargain purchase gain arising on business combination to be recognized in profit or loss. Ind AS 103 requires the same to be recognized as other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for classifying the business combination as a bargain purchase. In this case, it is to be recognized directly in equity as capital reserve.

Carve-outs (contd.):

- Consequent to the 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. Under IFRS, these breaches will result in classification of loan as current instead of non-current.

- IAS 39 requires all changes in fair values in case of financial liabilities designated at fair value through Profit and Loss at initial recognition shall be recognised in profit or loss. IFRS 9 which will replace IAS 39 requires these to be recognised in 'other comprehensive income' Carve out A proviso has been added to paragraph 48 of Ind AS 39 that in determining the fair value of the financial liabilities which upon initial recognition are designated at fair value through profit or loss, **any change in fair value consequent to changes in the entity's own credit risk shall be ignored.**

- IFRS 1 requires reconciliations for opening equity, total comprehensive income, cash flow statement and closing equity for the comparative period to explain the transition to IFRS from previous GAAP. Carve out Ind AS 101 provides an option to provide a comparative period financial statements on memorandum basis. **Where the entities do not exercise this option and, therefore, do not provide comparatives, they need not provide reconciliation for total comprehensive income, cash flow statement and closing equity in the first year of transition** but are expected to disclose significant differences pertaining to total comprehensive income. Entities that provide comparatives would have to provide reconciliations which are similar to IFRS.

- On the basis of principles of the IAS 18, IFRIC 15 on Agreement for Construction of Real Estate, prescribes that construction of real estate should be treated as sale of goods and revenue should be recognised when the entity has transferred significant risks and rewards of ownership and has retained neither continuing managerial involvement nor effective control. Carve out IFRIC 15 has not been included in Ind AS 18, Revenue. Such agreements have been scoped out from Ind AS 18 and have been included in Ind AS 11, Construction Contracts.

- According to Ind AS 19 the rate to be used to discount post-employment benefit obligation shall be determined by reference to the market yields on government bonds, whereas under IAS 19, the government bonds can be used only where there is no deep market of high quality corporate bonds. To illustrate treatment of gratuity subject to ceiling under Indian Gratuity Rules, an example has been added in Ind AS 19.IAS 19 permits various options for treatment of actuarial gains and losses for postemployment defined benefit plans whereas Ind AS 19 requires recognition of the same in other comprehensive income, both for post-employment defined benefit plans and other long-term employment benefit plans. The actuarial gains recognised in other comprehensive income should be recognised immediately in retained earnings and should not be reclassified to profit or loss in a subsequent period.

Key differences between Ind AS and Indian GAAP

Revenue recognition

Current AS – 7 (Construction Contracts) & AS – 9 (Revenue)
Ind AS 115 – Revenue from Contracts with Customers

Core Principle

Ind AS 115's core principle is that an entity will recognize revenue when it transfers 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.

Key Highlights and Differences

It is a comprehensive standard with 5 Steps for revenue recognition

1. Identify the contract with customer
2. Identify the performance obligation
3. Determine the transaction price
4. Allocate the transaction price to performance obligation
5. Recognise revenue when entity satisfies performance obligation

Revenue to be measured at the amount of consideration to which an entity ***expects to be entitled*** **(rather than contractually specified)** in exchange for transferring the promised goods or services.

It introduced the concept of variable consideration. It takes various forms, including (but not limited to) price concessions, volume discounts, rebates, refunds, credits, incentives, performance bonuses and royalties. An entity's past business practices can cause consideration to be variable if there is a history of providing discounts or concessions after goods are sold. AS 9 currently contains no guidance in this regard.(Sales Value need to be adjusted of above)

Desc	Ind AS	Existing AS
Completed Service Method	revenue should be recognized over time by measuring progress toward completion(Proportionate completion method)	an option to use either the proportionate completion method or the completed service contract method for specified transactions for recognizing revenue from service transactions.

Multiple Elements Contracts – A bundled contract with different products/ combination of services, software, goods, hardware and/or financing.

Ind AS 115 prescribes that the transaction price in such arrangements must be allocated to each separate performance obligation on the basis of fair value, so that revenue is recorded at the right time and in the right amount. Under Indian GAAP, an EAC opinion deals with accounting in the case of multiple element contracts in a limited way.
Example: Free maintenance services for cars, loyalty points by hotels and supermarkets, free handsets by telecom operators, bundled sale of Mobile and Data usage or free minutes, product with warranty Sales value need to be break in product and services.

Control Model – The point of Revenue Recognition

Under Ind as Revenue is recognized over time if any of the following three criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs…
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced…
- The entity's performance does not create an asset with an alternative use to the entity…and the entity has an enforceable right to payment for performance completed to date

Financial instruments

Current AS – NIL (AS 30,31 & 32 are only recommendatory)
Ind AS 32 – Financial Instruments: Presentation
Ind AS 107 –Financial Instruments: Disclosures
Ind AS 109 –Financial Instruments
Ind AS 113 –Fair Value Measurement

All financial assets and liabilities are initially recognized (in the balance sheet) at fair value.

Equity or Liablity (Ind AS 32)

Ind AS 32 requires the issuer of a financial instrument to classify the instrument as a liability or equity on initial recognition, in accordance with its substance, For example, under IndAS 32, mandatorily redeemable preference shares on which a fixed dividend is payable are treated as a liability.

Compound financial instruments (Ind AS 32)

Such as convertible bonds, to be split into liability and equity components, and each component is recorded separately. Extant Indian GAAP entails no split accounting, and financial instruments are classified as either a liability or equity, depending on their primary nature. For example, a convertible debenture is generally treated as liability.

Classification categories for financial assets (Ind AS 109)

Measured at amortized cost (using the effective interest rate for each balance sheet date.) - If the asset is held within a business model whose objective is to collect contractual cash flows.

Fair value through other comprehensive income (FVOCI) - it financial asset give rise to cash flows that are solely the payments of principal and interest (SPPI) and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value through profit or loss (FVTPL). All other Financial Assets

Classification categories for financial Liabilities (Ind AS 109) - Initial measurement of all financial liabilities is at fair value.

Fair value through profit or loss FVTPL liabilities are measured at fair values, with gain or loss (other than gain or loss attributable to “own credit risk”) being recognized in income statement.

Other financial liabilities are measured at amortized cost using the effective interest rate for each balance sheet date.

Derivative as a financial instrument

Contract having the following three characteristics:

a. Its value changes in response to the change in a specified interest rate, financial instrument price
b. It requires no or smaller initial net investment.
c. It is settled at a future date.

As per Ind AS 109, all derivatives, except those used for hedge purposes, are measured at fair value, and any gains/losses are recognized in profit or loss.

Hedge Accounting

Ind AS 109 deals with various aspects of hedge accounting in a comprehensive manner. It defines three types of hedging relationships, namely, fair value hedges, cash flow hedges and hedges of net investments in a foreign operation. It also lays down prerequisite conditions to apply hedge accounting. In India, AS 11 deals with forward exchange contracts for hedging foreign currency exposures (except for those arising from firm commitments or highly probable forecast transactions). There is no standard for other types of hedge.

Impairment of financial assets

Ind AS 109 requires a provision for impairment to be recognized at inception. The measurement basis depends on whether there has been a significant increase in credit risk since initial recognition.

Ind AS 109 has introduced a new "expected credit loss model" for the impairment of financial assets. It applies to financial assets that are not measured at FVTPL, including loans, lease and trade receivables, debt securities, contract assets under Ind AS 115 and specified financial guarantees and loan commitments issued. It does not apply to equity instruments. The model uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. Under extant Indian GAAP, there is no detailed guidance.

Disclosure

Ind AS 107 requires entities to provide comprehensive disclosures in their financial statements to enable users to evaluate:

a. The significance of financial instruments for its financial position and performance, and

b. The nature and extent of risks arising from financial instruments, and how the entity manages those risks.

The disclosures required under Ind AS 107 include quantitative and qualitative information. Under extant Indian GAAP, ICAI has issued an Announcement on *Disclosure regarding Derivative Instruments,* which requires certain minimum disclosures to be made concerning financial instruments.

Embedded derivatives

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An embedded derivative as a component of a hybrid (combined) financial instrument that also includes a non-derivative host contract. Some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative

Embedded Derivatives - Examples

Instrument	Host Contract	Embedded Derivatives
Convertible Bond	Debt Instrument	Purchased call option on equity securities
Debt paying interest quarterly based on an equity index	Debt Instrument	Four forward contracts p.a. on equity index
A two year fixed quantity sale of denim denominated in US$ between a French seller entity and an Indian buyer entity with a predetermined rate of exchange	Purchase contract	Foreign currency forward contract.

They are also considered as derivatives and must be recognized separately from their host contracts (debts or sales contracts). In addition, certain contracts, which were previously not classified as derivatives, may qualify as such and will be required to be measured at fair value (resulting in an impact on profit or loss).

De-recognition

Because of the strict criteria for derecognizing financial assets in Ind AS 109, some financial asset disposal transactions (particularly during the sale of trade receivables) may be reclassified as guaranteed loans. This risk is greater since, SPEs involved in such transactions may be consolidated by the vendor entity in accordance with the strict criteria of Ind AS 110 *Consolidated Financial Statements*. Under extant Indian GAAP, no specific guidance is available on the consolidation of SPEs.

Business combinations

Current AS – AS 14 for Amalgamation
AS 10 For Acquisition on Lump sum basis
Ind AS 103 –Business Combinations

Assets and liabilities will be recognized at fair value.

Ind AS 103 Business Combinations applies to most business combinations, including amalgamations (where the acquiree loses its existence) and acquisitions (where the acquiree continues its existence). Under current Indian GAAP, there is no comprehensive standard dealing with all business combinations.

Contingent liabilities and intangible assets that are not recorded in the acquiree's balance sheet are likely to be recorded at fair value in the Acquirer's balance sheet.
Net assets taken over will be recorded at fair value under Ind AS 103. This will result in a charge to the profit and loss account for amortization and depreciation based on fair value

Desc	Ind AS	Existing AS
Merger /Purchase Method	All business combinations within its scope to be accounted under the Purchase method, excluding business combinations of entities or businesses under common control, which are to be accounted using the pooling of interest method.	It permits both the purchase method and the pooling of interest method in the case of amalgamation. The pooling of interest method is allowed only if the amalgamation satisfies certain specified conditions.
Recording of Assets & Liablities	All assets and Liabilities taken over including contingent liabilities and intangible assets, to be recorded at fair values	It permits the recording of net assets at carrying value. Contingent liabilities of the acquiree are not recorded as liabilities under Indian GAAP.
Amortisation of Goodwill	Ind AS 103 prohibits amortization of goodwill arising on business combinations, and requires it to be tested for impairment annually.	Indian GAAP requires amortization of goodwill in the case of amalgamations.
Reverse Acquisition	Reverse acquisition is accounted assuming the legal acquirer is the acquiree.	Indian GAAP, acquisition accounting is based on form. Indian GAAP does not deal with reverse acquisitions.
contingent consideration	It requires that contingent consideration in a business combination be measured at fair value at the date of acquisition, and that this is recognized in the computation of goodwill/negative goodwill.	The Contingent consideration will be included in PC only if payment is probable and a reasonable estimate of the amount can be made.
Non-controlling (minority) interest	Option to measure any non-controlling (minority) interest in an acquiree at its fair value, or at the proportionate share of the acquiree's net identifiable assets.	AS 21 does not provide this option. It requires minority interest in a subsidiary to be measured at the proportionate share of net assets at book value.
Business combination achieved in stages	The acquirer remeasures its previously-held equity interest in the acquiree at its acquisition date fair value. The acquirer is to recognize the resulting gain or loss, if any, in profit or loss.	No such requirement under Indian GAAP.

Significant new disclosures are required regarding the cost of the acquisition, the values of the main classes of assets and liabilities, and the justification for the amount allocated to goodwill. All stakeholders will be able to evaluate the actual worth of an acquisition and its impact on the future cash flow of the entity.

Going forward, entities to which Ind AS will be applicable will need to ensure that **schemes filed with the High Court** do not prescribe any treatment, or that the treatment prescribed is in accordance with Ind AS 103.

Contingent payments to employees or selling shareholders in a business combination may be required to assess if they would form part of the acquisition consideration or were payments in lieu or compensation for future employment and hence needed to be expensed.

Group accounts (Consolidation)

Current AS – AS 21 for Consolidated Financial Statements
AS 23 for Accounting for Investment in Associates
AS 27 for Financial Reporting of Interest in Joint Venture
Ind AS 110 – Consolidated Financial Statements
Ind AS 111 – Joint Arrangements
Ind AS 112 – Disclosure of Interests in Other Entities
Ind AS 28 - Investments in Associates and Joint Ventures

Desc	Ind AS	Existing AS
Equity method	Mandatory for both associates/joint ventures.	It requires the application of the equity method or proportionate consolidation to account for associates/joint ventures.
Consolidation is required	For all subsidiaries except investment entities	Indian GAAP provides for two exemptions from consolidation.
Definition of control	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. So An investor may still have power over an investee even when the investor does not have a majority of the voting rights of that investee.(SPE)	Control: (a) the ownership, directly or indirectly through subsidiary(ies), of more than one-half of the voting power of an enterprise; or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities.
Potential voting rights	Which are currently exercisable, are considered for determination of control under Ind AS.	Indian GAAP is silent on whether potential voting rights are to be considered for control. However, under AS 23, potential voting rights are not considered for determining significant influence in the case of an associate.
Uniform accounting policies	For Preparation of CFS with no Exception.	Indian GAAP provides an exemption on the grounds of impracticality.
changes in ownership interests of a subsidiary	With not result in loss of control it will accounted for as an equity transaction and have no impact on goodwill or the profit and loss statement.	Indian GAAP provides no guidance on changes in ownership interest of a subsidiary that do not result in loss of control.
Negative Minority Interest	The Minority Interest can become negative in cases of Losses exceeds equity share capital.	The Minority Interest can't become negative unless they have binding obligation to make loss good.
Joint arrangements	They are classified as either joint operations or joint ventures. Application of the equity method is required for arrangements classified as joint ventures.	Under Indian GAAP, joint ventures are accounted under the proportionate consolidation method.
Special Purpose Entities	Under Ind AS, SPEs which satisfy certain criteria need to be consolidated.	Under Indian GAAP, there is no guidance on the consolidation of Special Purpose Entities,

Time gap	Ind AS allows a maximum of three months for subsidiaries, associates and joint ventures. On conversion to Ind AS, many entities may be compelled to change the year-ends of their group entities to comply with this requirement and to avoid reporting results at multiple dates.	Indian GAAP allows a maximum of six months between the financial statements of a parent and a subsidiary, and that of a venturer and a joint venture. There is no time limit prescribed between the financial statements of an investor and an associate.

Income taxes

Current AS – AS 22 Accounting for Taxes on Income

Ind AS 12 – Income Taxes

Timing Differences vs. Temporary Difference

Temporary differences *(Under Ind AS)* are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Temporary differences may be either:
(a) Taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled; or
(b) Deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

Timing differences *(Under Existing AS)* are the differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.

Desc	Ind AS	Existing AS
Method	Based on the balance sheet liability method, which focuses on temporary differences.	Based on the income statement liability method, which focuses on timing differences.
Business Combination	Under Ind AS, the cost of a business combination is allocated to the identifiable assets acquired and liabilities assumed by reference to their fair values. However, if no equivalent adjustment is allowed for tax purposes, it would give rise to a temporary difference.	Under Indian GAAP, business combinations (other than amalgamation) will not give rise to such deferred tax adjustment.
Tax Losses	The entity recognizes a deferred tax asset (DTA) arising from unused tax losses or tax credits only to the extent that it has sufficient taxable temporary differences, or there is other convincing evidence that sufficient taxable profit will be available	DTA are recognized 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 realized.
Consolidated Financial Statements	an entity should recognize a deferred tax liability in consolidated financial statements for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that the parent, investor or venturer is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.	Deferred tax is not recognized on such differences.
Intra Group Transactions	Deferred taxes are recognized on temporary differences that arise from the elimination of profits and losses resulting from intra-group transactions.	Deferred tax is not recognized on such eliminations under Indian GAAP. The deferred taxes in the CFS are a simple aggregation of the deferred tax recognized by various group entities.

Disclosure required for income taxes is likely to increase significantly on transition to Ind AS. Examples of certain critical disclosures mandated in Ind AS are:

- an explanation of the relationship between tax expense (income) and accounting profit;
- an explanation of changes in the applicable tax rate(s) compared to the previous accounting period;
- the amount (and expiry date, if any) of deductible temporary differences, unused tax losses,
- Unused tax credits for which no deferred tax asset is recognized in the statement of financial position.

Entities in tax losses

Due to the strict principle of virtual certainty under Indian GAAP, only in very rare cases can entities recognize deferred tax assets, where they have carried forward losses and unabsorbed depreciation. The 'convincing evidence' principle under IFRS is less stringent in comparison. Hence, the probability of recognizing deferred tax asset on carried forward tax losses and unabsorbed depreciation is higher under Ind AS.

Employee benefits and share-based payments

Current AS – AS 15 Employee Benefits

Ind AS 19 – Employee Benefits
Ind AS 102 – Share-based Payment

Desc	Ind AS	Existing AS
Accounting	Impact of remeasurement in net defined benefit liability (asset) to be recognized in other comprehensive income. Remeasurement of net defined liability (asset) comprises actuarial gains or losses, return on plan assets (excluding interest on net asset/liability) and any change in effect of asset ceiling.	Indian GAAP currently requires such impacts to be taken to profit and loss account.
Recognition Criteria	The liability for termination benefits has to be recognized based on constructive obligation. Example VRS Exp need to be provided for when scheme is announced and management is committed to it.	Indian GAAP requires it to be recognized based on legal obligation. Example : VRS Exp. Will be recognised as and when employee sign up for the scheme.
Employee Share based payments	Accounted for using the fair value method.	Indian GAAP permits an option of using either the intrinsic value method or the fair value method.
Group ESOP	a receiving entity whose employees are being provided ESOP benefits by a parent will have to account for the charge.	A subsidiary normally does not account for ESOPs issued to its employees by its parent entity, contending that clear-cut guidance is not available

Significantly enhanced disclosure requirements for defined benefit plans. New disclosures mandated under Ind AS are information that explains the characteristics of its defined benefit plans and risks associated with them. These also reflect a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at that date. The fair value of the plan assets should be disaggregated into classes that distinguish the nature and risks of those assets, subdividing each class of plan asset into those that have a quoted market price in an active market and those that do not.

Share-based payment transactions among group entities

- Share-based transactions which result in the entity buying treasury shares to settle the obligation should be accounted for as equity-settled share-based transactions.
- Where a parent grants rights to its equity instruments to employees of its subsidiary, and the transaction is accounted for as equity-settled in the financial statements of the group, the subsidiary should apply requirements for equity-settled transactions, recognising an increase in equity as a contribution from the parent.
- Where a subsidiary grants rights to equity instruments of its parent to its employees, the subsidiary should account for the transaction as a cash-settled share-based payment.

Property, plant and equipment, intangible assets, investment property and leases

Current AS – AS 10 Accounting for Fixed Assets
AS 26 Intangible Assets
AS 19 Accounting for Leases
AS 13 Accounting for Investmnets
Ind AS 16 – Property, Plant and Equipment
Ind AS 38 – Intangible Assets
Ind AS 17 – Leases
Ind AS 40 – Investment Property

Property, plant and equipment –

Desc	Ind AS	Existing AS
Component Accounting	Component of an item of property, plant and equipment with a cost that is significant in relation to total cost of the item, shall be separately depreciated. Hence, entities need to divide the cost of an asset into significant parts if their useful life is different, and depreciate them separately.	Not compulsory to follow component accounting, however Companies act 2013 made it compuldory from 1 april 2015.
Residual Value	Need to estimate residual value.	Normally taken at estimated level of 5%.
Major repairs and overhaul expenditure	Can be capitalized as replacement cost if satisfies recognition criteria.	Need to be charged off to P&L a/c.
Assets purchased on deferred settlement	Difference between the purchase price under normal credit terms and the total amount incurred would be recognized as interest expense over the period of the financing.	There is no specific guidance under Indian GAAP
Capitalisation of Forex	Not permitted	Allowed on long-term monetary assets/liabilities
Year-end review	Estimates of useful lives, depreciation method and residual values to be reviewed at least at the end of each financial year.	Indian GAAP does not mandate an annual review of these, but recommends periodic review of useful lives.
change in depreciation method	it is treated as a change in estimate under Ind AS.	is treated as an accounting policy change under Indian GAAP
Revaluation of Fixed Assets	If an asset is revalued, Ind AS 16 mandates revaluation to be done for the entire class of property, plant and equipment to which that asset belongs, and the revaluation to be updated periodically	Indian GAAP, revaluation is not required for all the assets of the given class.
Depreciation on Revaluation	Depreciation need to be charged to Income statement.	Depreciation was allowed to be withdraw from revaluation reserve.

Intangibles Assets –

Desc	Ind AS	Existing AS
Life	Intangible assets can have indefinite useful lives. Such assets are required to be tested for impairment and are not amortized.	There is no concept of indefinite useful life of intangible assets. Also, Indian GAAP contain a presumption that the life of intangibles should not exceed 10 years
Revaluation	Ind AS allows revaluation model for accounting of an intangible asset, provided an active market exists.	Indian GAAP does not contain any such revaluation model for subsequent measurement of intangible assets.

Leases –

Desc	Ind AS	Existing AS
Combined lease	When a lease includes both land and building elements, an entity assesses the classification of each element as a finance lease or an operating lease separately.	Under Indian GAAP, no accounting standard deals with land leases. According to an EAC opinion, long-term land lease may be treated as finance lease.
Deemed Lease/Service contracts	Based on the substance Ind AS required to determine whether an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments, is a lease. Ex. such as power purchase contracts, waste management contracts and outsourcing contracts, may have to be accounted for as leases,	Indian GAAP does not provide any guidance for such arrangements.

Investment Property –

Desc.	Ind AS	Existing AS
Definition and Scope	It is Land or building or both held to earn rentals or for capital appreciation or both. Ind AS is not applicable to owner occupied property or property developed on behalf of third parties or property in stock of property given on finance lease.	It is an investment in land or building that are not intended to be occupied substantially for use by or in the operations of the investing enterprise.
Measurement	Measured at cost model. Unlike IFRS fair value model is not permitted.	Classified as long term investment (non-current) and carried at cost less impairment.

Presentation of financial statements – covers accounting policy / prior period items and change in estimates

Key differences

1. Ind AS 1 sets out overall requirements for the **presentation of financial statements**, guidelines for their structure and minimum requirements for their content, AS 1 does not offer any standard outlining overall requirements for presentation of financial statements.

2. Ind AS 1 requires the presentation of a **statement of comprehensive income** as part of financial statements. This statement presents all items of income and expense recognized in profit or loss, together with all other items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other Ind ASs.

3. Ind AS 1 requires presentation of all transactions with equity holders in their capacity as equity holders in the **statement of changes in equity** (SOCIE). The SOCIE is considered to be an integral part of financial statements.

4. Ind AS 1 requires **disclosure** of
   a. Critical judgments made by management in applying accounting policies
   b. Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year
   c. Information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital

   There are no such disclosures required under current Indian GAAP.

5. Ind AS 1 prohibits any item to be presented as an **extraordinary item,** either on the face of the income statement or in the Notes.

6. Ind AS 1 requires **a third balance sheet** as at the beginning of the earliest comparative period, where 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, to be included in a complete set of financial statements.

7. Ind AS 1 requires dividends recognized as distributions to owners and related amounts per share to be presented in the statement of changes in equity or in the notes. The presentation of such disclosures in the statement of profit and loss is not permitted.

8. Under Ind AS 1, an entity whose financial statements comply with Ind ASs is required to make an explicit and unreserved statement of such compliance in the notes. Such requirement is not there in current Indian GAAP.

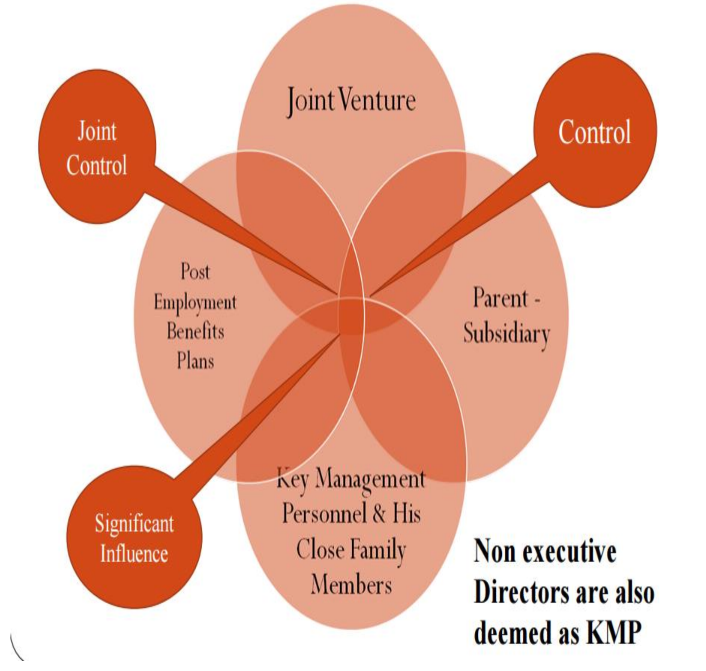
9. Under Ind AS 1, each entity should present its balance sheet using current and non-current assets and liabilities classifications on the face of the balance sheet, except, when a presentation based on liquidity provides information that is reliable and more relevant.

Related party disclosures

Current AS – AS 18 Related party disclosures

Ind AS 24 – Related party disclosures

Related Parties:

Related parties include the following: • Parents • Subsidiaries • Fellow subsidiaries • Associates of the entity and other members of the group • Joint ventures of the entity and other members of the group • Members of key management personnel of the entity or of a parent of the entity (and **close members** of their families) • Persons with control, joint control or significant influence over the entity (and close members of their families) • Post-employment benefit plans • Entities (or any of their group members) providing key management personnel services to the entity or its parent	

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

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

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

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

Disclosures;

- Ind AS 24 requires an additional disclosure as to the name of the next most senior parent which produces consolidated financial statements for public use, whereas the existing AS-18 has no such requirement.
- Ind AS 24 requires extended disclosures for compensation of KMP under different categories, whereas the existing AS 18 does not specifically require.
- Ind AS 24 requires "the amount of the transactions" need to be disclosed, whereas existing AS 18 gives an option to disclose the "Volume of the transactions either as an amount or as an appropriate proportion".
- Ind AS 24 requires disclosures of certain information by the government related entities, whereas the existing AS 18 presently exempts the disclosure of such information.
- Existing AS 18 mentions that where there is an inherent difficulty for management to determine the effect of influences which do not lead to transactions, disclosure of such effects is not required whereas Ind AS 24 does not specifically mention this.

Segment reporting

Current AS – AS 17 Segment Reporting

Ind AS 108 – Operating Segments

Desc	Ind AS	Existing AS
Determination of Segment	Operating segment are identified based on the financial information that is regularly reviewed by the chief operating decision maker (CODM) to assess performance.	Segment is identified using risks and rewards approach, enterprise internal system of financial reporting is only a starting point
Measurement	Ind AS108 does not define terms such as ”segment revenue”, ”segment profit or loss”, ”segment assets” and ”segment liabilities”. Segment profit and loss is reported on the same basis as it is reported to CODM, even not required to be in line with accounting policies adopted by enterprise. However a reconciliation is required for segment information with corresponding amounts reported in financial statemnts.	Segment information should be in line with accounting policies adopted by enterprise. Segment Revenue, Result, Expense, Assets need to be provide and a reco. Between information of reportable segment and information as per financial statement.
Aggregation criteria	Two or more Operating segment may be combined in to one operating segment, if it is consistent with the principles laid down by this standard.	No Specific Guidance.
Primary or secondary segment	It does not require the entity to determine a “primary” and “secondary” basis of segment reporting. does not define segments as either business or geographical segments and does not require measurement of segment amounts based on an entity’s Ind AS accounting policies, an entity must disclose how it determined its reportable operating segments, along with the basis on which disclosed amounts have been measured.	It requires Primary and Secondary segment based on either business or geographical segment.

Disclosures

A measure of profit or loss and assets for each segment must be disclosed. Additional line items, such as interest revenue and interest expense, are required to be disclosed if they are provided to the CODM (or included in the measure of segment profit or loss reviewed by the CODM). AS 17, in contrast, specifies the items that must be disclosed for each reportable segment.

Under Ind AS, disclosures are required when an entity receives more than 10% of its revenue from a single customer. In such instances, an entity must disclose this fact, the total amount of revenue earned from each such customer and the name of the operating segment that reports the revenue. This is not required by AS 17.

On adoption of Ind AS, entities will be required to furnish a disclosure of customer concentration, which will enable investors to assess risk faced by a company. The company will have to compile information of revenue generated by each customer to furnish disclosures required by Ind AS 108.

Foreign Exchange

Current AS – AS 11 The Effect of Change in Foreign Exchange Rates

Ind AS 21 – The Effects of Changes in Foreign Exchange Rates

Desc	Ind AS	Existing AS
Functional and Presentation Currency	Functional currency is the currency of the primary economic environment in which the entity operates. Foreign currency is a currency other than functional currency.	Foreign currency is a currency other than the reporting currency in which the financial statement are presented.
Exchange Differences	All exchange difference on monetary items are recognised in P&L account. However, an entity may continue the policy adopted 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 previous GAAP.	Exchange differences on Long term foreign currency monetary items incurred for acquisition of depreciable fixed assets can be capitalized.
Translation in CFS	Assets and liabilities should be translated from functional currency to presentation currency at the closing rate at the date of the statement of financial position; income and expenses at actual/average rates for the period; exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. These are reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.	Translation depends upon integral and non-integral operations.
Hedging Derivatives	Not in the scope of the AS and will be cover by Ind AS on Financial instruments and will accounted as derivative.	Applicable for Forward exchange contracts entered for hedging.

Borrowing Costs

Current AS – AS 16 Borrowing Costs

Ind AS 23 – Borrowing costs

Desc	Ind AS	Existing AS
Scope	Borrowing costs need not be capitalised in respect of i) qualifying assets measured at fair value (e.g. biological assets) ii) inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis (even if they are otherwise qualifying assets). This is an option.	No Such Scope Exception
Components	Description of specific components are linked to effective interest rate.	No Reference to effective interest rates

Cash Flow Statements

Current AS – AS 3 Cash Flow statements

Ind AS 7 – Statement of Cash Flows

Desc	Ind AS	Existing AS
Bank Overdraft	Included in cash and cash equivalents if they form an integral part of an entity's cash management.	Bank overdrafts are considered as financing activities.
Cash flow from extraordinary items	As presentation of items as extraordinary is not permitted, the cash flow statement does not reflect any items of cash flow as extraordinary.	Cash flows from items disclosed as extraordinary are classified as arising from operating, investing or financing activities as appropriate, and separately disclosed.
Acquisition and disposal of properties held for rental	Cash payments/ Receipt in respect of such transactions are classified as operating activities.	No Specific Guidance.
Change in Ownership interest	Change in ownership interest in a subsidiary without loss of control are treated as financing activities.	No Specific guidance.

Impairment of Assets

Current AS – AS 28 Impairment of Assets

Ind AS 36 – Impairment of Assets

Desc	Ind AS	Existing AS
Goodwill	Allocated to the lowest level CGU at which goodwill is internally monitored by management and that should not be larger than an operating segment before aggregation of segments.	Goodwill to be tested using bottom up / top down approach under which goodwill is allocated to smallest group of CGU to which it can be allocated in a reasonable and consistent basis.
Annual impairment test – intangibles and goodwill	Goodwill, Intangibles assets not yet available for use and indefinite life intangibles assets are required to be tested for impairment at least on an annual basis or earlier if there is an impairment indication.	Goodwill and other intangible assets are tested for impairment only when there is an indication. AS 26 also required that an intangible which is amortized over more than 10 years should be tested at least at each financial year.
Reversal of impairment loss for goodwill	Impairment loss recognised for goodwill is prohibited from reversal in a subsequent period.	Impairment loss for goodwill is reversed if the loss was caused by a specific external event of an exceptional nature and that is reversed and not expected to recur again.

Provisions, Contingent Liabilities and Contingent Assets

Current AS – AS 29 Provisions, contingent Liabilities and Contingent assets

Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets

Desc	Ind AS	Existing AS
Recognition of provision	Provision is recognised on legal or constructive obligation. A constructive obligation is an obligation that derives from an entity's actions where, by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.	Provision are not recognised on constructive obligation though may be needed in respect of obligation on normal practice of custom.
Discounting	When the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and risks specific to the liability.	Discounting of liabilities is not permitted and provisions are carried at their full values.
Contingent Assets	Not recognised but disclosed when economic benefit is probable.	Neither recognised nor disclosed.
Restructuring Cost	Provision on the basis of constructive obligation. That arises only when entity has a detailed formal plan and it has intention to carry out restructuring by starting to implement that plan.	Based on general recognition criteria, a present obligation as a result of past event and liability is probable and reliably estimated.

Ind AS 37 deals with the accounting in the financial statements of the contributor **for interests in decommissioning, restoration and environmental rehabilitation funds** established to fund some or all of the costs of decommissioning assets or to undertake environmental rehabilitation.

Ind AS 27 provides guidance on the accounting for **liabilities for waste management costs and requires recognition of an obligation to contribute to the costs of disposing of waste equipment** based on the entity's share of market in the measurement period the liability for such obligation arises when an entity participates in the market during the measurement period.

Ind AS 27 provides guidance on when to **Recognise a liability for a levy imposed by a government**, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.
- The liability is recognised progressively if the obligating event occurs over a period of time.
- If an obligating event is triggered on reaching a minimum threshold, the liability is recognised when that minimum activity threshold is reached.

Agriculture

Current AS – Nil

Ind AS 41 – Agriculture

Scope: Applies to biological assets (except bearer plants used in production of agricultural produce which will not be sold as agriculture produce and government grants related to biological assets)
It does not apply to Land, intangible assets and government grants related to bearer plants. However is applies on produce growing on bearer plants.

Measurement: Fair value less costs to sell (unless fair value cannot be reliably measured)
Change in Fair value to P&L account.
Exception to fair value model - No active market, no other reliable measurement method, then should be measured at Cost Less Depreciation Less Impairment Looses.

Fair value measurement stops at harvest after that Ind AS 2 will be applicable.

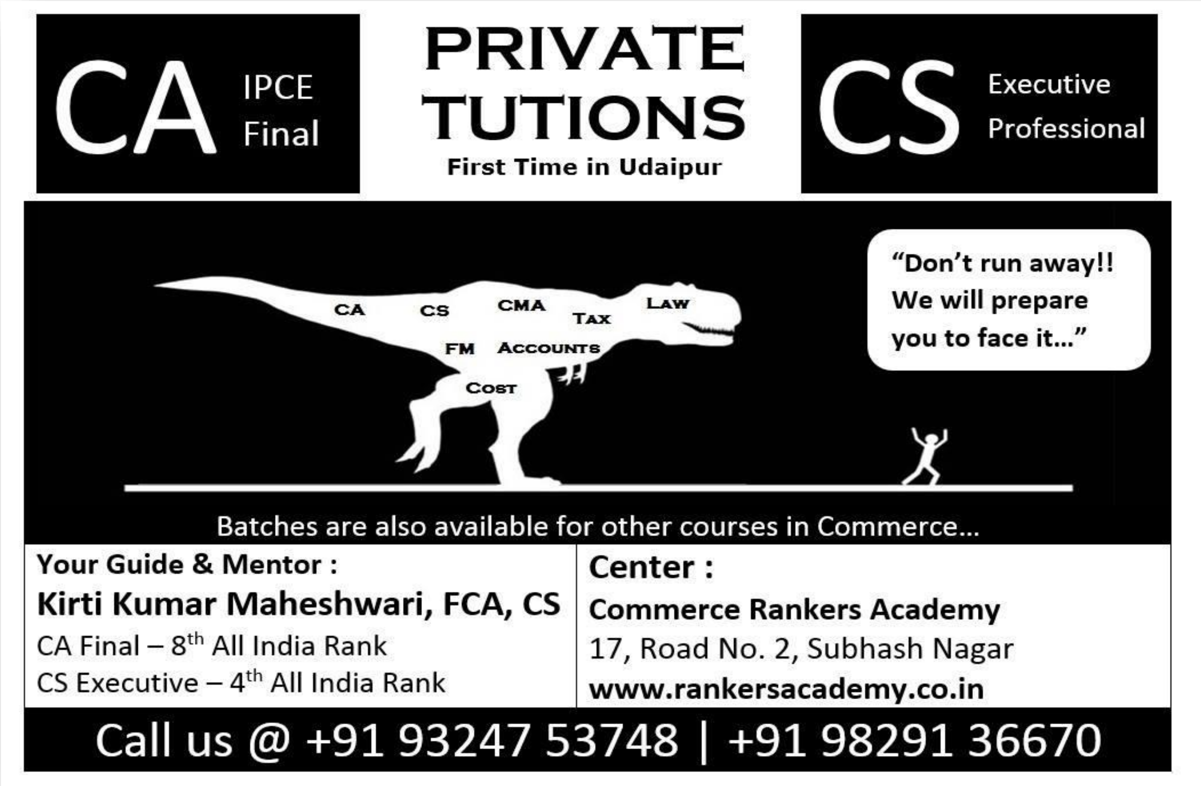
Exploration for and Evaluation of Mineral Resources

Current AS – Nil (Guidance note on Oil and Gas producing activities)

Ind AS 106 – Exploration for and Evaluation of Mineral Resources

Desc	Ind AS	Guidance note
Basics	Measured at Cost or revaluation less accumulated amortization less Impairment loss. Ind AS 36 requires allocating of exploration assets to CGU for assessing impairment, allocated CGU should not be larger than operating segment.	Two alternative methods for accounting for acquisition, exploration and development costs, viz. the **Successful Efforts Method or the Full Cost Method.** The guidance note recommends the Successful Efforts Method, though full cost method is also permitted. AS 28, Impairment of Assets is applicable irrespective of the method of accounting used.

CREDITS FOR THIS SUMMARY:
DELOITTE: INDIAN GAAP, IFRS AND IND AS A COMPARISON
PWC: IND AS POCKET GUIDE
EY: STEP UP TO IND AS
ICAI: READING MATERIAL AND PM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