

Ind AS Overview, Impact and Analysis



Organised by:
Gurugram Branch of NIRC of ICAI
Hotel Plazzio,
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IFRS Journey

History and Background of IFRS

1. IASG : AICPA, CICA & ICAEW (1966-67)

2. Australia, Canada, France, Germany, Japan, Mexico, Netherlands, USA, UK and Ireland agreed to form IASC in June 1973

3. IASC (1973 -2001)

4. IASB : Since 2001

International Financial Reporting Standards

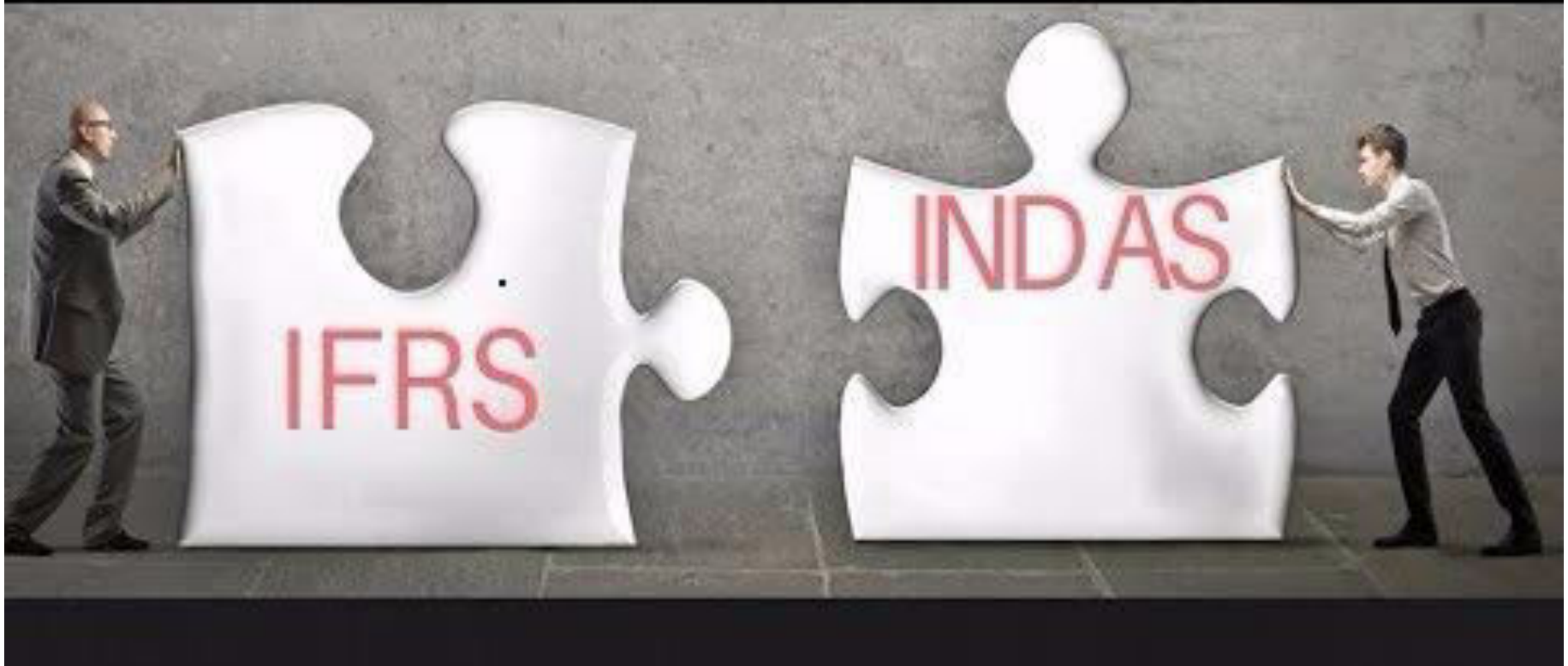
India is converging to IFRS not adopting IFRS

Adoption :

Adoption of IFRS, in simple terms, means that the Country applying IFRS would be Implementing IFRS in the same manner as issued by the IASB and would be 100% compliant with the guidelines issued by IASB.

Convergence :

Ind AS = IFRS - Carve outs + Carve Ins + - Removal of options



India is converging to IFRS...

Where are we moving.....AS to Ind AS

Global Vs Indian approach

Fair Value Vs Historical Cost

Reporting Vs Accounting

Substance over Form

Group Vs Standalone

Principles based Vs Rule based

Ind AS (Indianised version of IFRS) in India...Why?

Used in more than 130 countries across the globe by way of Adoption and Convergence

One Language – Enhanced Comparability, Understanding and One set of books

Easy access to global capital markets, Attract foreign investment

Low cost of capital

More transparent and visible

IFRS Vs Ind AS Literature

IFRS Literature

- IFRS (issued by IASB)
(IFRS 1 to IFRS 15)
- IAS (issued by IASC and revised by IASB)
(IAS 1 to IAS 41)
- IFRIC Interpretations
- SIC Interpretations

Ind AS Literature

- Ind AS 101 to Ind AS 115
- Ind AS 1 to Ind AS 41
- Appendix which are integral part of the standard.

Basic structure of the standard..

Objective and Scope

Initial Recognition and Measurement

Subsequent Recognition and Measurement

Presentation

Disclosures

List of Applicable Standards

Ind AS No.	Name of the Standard (Ind AS)	IFRS	IGAAP (AS)
1	Presentation of Financial Statements	IAS 1	AS 1
2	Inventories	IAS 2	AS 2
7	Statement of Cash Flows	IAS 7	AS 3
8	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8	AS 5
10	Events after the reporting period	IAS 10	AS 4
11	Construction Contracts	IAS 11	AS 7
12	Income Taxes	IAS 12	AS 22
16	Property, Plant and Equipment	IAS 16	AS 10
17	Leases	IAS 17	AS 19
18	Revenue	IAS 18	AS 9
19	Employee Benefits	IAS 19	AS 15
20	Accounting for Government Grants and Disclosure of Government Assistance	IAS 20	AS 12
21	The Effects of Changes in Foreign Exchange rates	IAS 21	AS 11
23	Borrowing Costs	IAS 23	AS 16
24	Related Party Disclosures	IAS 24	AS 18

List of Applicable Standards

Ind AS No.	Name of the Standard (Ind AS)	IFRS	IGAAP (AS)
27	Separate Financial Statements	IAS 27	-
28	Investments in Associates and Joint Ventures	IAS 28	AS 23
29	Financial Reporting in Hyperinflationary economies	IAS 29	-
32	Financial Instruments- Presentation	IAS 32	-
33	Earnings Per Share	IAS 33	AS 20
34	Interim Financial Reporting	IAS 34	AS 25
36	Impairment of Assets	IAS 36	AS 28
37	Provisions, Contingent Liabilities and Contingent Assets	IAS 37	AS 29
38	Intangible Assets	IAS 38	AS 26
40	Investment Property	IAS 40	AS 13
41	Agriculture	IAS 41	-
101	First time adoption of Ind AS	IFRS 1	-
102	Share based payments	IFRS 2	-
103	Business combinations	IFRS 3	CA. AS 14 AS 14

List of Applicable Standards

Ind AS No.	Name of the Standard (Ind AS)	IFRS	IGAAP (AS)
104	Insurance contracts	IFRS 4	-
105	Non Current Assets held for sale & Discontinued Operations	IFRS 5	AS 24
106	Exploration for and Evaluation of Mineral Resources	IFRS 6	-
107	Financial Instruments – Disclosure	IFRS 7	-
108	Segment Reporting	IFRS 8	AS 17
109	Financial Instruments	IFRS 9	-
110	Consolidated Financial Statements	IFRS 10	AS 21
111	Joint Arrangements	IFRS 11	AS 27
112	Disclosure of Interests in other entities	IFRS 12	-
113	Fair Value Measurement	IFRS 13	-
114	Regulatory Deferral Accounts	IFRS 14	-

Total 40 standards notified vide notification dated Feb 16, 2015 and Mar 30, 2016.

Welcome !! to Brand New Standards

New Standards in Ind AS which were not available in IGAAP

- Ind AS 27 - Separate Financial Statements
- Ind AS 29 - Financial Reporting in Hyperinflationary Economies
- Ind AS 32 - Financial Instruments: Presentation
- Ind AS 41 - Agriculture
- Ind AS 101 - First-time adoption of Ind AS
- Ind AS 102 - Share-based Payments
- Ind AS 104 - Insurance Contracts
- Ind AS 106 - Exploration for and Evaluation of Minerals Resources
- Ind AS 107 - Financial Instruments: Disclosures
- Ind AS 109 - Financial Instruments
- Ind AS 112 - Disclosure of Interests in Other Entities
- Ind AS 113 - Fair Value Measurement
- Ind AS 114 - Regulatory Deferral Accounts



Ind AS ROADMAP FOR COMPANIES



Implementation Roadmap...

1 April 2016 (Mandatory)

- Phase I companies
- Companies whose net worth is 5 billion or more.
- Holding, Subsidiary, Associate and Joint venture companies of above.

1 April 2017 (Mandatory)

- Phase II companies
- Listed/ Companies in the process of listing whose net worth is less than 5 billion.
- Unlisted Companies having net worth of 2.5 billion or more but less than 5 billion.
- Holding, Subsidiary, Associate and Joint venture companies of above.

Relaxed from the new regime as per Feb 16,2015 notification

Insurance, Banking and NBFC companies are not allowed even voluntarily

Companies that are listed or in the process of listing in SME exchanges

Companies not covered in roadmap as per Net worth/ any other criteria

Net Worth...all about

Meaning

As per section 2 (57) of the Companies Act , 2013

Financials

Net worth to be calculated as per Standalone financials

Dates

Net worth to be calculated as on 31 Mar 2014 or the first audited accounting period which ends after that date.

Calculation

Paid up share Capital
(+) reserves created out of profits (excludes revaluation reserve etc.)
(+) Securities premium account
(-) accumulated losses
(-) deferred expenditure
(-) Misc expenditure not written off as per audited B/S

Points to remember..

Ind AS will apply to both Consolidated as well as standalone financials of the company.

Ind AS once adopted either voluntarily or mandatorily can not be revoked in prospective years

An Indian Company which is Subsidiary, Associate and JV of of a Foreign company should prepare its FS as per Ind AS, if it meets the criteria.

An Overseas Subsidiary, Associate and JV of Indian Company may prepare its Standalone FS in accordance with the requirement of specific jurisdiction.

But, Indian Parent will have to mandatorily prepare its CFS as per Ind AS, if it meets the criteria covered in roadmap.

ROADMAP FOR BANKS, INSURANCE COMPANIES & NBFC'S



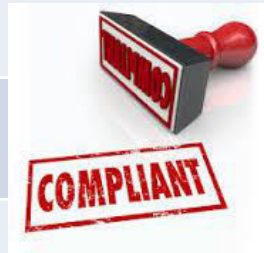
Road map for Banks, NBFC and Insurance Companies

Phases	Mandatory Adoption date	Applicability
Banking Companies		
Single Phase	1 April 2019	All Scheduled Commercial Banks except Regional Rural Banks
Non-Banking Financial Companies (NBFC)		
Phase -1	1 April 2018	<ul style="list-style-type: none"> • NBFCs having a net worth of Rs. 500 cr. or more. • Holding, subsidiaries, joint ventures or associate companies of above companies.
Phase -2	1 April 2019	<ul style="list-style-type: none"> • NBFCs whose equity and/or debt securities are listed or are in process of getting listed in any recognized stock exchange • Unlisted companies having a net worth of more than Rs.250 cr. or more but less than Rs.500 cr. • Holding, subsidiaries, JV or associate of above companies.
Insurance Companies		
Single Phase	1 April 2020	<ul style="list-style-type: none"> • As per IRDA circular dated June 28, 2017, all Insurance Companies in India are required to adopt Ind AS from April 1, 2020.

Ind AS Compliant Sch III - *How is it Ind AS compliant?*

MCA has notified Ind AS Compliant Sch III vide notification dated Apr 6, 2016. Entities needs to follow Ind AS compliant Sch III for Ind AS financials and has to under go the changes as required.

Ind AS Compliant Sch III	Sch III (Existing IGAAP)
Order for Balance Sheet is Assets to Liability from Top to Bottom	Order for Balance Sheet is Liability to Assets from Top to Bottom
Items like Investment Property, Financial Assets, Financial Liabilities etc needs to be shown in Balance Sheet.	No Such items were there in Existing Sch III.
Cash and Cash equivalent and Other Bank Balances to be shown as a separate heading in the Balance sheet under Financial asset	Cash and Bank balances to be shown in balance sheet as a single line item with breakup in notes.
Other Comprehensive Income to be shown as extended Statement of Profit and loss.	No Such requirement
Statement of Changes in Equity as a separate component of Financial statement.	No such separate statement
Other Equity to be shown	Reserves and Surplus





Key Differences – IFRS/ Ind AS Vs AS (IGAAP)

IFRS/ Ind AS Vs IGAAP

Component of Financial Statements - OCI as part of P&L & SOCIE

Format of Financial Statements – Ind AS compliant Sch III notified

Minimum Line items on the face of financial Statements – Ind AS 1

No Extra ordinary Items Vs Specific disclosure in IGAAP – Ind AS 1

Explicit and unreserved statement of compliance – Ind AS 1

Change in accounting policy – Retrospective Vs Prospective – Ind AS 8

No Prior period error line item – Error corrected by adjusting opening equity and comparatives Vs single line item impact – Ind AS 1, 8

IFRS/ Ind AS Vs IGAAP

Balance Sheet Approach Vs P&L approach – Ind AS 12

Preference Share Capital/ Convertible debentures – Liability or Equity

Current and Long Term Investment – Mark to Market/ Fair value as per Ind AS 109 Vs concept given in AS 13

Intangible Assets - Indefinite life (Ind AS 38) Vs Rebuttable presumption of 10 yrs (AS 26)

Intangible Assets – Revaluation model permitted (Ind AS 38) vs Not permitted (AS 26)

Fair Value approach on acquisition (Ind AS 103) Vs Book value (AS 14)

Principle based Control model (Ind AS 110) Vs Rule based model (AS 21)

Equity method (Ind AS 28, Ind AS 111) Vs Proportionate consolidation for JVs (AS 27)

IFRS/ Ind AS Vs IGAAP



Goodwill arising on amalgamation – Impairment (Ind AS 36, 38, 103) Vs amortization (AS 14)

Uniform accounting Policy – Associates (Carve out)

Maximum GAP in Financial Statement of Parent and Subsidiary - JUST HALF in comparison with AS (IGAAP)

Revenue Recognition – Fair Value Vs Nominal Value Vs (Ind AS 18 Vs AS 9)

Service Concession Arrangement – Specific accounting Vs No Guidance in IGAAP (Appendix A & B of Ind AS 11)

IFRS/ Ind AS Vs IGAAP

Agriculture Accounting – Standard (Ind AS 41) Vs No Guidance regime

Share based payments – ALL (Ind AS 102) Vs Only Employee

Land leases – Ind AS 17 Vs AS 19

Non Current assets held for Sale and Discontinued operation – Ind AS 105 Vs AS 24 Vs AS 10 Vs AS 26

Discounting of Provision except decommissioning provision - Mandate Vs Prohibition (Ind AS 37 Vs AS 29)

First time adoption of Ind AS Standard Vs No standard in IGAAP

Accounting for Hyperinflationary economies (Ind AS 29) – Standard Vs No guidance regime

**“Opportunity doesn't make appointments,
you have to be ready when it arrives.”**

- Tim Fargo





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