

Overview of Transition to IND-AS

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Accounting Standards in India

- The ICAI, established Accounting Standards Board (ASB) in 1977, to issue Accounting Standards (AS) in India
 - Initially, AS mandatory for members of the ICAI acting as auditors
 - In the year 1999, the Companies Act 1956, was amended to make AS mandatory to companies
 - In 2006, Central Government notified 28 Accounting Standards, as recommended by ICAI under Companies (Accounting Standards) Rules 2006

Need for convergence towards Global Standards

- In view of global developments and expected benefits of convergence with IFRS, ICAI constituted Task Force in 2006 to explore approach for achieving convergence with IFRS
- The Council of the ICAI in 2007 accepted recommendations of the Task Force to converge with IFRS for Public- interest entities and approach to be followed for the same.
- The Ministry of Corporate Affairs, Govt. of India, also supported the initiative of ICAI to converge with IFRS
- Due to legal and economic environment adoption of IFRS, as they are, i.e., without any modification, is not practicable. Therefore, ICAI decided to ‘converge’ with IFRS and not to ‘adopt’ them

Salient Features of IFRS-converged Ind AS

- Principle-based Standards
- Give more importance to concept of ‘substance over form’, i.e., economic reality of a transaction.
- Rely more on fair valuation approach, and measurements based on time value of money.
- Require more disclosures of all the relevant information and assumptions used.
- Require higher degree of judgment and estimates.

Approach followed in formulation of Ind AS

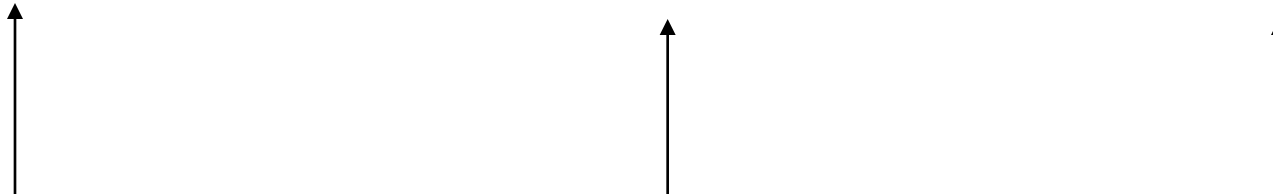
- Under convergence, Accounting Standards corresponding to all IAS/IFRS are being formulated
- Process followed in formulation of IFRS-converged Standards
 - ⇒ IFRS are reviewed
 - ⇒ As far as possible, no change is made unless absolutely essential keeping in view the Indian conditions and circumstances
 - ⇒ Optional treatments prescribed under IFRS are removed keeping in view Indian environment to bring about comparability
 - ⇒ Conceptual issues, if any, are identified and taken up with the IASB

Roadmap from Implementation on Ind ASs

Phase I (Voluntary)
1st April 2015 or
Thereafter

Phase I (Mandatory)
1st April 2016

Phase II (Mandatory)
1st April 2017



Roadmap from Implementation on Ind ASs

Phase I 1st April 2015 or thereafter: Voluntary Basis for all companies

1st April 2016:

Basis

Mandatory

- a. Companies listed on Stock Exchange having net worth \geq Rs. 500 Crore
- b. Unlisted Companies having net worth \geq Rs. 500 Crore
- c. Parent, Subsidiary, Associate and J. V of Above

Roadmap from Implementation on Ind ASs

Phase II **1st April 2017 (mandatory basis)**

- a. All Listed Companies not covered in Phase I
- a. Unlisted Companies having net worth Rs. 500 Crore > Rs. 250 crore
- b. Parent, Subsidiary, Associate and J. V of Above

Companies listed/in process of listing on SME Stock Exchanges are not required to apply Ind AS

- Once applicable, all subsequent financial statements to be as per Ind ASs
- Companies not covered by the above roadmap shall continue to apply existing Accounting Standards
- ICAI has decided to upgrade existing Accounting Standards

Ind AS to be implemented

S No.	Status	Number
1.	IFRSs/IASs issued by IASB effective as on Date	40
2.	IFRS 9: <i>Financial Instruments</i> (Effective from January 01, 2018)	1
3.	IFRS 14: <i>Regulatory Deferral Accounts</i> (Effective from January 01, 2016)	1
4.	IFRS 15: <i>Revenue from Contracts with Customers</i> (Effective from January 01, 2017)	1
Total		43
5.	Ind ASs finalised by the ICAI (including Ind AS 109 and Ind AS 115)	39
6.	Ind AS corresponding to IFRS not formulated (IAS 26, <i>Accounting and Reporting by Retirement Benefits Plans</i>) Not relevant for Companies	1
7.	Ind AS 11, Ind AS 18 and Ind AS 39 not being issued although corresponding IFRS are presently effective; replaced by Ind AS 115 and Ind AS 109	3
Total		43

AS 1 vis-à-vis Ind AS 1

- Compared to Ind AS 1, the scope of AS 1 is very limited as it deals only with the aspect of disclosure of accounting policies.
- Ind AS 1 deals other aspects that relate to the presentation of financial statements, e.g., the contents of financial statements, classification of asset and liability into current and non-current, etc.
- Concept of Other Comprehensive Income will change the face of statement of profit and loss

Ind AS 1 vis-à-vis IAS 1

No major difference except:

- Ind AS 1 allows presentation of line items in the Statement of profit & Loss only nature-wise as compared to IAS 1 which also permits function-wise classification

Carve-out

- Ind AS 1 provides that where there is a breach of a 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, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach. However, IAS 1 treats such non-current liabilities as current.

AS 2 vis-à-vis Ind AS 2

No major difference except:

- AS 2 is focused on inventory valuation only, whereas Ind AS also covers presentation and recognition of inventory
- As per AS 2, machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are not inventory and accounted for in accordance with AS 10. Whereas, spare parts, stand-by equipment and servicing equipment are accounted for as inventory if they does not meet the definition of PPE.
- Ind AS 2 deals with the subsequent recognition of cost/carrying amount of inventories as an expense, whereas the existing AS 2 does not provide the same

Ind AS 2 vis-à-vis IAS 2

No major difference

AS 3 vis-à-vis Ind AS 7

No major difference except:

- AS 3 does not contain any specific method of accounting for associate, subsidiary or joint venture entities whereas Ind AS 7 specifies methods of accounting for such entities
- Ind AS 7 specifically includes bank overdrafts repayable on demand as a part of cash and cash equivalents, whereas the existing AS 3 is silent on this aspect
- AS 3 requires cash flows associated with extraordinary activities to be separately classified as arising from operating, investing and financing activities, whereas Ind AS 7 does not contain this requirement.

Ind AS 7 vis-à-vis IAS 7

- IAS 7 gives an option that in case of other than financial entities, interest paid and interest and dividends received can either be classified as financing activity or investing activity or operating activity. Ind AS 7 does not give the option to classify it as operating activity.
- Ind AS 7, on the lines of AS 3, classifies the dividend paid as a financing activity whereas IAS 7 gives an option to classify dividend paid as financing activity or an operating activity.

AS 4 vis-à-vis Ind AS 10

No major difference except:

- As per Ind AS 10, dividend proposed/declared after the reporting period, cannot be recognised as a liability whereas as per the existing AS 4 the same is required to be adjusted in financial statements., if required by the statute.
- As per AS 4, in case going concern assumption is no longer appropriate, assets and liabilities are to be adjusted. However as per Ind AS 10, in such case, fundamental change in the basis of accounting is required

Ind AS 10 vis-à-vis IAS 10

No significant difference except a consequential carve-out:

- As per Ind AS 10, in case of breach 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, and the lender before the approval of the financial statements for issue, agrees not to demand payment as a consequence of the breach, shall be considered as an adjusting event. As per IAS 10, such events are not adjusting events.

AS 5 vis-à-vis Ind AS 8

- Ind AS 8 is wider in Scope as it prescribes the criteria for selecting and changing accounting policies/treatment and disclosures thereof.
- Ind AS 1 prohibits presentation of any line item as extraordinary item whereas AS 5 defines ‘extraordinary items’ and requires the same to be so presented.
- Ind AS 8 requires rectification of prior period errors with retrospective effect, whereas, AS 5 requires such rectifications with prospective effect.
- Changes in Accounting Policy to account for retrospectively

Ind AS 8 vis-à-vis IAS 8

No major difference

AS 10 & 6 vis-à-vis IAS 16

- Componentisation Approach
- Ad hoc vs. consistent Revaluation model
- Annual review of estimated useful life, residual value and depreciation method under Ind AS 16
- Decommissioning liability to be capitalised (ARO)
- As per AS 6, change in the method of depreciation is accounted for as a change in accounting policy (retrospective application), whereas under Ind AS 16 same is accounted for as a change in accounting estimates (prospective application)

No major difference