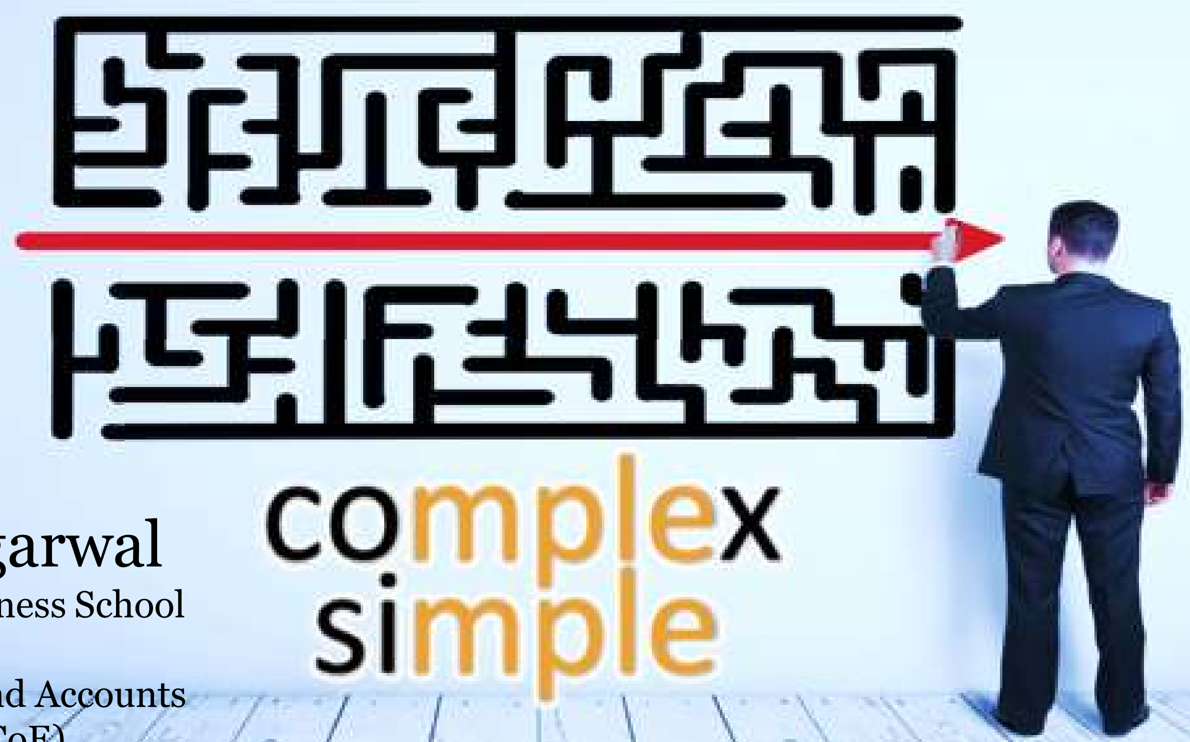
Ind AS updates and refresher : Approach to Ind AS and Impact on India Inc.



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I. Introduction and overview to Ind AS

- Impact of IFRS on India Inc.
- Reconciliation of Ind AS with IFRS and listing of Ind AS
- Major carve-outs in Ind AS
- Roadmap for implementation of Ind AS
- Impact of Ind AS on various Industry : Sectors

Impact of IFRS on India Inc.

Transitional experience by India Inc. - Common IFRS Adjustments

Name of the entities	No. of IFRS adj.
1. Infosys Technologies Limited	1
2. Wipro Limited	5
3. Tata Motors Limited	10
4. Dabur India Limited	5
5. Rolta India Limited	10
6. Noida Toll Bridge Co Ltd	5
7. Bharti Airtel Limited	10+
8. Dr. Reddy's Laboratories Ltd.	4
Total	**50**

Statistics	No. of IFRS adj.
High adjustment (>20% impact on net-worth / net income)	**1**
Medium adjustment (5% - 20% impact on net-worth / net income)	**7**
Low adjustment (1% - 5% impact on net-worth / net income)	**42**
Total	**50**

Nature of adjustment identified by India Inc. in their Financial Statement (Publicly available)

High impact adjustments	Medium impact adjustments	Low impact adjustments
▪ Foreign Exchange Gain or loss of FCCB liability long term foreign currency monetary items	▪ Deferred tax ▪ Gain on repurchase of FCCB ▪ Imputed Interest on FCCB ▪ Goodwill on business combination ▪ Property plant and equipment	▪ Reversal of Amortised Goodwill and intangibles ▪ Share Based Payment ▪ Difference in revenue recognition norms ▪ Impairment

Note: *HUL not consider above, being impact assessment was unaudited and not for full financial statements*

Reconciliation of Ind AS with IFRS

Latest IFRS Standards − Standards excluded + **Carve outs** = **Ind AS**

40 | **1** | **Mainly - 4** Technically - 10+ | **39 Ind AS**

Standard on Retirement benefit plans

Comprehensive Listing of Ind AS & its nature

Sr. No	Ind AS	Learning focus with its importance		
		New Concepts	GAAP Differences	Disclosures
A. Ind AS notified by MCA (Corresponding IFRS Exists)				
1	Ind AS 101 - First-time Adoption of Indian Accounting Standards	✓✓✓✓✓	-	-
2	Ind AS 102 - Share based Payment	✓	✓	✓
3	Ind AS 103 - Business Combinations	✓	-	-
4	Ind AS 104 - Insurance Contracts	NA	NA	NA
5	Ind AS 105- Non-Current Assets Held for Sale & Discontinued Operations	-	✓	✓
6	Ind AS 106 - Exploration for and Evaluation of Mineral Resources	NA	NA	NA
7	Ind AS 107 - Financial Instruments: Disclosures	✓✓✓	-	✓✓✓✓✓
8	Ind AS 108 - Operating Segments	✓	-	✓✓
9	Ind AS 109 - Financial Instruments	✓✓✓✓✓	-	-
10	Ind AS 110 - Consolidated Financial Statements	✓✓	✓✓	-
11	Ind AS 111 - Joint Arrangements	-	✓✓	-
12	Ind AS 112 - Disclosure of interests in other Entities	✓✓	-	-
13	Ind AS 113 - Fair value measurement	✓✓	-	✓✓
14	Ind AS 114 - Regulatory Deferral Accounts	NA	NA	NA
15	Ind AS 115 - Revenue from contracts with customers *	✓✓	-	-
16	Ind AS 1 - Presentation of Financial Statements	-	-	✓
17	Ind AS 2 – Inventories	-	-	-
18	Ind AS 7 - Statement of Cash Flows	-	✓	-
19	Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	-	✓✓	-
20	Ind AS 10 - Events after the Reporting Period	-	✓✓	-
21	Ind AS 12 - Income Taxes	✓✓	✓✓	✓✓
22	Ind AS 16 - Property, Plant and Equipment	-	✓✓✓	-
23	Ind AS 17 – Leases	✓✓	✓	-

Comprehensive Listing of Ind AS & its nature

Sr. No	Ind AS	Learning focus with its importance		
		New Concepts	GAAP Differences	Disclosures
A. Ind AS notified by MCA (Corresponding IFRS Exists)				
24	Ind AS 19 - Employee Benefits	-	✓	-
25	Ind AS 20 - Accounting for Government Grants & Disclosure of Government Assistance	-	✓	-
26	Ind AS 21 - The Effects of Changes in Foreign Exchange Rates	✓✓✓	-	-
27	Ind AS 23 - Borrowing Costs	✓	✓✓✓	-
28	Ind AS 24 - Related Party Disclosures	-	-	✓
29	Ind AS 27 - Separate Financial Statements	✓	-	-
30	Ind AS 28 - Investments in Associates and Joint Ventures	✓	✓	-
31	Ind AS 29 - Financial Reporting in Hyperinflationary Economies	NA	NA	NA
32	Ind AS 32 - Financial Instruments: Presentation	✓✓✓	-	✓✓✓
33	Ind AS 33 - Earnings per Share	-	-	-
34	Ind AS 34 - Interim Financial Reporting	-	-	-
35	Ind AS 36 - Impairment of Assets	-	✓	-
36	Ind AS 37 - Provisions, Contingent Liabilities & Contingent Assets	-	✓	✓
37	Ind AS 38 - Intangible Assets	-	✓	-
38	Ind AS 40 - Investment Property	✓	✓	-
39	Ind AS 41 - Agriculture	NA	NA	NA
B. Ind AS not issued being superseded by new IFRS and covered in above:				
1	Ind AS 11 - Construction Contracts **(Superseded by Ind AS 115)**	NA		
2	Ind AS 18 - Revenue **(Superseded by Ind AS 115)**	✓✓✓	✓✓✓	-
3	Ind AS 39 - Financial Instruments: Recognition and Measurement **(Superseded by Ind AS 109)**			
C. Ind AS not issued though corresponding IFRS exist:				
1	Ind AS 26 - Accounting and Reporting by Retirement Benefit Plans			

Note: *Please note that Ind AS 115 has been deferred against which exposure draft of Ind AS 18 and Ind AS 11 has already been issued by ICAI*

Major carve-outs in Ind AS

Sr. No	Ind AS Ref.	Carve-Out
1	**NA**	▪ **Law overrides accounting Standards:** Law would override accounting standards. It appears to imply that court schemes whereby expenses are charged to reserves may be grandfathered and also possibly for future schemes (subject to compliance with other regulatory requirements)
2	**Ind AS 101**	▪ An option to use **carrying values** of all assets as on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS.
3	Ind AS 103	▪ Treatment of bargain purchase gain arising on a business combination
4	Ind AS 110	▪ Option **not to align the accounting policy** of associates and joint ventures with that of the parent, if impracticable
5	Ind AS 1	▪ Classification of a loan liability as Non-Current in case of breach of a loan condition
6	Ind AS 17	▪ Exception to the requirement of straight-lining of operating lease rentals
7	**Ind AS 21**	▪ ***Treatment of Foreign Exchange difference*** - to continue with current accounting policy for existing long-term foreign currency monetary items
8	**Ind AS 32**	▪ Classification of Foreign Currency Convertible Bonds component as equity and not financial liability
9	Ind AS 38	▪ ***Amortisation of intangible assets arising from toll roads*** - to continue with the current accounting policy (Schedule II requirements) for existing projects
10	Ind AS 40	▪ In AS 40 – Fair value model for Investment Property not permitted

The roadmap for implementation of Ind AS

Ind AS Implementation

Voluntary Adoption

From April 1st, 2015
(with comparatives for March 31st, 2015)

Else, continue to apply the *Accounting Standards issued by ICAI.*

Mandatory Adoption

From April 1st, 2016:
(with comparatives for March 31st, 2016)

Companies covered:

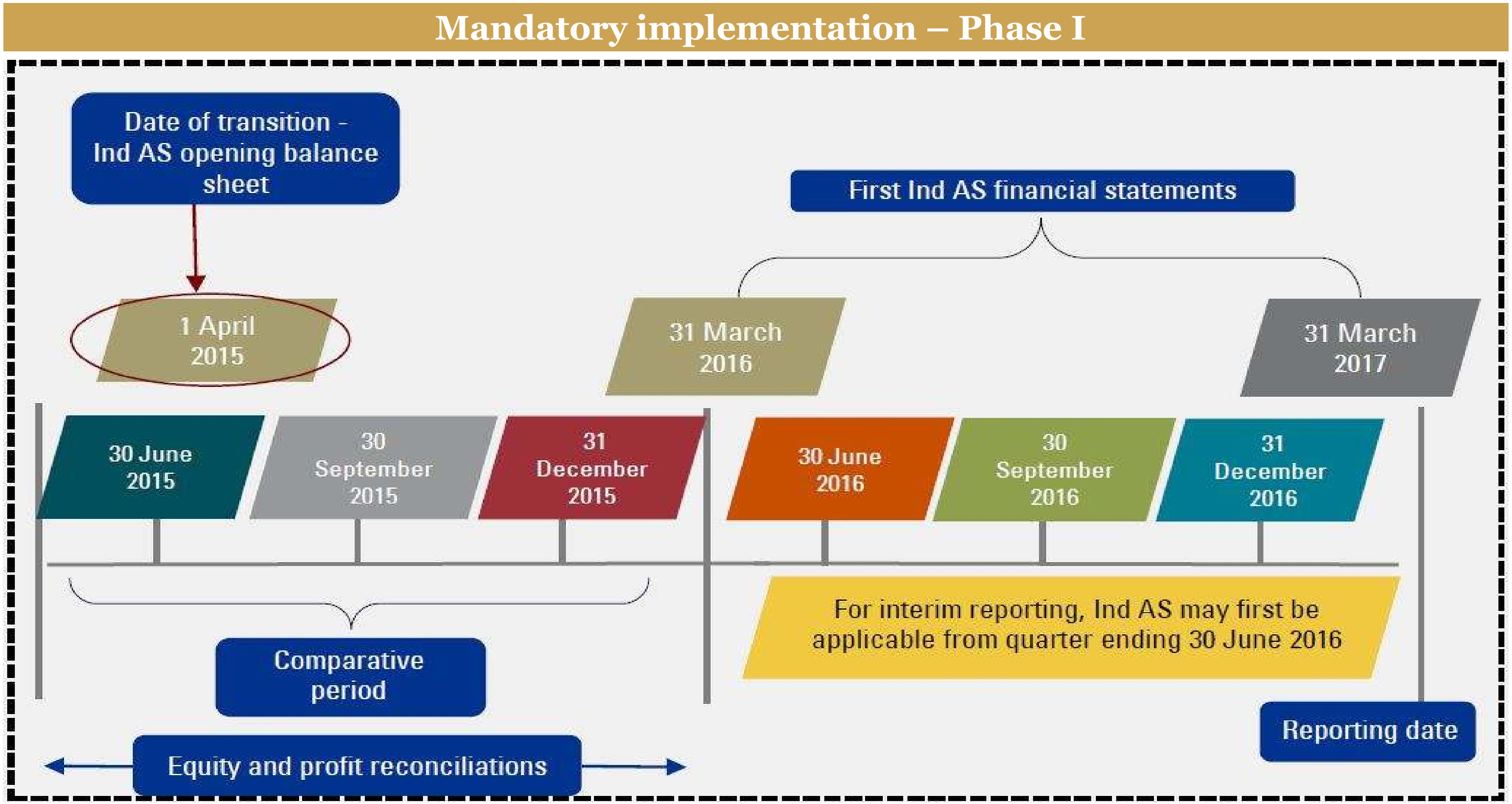
- Companies whose equity and/or debt securities are listed, or who are in the process of listing on any stock exchange in India or outside India, and Companies having a net worth of *Rs. 500 crore or more*
- Unlisted companies having a net worth of *Rs. 500 crore or more*
- Holding, subsidiary, joint venture or associate companies of companies covered above

From April 1st, 2017:
(with comparatives for March 1st, 2017)

Companies covered:

- Companies whose equity and/or debt securities are listed, or Companies who are in the process of listing on any stock exchange in India or outside India, and Companies having a *net worth of less than Rs. 500 crore*
- Unlisted companies having a net worth of *Rs. 250 crore or more but less than Rs. 500 crore* and not covered in any of the other categories
- Holding, subsidiary, joint venture or associate companies of companies covered above

The roadmap for implementation of Ind AS



Source: KPMG Publication

<u>Mandatory implementation – Phase II:</u>

- The above implementation timeline for phase II companies will have comparative period ending 31 March 2017 and annual reporting period ending 31 March 2018

Impact of Ind AS on various Industry : Sectors

Real estate

- Revenue and expense recognition
- Consolidation of SPVs
- Investment property

Ind AS 115 and Ind AS 40

IT / ITES

- Multiple element contract
- Share based payment
- Hedge Accounting

Ind AS 115 and Ind AS 109

Entertainment & Media

- Revenue recognition method
- Guaranteed viewership, compensated by discounted rate/ free slot

Ind AS 115

Telecom

- Bundled multiple service offering
- Accounting for indefeasible right to use
- Asset Retirement Obligation

Ind AS 115C

Pharmaceutical

- Collaborative arrangements
- Intangible assets (i.e. patents, licenses etc.) and its amortisation

Ind AS 38

Power

- Long term Power purchase agreements
- Decommission -ing cost

Ind AS 17 (IFRIC 4)

Oil and gas

- Exploration cost booking
- Abandonment / site restoration cost

Ind AS 106

Automobile

- Revenue for free services
- Assets of vehicle manufacturer used ancillary for component manufacturing

Ind AS 16

Infrastructure / Construction

- IFRIC 12 - Service Concession Arrangements
- Revenue recognition

Ind AS 115 (IFRIC 12)

II. Ind AS updates and refresher

- Road Map for Implementation of Ind AS for Banks and NBFCs

- Major **GAAP Differences** relating to:
  - **Assets** : PPE, lease, borrowing cost and Investment property
  - Consolidation
  - Presentation of financial statement
  - Taxation
  - Revenue
  - Others

Road Map for Implementation of Ind AS for Banks and NBFCs

The Reserve Bank of India (RBI), recommended to the MCA, a roadmap for the implementation of Ind AS for Banks and Non-Banking Financial Companies(NBFCs) from 2018-19 onwards.

Along with the recommendations, the working group also **devised formats** for financial statements and application guidance thereon.

RBI working Group's Report.PDF

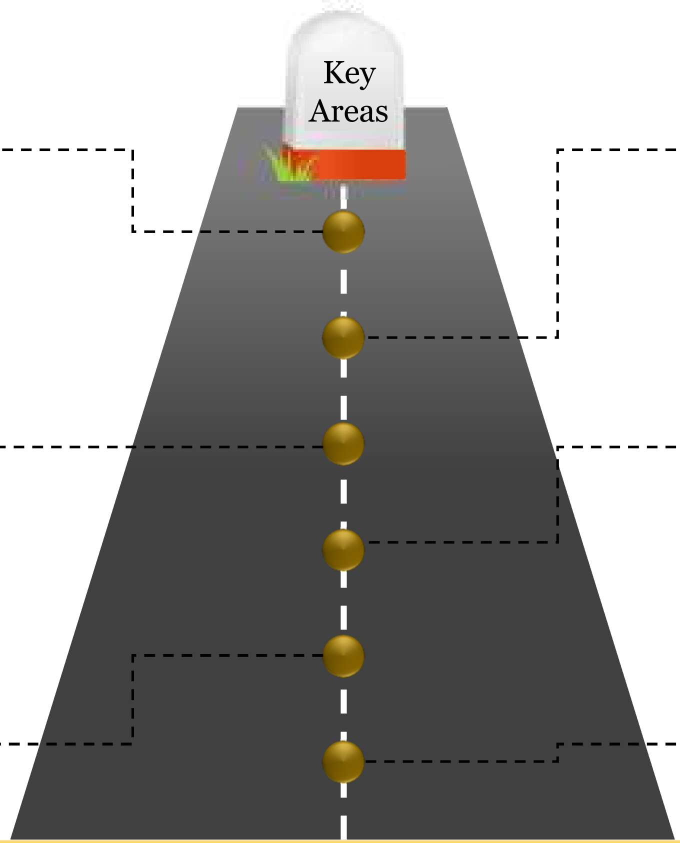
Road Map for Implementation of Ind AS for Banks and NBFCs (CONTINUED)

The working group structured its recommendation into the following key areas with a focus on Financial instruments (Ind AS 109):

Classification & measurement of Financial Assets

Hedge Accounting & Derivatives

Impairment of Financial Assets



Classification& measurement of Financial Liabilities

Fair Value measurement

De-recognition, consolidation and other residuary issues

De-recognition, consolidation and other residuary issues

Major GAAP differences – Assets

Property plant and equipment, borrowing cost, lease and Investment property:

Summary of differences between existing Indian GAAP and Ind AS, categorised into high, medium and low impacting areas:

High	Medium	Low
▪ Capitalization of exchange differences ▪ Applied like "Avoidable Cost Concept" ▪ Determining whether an arrangement contains a lease ▪ Change in method of depreciation ▪ Revaluations	▪ Decommissioning and Restoration (ARO) ▪ Cash flow hedge ▪ Group Borrowings ▪ Capitalisation Rate ▪ Separation of lease elements ▪ Lease incentive ▪ Evaluating the substance of transactions involving the legal form of a lease	▪ Initial Recognition - deferred settlement term ▪ Component Accounting ▪ Replacement Costs ▪ Depreciation ▪ Periodic review ▪ Transfer of Assets from Customers : Recognition of Asset ▪ Interest in leasehold land

Major GAAP differences - Assets

Sr. No	Particulars	Indian GAAP	Ind AS
1	**Property, Plant and equipment**		
1.1	**Initial Recognition - deferred settlement term**	• PPE purchased on deferred settlement terms are not explicitly dealt with in AS 10. Cost of fixed assets include purchase price for deferred payment term unless interest element is specifically identified in the arrangement	• Difference between the purchase price under normal credit terms and the amount paid, is recognized as interest expense over the period of the financing
1.2	**Component Accounting**	• There is no mandatory requirement for component accounting in accounting standards. Though as per the requirement of Companies Act, 2013, component accounting approach has to be followed with effect from April 1, 2015	• Each major part of an item of property, plant and equipment, the cost of which is significant in relation to the total cost of the item, has to be depreciated separately
1.3	**Replacement Costs**	• Unless the expenditure incurred increases the future benefits from the asset, beyond its original standard of performance, it should be expensed	• Replacement cost is capitalized if it meets the recognition criteria. Carrying amount of items replaced is derecognized
1.4	**Revaluations**	• Revaluation is permitted and there is no stipulation as to the frequency of revaluation	• Ind AS 16 requires an entity to choose either the cost model or the revaluation model as its accounting policy. If the company adopts the revaluation model, revaluations are required to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period

Major GAAP differences - Assets

Sr. No	Particulars	Indian GAAP	Ind AS
1	**Property, Plant and equipment**		
1.5	**Depreciation**	▪ Schedule II to the Companies Act, 2013 has provided the limits for maximum useful life and residual value for calculating depreciation on fixed asset. A company may use different measures, provided justification for the same is disclosed	▪ Depreciation is charged over the estimated useful life of the asset. There is no concept of minimum statutory depreciation
1.6	**Periodic review**	▪ There is no specific requirement as to reassess the depreciation method, residual value and useful life at each balance sheet date	▪ Depreciation method, residual value and useful life are reassessed at each balance sheet date
1.7	**Change in method of depreciation**	▪ Considered as change in accounting policy, the effect of which is quantified and disclosed ▪ Requires retrospective calculation of depreciation and adjustment of excess or deficit in the period of change	▪ Considered as change in accounting estimate and the new method is applied prospectively
1.8	**Capitalization of exchange differences**	▪ Recognised in the statement of P&L. However, an entity has an option to recognize unrealised exchange differences on translation of certain long-term monetary assets/ liabilities directly in equity or as adjustment to cost of an asset. The amount so accumulated in equity shall be transferred to profit or loss over the period of maturity of such long-term monetary items in an appropriate manner	▪ All exchange differences arising on translation of foreign currency transactions are generally recognized in profit or loss unless can be regarded as borrowing cost eligible for capitalisation

Major GAAP differences - Assets

Sr. No	Particulars	Indian GAAP	Ind AS
1	**Property, Plant and equipment**		
1.9	**Decommissioning and Restoration (ARO)**	▪ No specific guidance. (Guidance Note on Accounting for Oil and Gas Activities contains specific information relating to such costs, but limited to the industry)	▪ Cost of an item of PPE includes the initial estimates of the cost of dismantling & removing the item & restoring the site on which it is located, the obligation of which an entity 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
1.10	**Cash flow hedge**	▪ There is no specific guidance on capitalisation on fair value gains/losses on qualifying cash flow hedge relating to purchase of PPE in foreign currency	▪ Fair value gains and losses on qualifying cash flow hedges relating to purchase of PPE in foreign currency can be capitalised
1.11	**Transfer of Assets from Customers : Recognition of Asset**	▪ **Recognition of asset** No specific guidance	▪ **Recognition of asset** 1. When an entity receives an asset from customer, it should assess whether the transferred item meets the definition of an asset set out in the framework. If yes, then the asset would be recognized as PPE as per Ind AS 16 and measure its cost on initial recognition at its fair value. The entity will recognize the corresponding amount as revenue in accordance with Ind AS 18 2. When the entity receives cash, it should assess whether the asset to be constructed meets the definition of the asset. If yes, then it is recognized as PPE as per Ind AS 16 and revenue is recognized at the amount of Cash received

Major GAAP differences - Assets

Sr. No	Particulars	Indian GAAP	Ind AS
2	**Borrowing Cost**		
2.1	**Group Borrowings**	▪ No such concept as “Group Borrowings”	▪ Ind AS 23 recognize the concept of "group borrowings" by stating that in some circumstances, it is appropriate to include all the borrowings of the parent and its subsidiaries (the Group) when computing a weighted average of the borrowing costs. In other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable to its own borrowings
2.2	**Avoidable Cost Concept**	▪ Under Indian GAAP, when the funds have been borrowed for specific purpose other than capital expenditure (working capital loan), then the borrowing cost incurred by the company is generally **not capitalised**	▪ Ind AS have different interpretation of “avoidable cost” ▪ The view generally taken up –had there been no assets under construction, then the working capital utilization would have been lower to that. And hence such borrowings are treated as general borrowings and is considered for capitalisation as borrowing cost
2.3	**Capitalisation Rate**	▪ No separate disclosure required	▪ The disclosure requirements of Ind AS 23 require an entity to disclose separately the capitalization rate used to determine the amount of Borrowing Costs

Major GAAP differences - Assets

Sr. No	Particulars	Indian GAAP	Ind AS
3	**Lease**		
3.1	**Determining whether an arrangement contains a lease**	▪ No specific guidance. Payments under such arrangements are recognized in accordance with the nature of expense incurred	▪ The concept of Substance over form is adopted. Even though an arrangement does not have a legal form of a lease, but the fulfillment is dependent on the use of a specified asset and the right to use that asset is conveyed, then such an arrangement is accounted for as a lease
3.2	**Interest in leasehold land**	▪ Leasehold land is classified under the head of Fixed Assets. AS 19 excludes lease of land from its scope	▪ The land is recognized as operating or finance lease after considering the definition and classification criteria
3.3	**Separation of lease elements**	▪ No specific guidance on separation of leases of land and buildings	▪ Ind AS 17 states that when a lease includes both land & building elements, an entity assess the classification of each element as finance or an operating lease separately in accordance with the criteria laid in the standard
3.4	**Lease incentive**	▪ No specific guidance	▪ Lease incentives are recognized as a reduction from the rental income/expenses by the lessor/lessee respectively over the lease term
3.5	**Evaluating the substance of transactions involving the legal form of a lease**	▪ No specific guidance	▪ If the economic effect of an arrangement can be understood only by referring to a series of lease transactions as a whole, then the whole series is accounted for as a single transaction

Major GAAP differences - Assets

Sr. No	Particulars	Indian GAAP	Ind AS
4	**Investment Property**		
4.1	**Initial measurement – Investment property**	▪ No specific guidance	▪ Investment property is a property held to earn rentals or for capital appreciation or both, rather than the use in the production or supply of goods or services, for administrative purposes, or for sale in the ordinary course of business
4.2	**Disclosures**	▪ No specific guidance	▪ Fair value of investment property needs to be disclosed in financial statements

Major GAAP differences – Consolidation

Consolidation, Joint Arrangements and Associates, Joint Ventures and equity method investees

Summary of differences between existing Indian GAAP and Ind AS, categorised into high, medium and low impacting areas:

High	Medium	Low
▪ Definition of Control ▪ Sale / dilution of stake in a subsidiary – If there is no loss of control ▪ Sale / dilution of stake in a subsidiary – If there is loss of control	▪ Determining when to consolidate an entity ▪ Principal versus agent ▪ Reporting date of subsidiaries ▪ Application of the equity method—loss of significant influence/ joint control	▪ Power with less than half of voting rights - De facto control ▪ Potential voting rights ▪ Relationships with other parties ▪ Subsidiaries excluded ▪ Jointly controlled entities/ joint venture/ collaborative arrangements ▪ Jointly controlled entities (consolidated financial statements) ▪ Application of the equity method—initial recognition

Major GAAP differences - Consolidation

Sr. No	Particulars	Indian GAAP	Ind AS
A	**Consolidation**		
1	**Determining when to consolidate an entity**	▪ A parent consolidates entities under its control based on either ownership interest or governance indicators	▪ A parent consolidates entities under its control evaluated based on a single control model
2	**Definition of Control**	▪ Control is defined as - The ownership, directly or indirectly through one or more subsidiary, of more than one-half of the voting power of an enterprise; OR - Control of the composition of the governing body of the entity so as to obtain economic benefits from its activities	▪ An investor controls an investee only if the investor has all of the following elements of control: - Power over the investee - Rights to variable returns from its involvement with the investee - Ability to use its power over the investee to affect the amount of the investor's returns
3	**Power with less than half of voting rights - De facto control**	▪ Concept of de facto control does not exist	▪ An entity can have power over an investee through legal or contractual rights that give an investor the current ability to direct the relevant activities of an investee. These rights are: - Potential voting rights; or - De facto control (for example, investor with less than 50 percent of the vote holds significantly more voting rights than any other group of vote holders and the other shareholdings that are widely dispersed)

Major GAAP differences - Consolidation

Sr. No	Particulars	Indian GAAP	Ind AS
A	**Consolidation**		
4	**Potential voting rights**	▪ Potential voting rights are not considered in assessing control	▪ Potential voting rights are considered only if they are substantive. (Substantive means the holder should have the current ability to direct the relevant activities of an investee when necessary and the holder must have the practical ability to exercise that right.)
5	**Principal versus agent**	▪ No specific guidance	▪ Provides guidance on assessment of agent principle relationship. For e.g., an agent does not control an investee when the agent exercises decision-making rights delegated to it and therefore does not consolidate the investee.
6	**Relationships with other parties**	▪ No specific guidance	▪ An investor is required to consider the nature of its relationship with other parties and determine whether those other parties are acting on behalf of the investor's when assessing control
7	**Subsidiaries excluded**	▪ A subsidiaries generally excluded from consolidation when either the control is intended to be temporary or when the subsidiary operates under severe long-term restrictions to repatriate funds to the parent	▪ No exception is generally provided

Major GAAP differences - Consolidation

Sr. No	Particulars	Indian GAAP	Ind AS
A	**Consolidation**		
8	**Reporting date of subsidiaries**	▪ Reporting dates of consolidating entities must be the same unless impracticable. Adjustments are made for the effects of significant transactions or other events that occur between the two dates (the difference between dates cannot be greater than 6 months)	▪ Similar to Indian GAAP except that the difference in dates cannot be more than three months
9	**Sale / dilution of stake in a subsidiary – If there is no loss of control**	▪ No specific guidance	▪ Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control and shall be accounted for as equity transactions
10	**Sale / dilution of stake in a subsidiary – If there is loss of control**	▪ Any retained interest in the former subsidiary is not re-measured on date of loss of control	▪ Any retained interest in the former subsidiary is re-measured at fair value with any gain or loss recognised in profit or loss

Major GAAP differences - Consolidation

Sr. No	Particulars	Indian GAAP	Ind AS
B	**Joint Arrangements**		
1	**Jointly controlled entities/ joint venture/ collaborative arrangements**	Joint ventures are classified into 3 types: ▪ Jointly controlled operations ▪ Jointly controlled assets and ▪ Jointly controlled entities	Joint arrangements are classified into two types: ▪ Joint operations, or, ▪ Joint ventures A joint arrangement not structured through a separate vehicle is a joint operation
2	**Jointly controlled entities (consolidated financial statements)**	▪ Jointly controlled entities are accounted using proportionate consolidation method in the CFS	▪ Joint ventures (i.e. Jointly controlled entities) are generally (with certain exceptions) accounted for using equity method
3	**Reporting period**	▪ Reporting dates must be the same, unless impracticable, in which case, the difference in dates cannot exceed six months. Adjustments are to be made for the effects of significant transactions or other events that occur between the two dates	▪ Similar to Indian GAAP except that the difference in dates cannot be more than three months

Major GAAP differences - Consolidation

Sr. No	Particulars	Indian GAAP	Ind AS
C	**Associates, Joint Ventures and equity method investees – Equity method**		
1	**Application of the equity method—initial recognition**	▪ Cost of investment is compared with the investor's share of equity to determine goodwill/ capital reserve	▪ Cost of investment is compared with the investor's share of net fair value of the associate's or joint venture's identifiable assets and liabilities to determine goodwill/ gain on bargain purchase
2	**Application of the equity method—loss of significant influence/ joint control**	▪ The carrying amount of the retained investment if any is regarded as cost and subsequently accounted for in accordance with AS 13, AS 21 or AS 27, as appropriate	▪ Consequent to loss of significant influence/ joint control, the investor measures any retained investment at fair value and recognizes in profit or loss any difference between the following: § the fair value of the retained investment and any proceeds from disposing part of its interest § the carrying amount of the investment at the date when significant influence/ joint control is lost

Major GAAP differences - Presentation

Presentation of Financial Statements

Summary of differences between existing Indian GAAP and Ind AS, categorised into high, medium and low impacting areas:

High	Medium	Low
▪ Selection of Accounting Policies - Optional exemption and mandatory exception ▪ Disclosure of estimation uncertainty and critical judgements ▪ New pronouncement issued but not yet effective	▪ Comparatives /Reclassification ▪ Extraordinary & exceptional items	▪ Offsetting of financial assets and financial liabilities ▪ Bank overdrafts

Major GAAP differences - Presentation

Sr. No	Particulars	Indian GAAP	Ind AS
D	**Presentation of Financial Statements**		
1	**Selection of Accounting Policies - Optional exemption and mandatory exception**	▪ Entities preparing first financial statements in compliance with Indian GAAP are required to comply with all accounting standards. In other words there is no optional exemption for a first time adopter of existing Indian GAAP	▪ Entities preparing first financial statements in compliance with Ind AS may apply optional exemptions and shall apply mandatory exceptions given in Ind AS 101
2	**Comparatives /Reclassification**	▪ Comparative information is required to be disclosed for preceding period only	▪ In case of prior period adjustments or reclassifications or applying accounting policy retrospectively an entity should present a statement of financial position as at the beginning of the earliest comparative period
3	**Offsetting of financial assets and financial liabilities**	▪ No specific guidance	▪ Financial assets and liabilities are required to be set off when the criteria for set off is met
4	**Extraordinary & exceptional items**	▪ As per Schedule III, disclosure of extraordinary & exceptional items is done separately in the statement of profit and loss. They are also included in the determination net of profit or loss for the period	▪ Disclosure of the items as extraordinary items either on the face of the statement of profit and loss or in the notes is prohibited

Major GAAP differences - Presentation

Sr. No	Particulars	Indian GAAP	Ind AS
D	**Presentation of Financial Statements**		
5	**Disclosure of estimation uncertainty and critical judgements**	▪ No specific requirement	▪ Entities should disclose in the financial statements about key sources of estimation uncertainty and judgments made in applying entity's critical accounting policies
6	**New pronouncement issued but not yet effective**	▪ No specific requirement	▪ Entities are required to disclose the impact of new Ind AS issued but is not yet effective as at the reporting date

Major GAAP differences - Taxation

Summary of differences between existing Indian GAAP and Ind AS, categorised into high, medium and low impacting areas:

High	Medium	Low
▪ Investments in subsidiaries, branches and associates, and interests in joint venture - Outside basis tax ▪ Deferred tax on unrealised intra group profits	▪ Approach ▪ Disclosure - Rate reconciliation ▪ Unused tax credits – presentation ▪ Recognition of asset on Minimum Alternate Tax (MAT) credit carry forward	▪ Recognition of deferred tax assets - Virtual & reasonable certainty ▪ Deferred Tax in respect of Business Combinations ▪ Recovery of revalued non-depreciable assets

Major GAAP differences - Taxation

Sr. No	Particulars	Indian GAAP	Ind AS
1	**Approach**	▪ Generally, Deferred taxes are accounted as per income statement approach, which focuses on timing differences	▪ Deferred taxes accounted as per balance sheet liability method which focuses on temporary differences
2	**Recognition of deferred tax assets - Virtual & reasonable certainty**	▪ Deferred tax assets should be recognized to the extent that it is reasonably certain that the future taxable profit will be available for reversal of the deferred tax assets. However, where an entity has unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets should be recognized only when there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realised	▪ Deferred tax assets is recognized to the extent it is probable that taxable profit will be available against which deductible temporary differences and unused tax losses and unused tax credits carried forward can be utilised
3	**Investments in subsidiaries, branches and associates, and interests in joint venture - Outside basis tax**	▪ No deferred tax liability is recognised	▪ With respect to undistributed profit & other outside basis differences related to investment in subsidiaries, branches & associates, and joint ventures, deferred tax are recognised **Exceptions –** ▪ The parent/investor/venturer is able to control timing of the reversal of temporary difference, and ▪ It is probable that the temporary difference will not reverse in the foreseeable future)

Major GAAP differences - Taxation

Sr. No	Particulars	Indian GAAP	Ind AS
4	**Deferred Tax in respect of Business Combinations**	▪ No guidance available	▪ Deferred Tax is recognized on difference between the fair value of assets (except goodwill) recognized in financial statements and their tax base, unless the tax base is also stepped up to fair value
5	**Deferred tax on unrealised intra group profits**	▪ Deferred tax on consolidation is not recognized. The deferred ta in CFS are simple aggregation of the deferred tax recognized by various group entities	▪ Deferred tax is recognized for unrealised intra-group profit/loss at buyer's rate
6	**Disclosure - Rate reconciliation**	▪ Such disclosures are not required	▪ Additional disclosures like rate reconciliation, tax holidays and their expiry, and unrecognized deferred tax liability on undistributed earnings of subsidiaries, branches, associates and joint ventures are required

Major GAAP differences - Taxation

Sr. No	Particulars	Indian GAAP	Ind AS
7	**Recovery of revalued non-depreciable assets**	▪ Since revaluation is permanent difference under Indian GAAP, recognition of deferred tax does not arise	▪ Deferred tax is measured based on the tax consequences from the sale of asset rather than through use
8	**Unused tax credits – presentation**	▪ Unused tax credits carried forward are considered as prepaid tax assets provided the definition of asset is satisfied on a continuing basis, but not deferred tax assets	▪ Unused tax credits carried forward are considered as deferred tax assets and not as prepaid taxes
9	**Recognition of asset on Minimum Alternate Tax (MAT) credit carry forward**	▪ It is considered as prepaid tax and recognized as an asset (not as deferred tax) when and to the extent there is convincing evidence that MAT credit will be used in future years to reduce the regular tax liability	▪ It is recognized as a Deferred Tax Asset if it is probable that MAT credit can be used in future years to reduce the regular tax liability

Major GAAP differences - Revenue

Sr. No	Ind AS	Indian GAAP
1	**Sales of Services – General**	
1.1	Percentage of completion method is used when the outcome of the transaction involving the rendering of services can be estimated reliably.	▪ Where as, completed service contract method is used where performance consists of the execution of the single act, or where performance of incomplete services are so important that performance cannot be deemed complete until sole or final act takes place and the services become chargeable
2	**Sales of Services - Right of Refund**	
2.1	Service arrangements that contain a right of refund must be considered in order to determine whether the outcome of the contract can be estimated reliably and whether it is probable that the company would receive the economic benefit related to the services provided. When reliable estimation is not possible, revenue is recognised only to the extent of the costs incurred that are probable of recovery.	▪ No specific guidance. However, in practice the evaluation of a right to refund would be similar to Ind AS, but a zero profit model is not used
3	**Multiple-Element Arrangements**	
3.1	The revenue recognition criteria are usually applied separately to each transaction. In certain circumstances, it is necessary to separate a transaction into identifiable components in order to reflect the substance of the transaction.	▪ No specific guidance

Major GAAP differences - Revenue

Sr. No	Ind AS	Indian GAAP
4	**Customer Loyalty Programmes**	
4.1	Ind AS requires that award, loyalty or similar programmes whereby a customer earns credits based on the purchase of goods or services be accounted for as multiple-element arrangements.	▪ No specific guidance
5	**Barter Transaction**	
5.1	A non-monetary barter transaction of similar goods or services is not considered to have commercial substance and hence the gain or loss from such a transaction is not recognised.	▪ No specific guidance
6	**Construction of Real Estate**	
6.1	Ind AS provides guidance on agreement for the construction of real estate. The interpretation requires determining whether the construction activity falls within the scope of IAS 11or IAS 18 and provides detailed guidance of such determination and evaluation of contracts.	▪ A construction contract specifically negotiated for the construction of an asset or a combination of assets falls within the scope of AS 7 ▪ Guidance Note on Accounting for Real estate developers provides the key criterion to determine whether an agreement would come within the scope of AS 7 or AS 9

Major GAAP differences - Revenue

Sr. No	Ind AS	Indian GAAP
7	**Interest**	
7.1	Interest to be recognised using effective interest rate method.	▪ Recognition of revenue from interest on time proportion basis
8	**Transfer of PPE by Customer**	
8.1	Deals with accounting of transfer of property, plant and equipment by the customers to the entity, which are used by the entity to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.	▪ It does not deal with this aspect
9	**Extended Warranties**	
9.1	Extended warranties If an entity sells an extended warranty, the revenue from the sale of the extended warranty should be deferred and recognised over the period covered by the warranty.	▪ No specific guidance
10	**Discounting of Revenues**	
10.1	Discounting of revenues to present value is required in instances where the inflow of cash or cash equivalents is deferred.	▪ Discounting of revenue is not required

Other topics

Major differences between existing Indian GAAP and Ind AS

1. Share based payment
2. Non-Current Assets Held for Sale & Discontinued Operations
3. Statement of cash flow
4. Changes in Accounting Policy, Estimates and Correction of Errors
5. Events after the Balance Sheet Date
6. Employee Benefits
7. Government Grants and disclosure of government assistance
8. Impairment of Assets
9. Provisions, Contingent Liabilities & Contingent Assets
10. Intangible Assets

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
1	**Share based Payment**		
1.1	**Measurement**	▪ Both the guidance note and the SEBI guidelines permit the use of either the intrinsic value method or the fair value method for determining the costs of benefits arising from employee share based compensation plans. The guidance note recommends the use of fair value method but is hardly seen in practice	▪ Equity share based transitions with non-employees are measured at fair value of goods and services received. If the fair value of goods and services are not determinable, than the transaction is measured at value of equity instruments granted ▪ Fair value of equity instrument shall be used in case of equity settled transactions with employees
1.2	**Group and treasury share transactions**	▪ No guidance available. Common practice is that the entity whose employees receive such compensation does not account for any compensation cost because it does not have any settlement obligation	▪ The subsidiary whose employees receive such compensation measures the services received from its employees in accordance with the requirements of Ind-AS 102 with a corresponding increase recognized in equity as a contribution from the parent ▪ Ind-AS 102 also clarifies the accounting for group cash-settled share based payment transactions in the separate financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
2	**Non Current Assets held for Sale and Discontinued Operations**		
2.1	**Classification – Discontinued Operations**	▪ An operation is classified as discontinued at the earlier of - A binding sale agreement for sale of operations - On approval by the Board of Directors' of a detailed formal plan and its announcement	▪ An operation is classified as discontinued when it has either been disposed off or is classified as held for sale and - Represents a separate major line of business or geographical area of operations OR - Is part of a single coordinated plan to dispose off a separate major line of business or geographical area of operations OR - Is a subsidiary acquired exclusively for the purpose of resale
22	**Recognition & Measurement**	▪ No specific guidance on non current asset. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of Book Value or Net Realisable Value. Any expected loss is immediately recognized	▪ Non current assets are classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use.. Also such assets should be available for immediate sale and the probability of sales should be high. They are measured at lower of Book value or Fair value less cost of sales
2.3	**Subsequent measurement**	▪ AS 10 requires fixed assets held for sale to be measured at lower of book value and net realisable value. There is no accounting standard dealing with measurement of other assets. Thus an entity will apply the relevant standards, e.g., for impairment - AS 28 will be applied and for provisions - AS 29 will be applied	▪ A non-current asset classified as held for sale or forming part of disposal group should not be depreciated or amortised, if its covered in the scope of Ind AS 105. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale should continue to be recognized

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
2	**Non Current Assets held for Sale and Discontinued Operations**		
2.4	**Period of disposal for non-current assets held for sale**	▪ Indian GAAP does not specify any time-frame for sale of discontinuing operations or fixed assets held for sale	▪ The disposals should be completed within a year, with limited exceptions
2.5	**Disclosure in financial statement**	▪ Items of fixed assets retired from active use and held for disposal are shown separately in the financial statements	▪ Non current assets classified as held for sale are shown separately in the financial statements

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
3	**Statement of Cash Flows**		
3.1	**Cash flows from extraordinary items**	• Cash flows arising from extraordinary items should be classified as arising from operating, investing or financing activities as appropriate and separately disclosed	• Cash flow statement does not reflect any items of cash flow as extraordinary as it is not permitted
3.2	**Bank overdrafts**	• Considered as financing activities	• They are included in Cash and cash equivalents if they form an integral part of an entity's cash management.

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
4	**Changes in Accounting Policy, Estimates and Correction of Errors**		
4.1	**Change in accounting policy**	▪ Change is permitted only to comply with Statute, New or Revised AS or if the New policy is more appropriate ▪ Application is done prospectively (unless an accounting standard requires otherwise) along with a disclosure of the impact of the same, if the impact is material. Cumulative effect of the change is recognized in current year profit and loss	▪ Change is permitted only if required by Ind AS or if the change results in the Financial statements providing reliable and more relevant information ▪ Application is done retrospectively by adjusting opening equity and comparatives, unless impracticable ▪ When 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, entity should present a statement of financial position at the beginning of the earliest comparative period
4.2	**Correction of errors / Prior period items**	▪ Prior period errors are included in determination of profit or loss for the period in which the error is discovered and are separately disclosed in the statement of profit and loss, so that the impact on current profit or loss can be understood ▪ (Please note - restatement procedure under companies Act is only for material fraud or error)	▪ Prior period errors are corrected by adjusting opening equity and restating comparatives, unless impracticable

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
5	**Events after the Balance Sheet Date**		
5.1	**Proposed dividend**	▪ Provision is required to be made even though dividend is proposed after the balance sheet date	▪ Proposed dividend should not be recognized as a liability at the balance sheet if it is proposed after balance sheet date. The amount dividend proposed or declared after the balance date but before date of authorization of issue of financial statements, shall be disclosed
5.2	**Approval date for issue of financial statement**	▪ No specific requirement	▪ An entity needs to disclose the date when the financial statements were approved for issue and the authority who gave such approval. Ind AS also requires an entity to disclose whether its owners and others have the power to amend the financial statement after their issue

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
6	**Employee Benefits**		
6.1	**Post-employment defined benefits—Actuarial gains and losses**	▪ Actuarial valuations are done by using Projected unit credit method. All actuarial gains and loss are recognized immediately in profit or loss	▪ All actuarial gains and losses are recognized immediately in Other Comprehensive Income. The entity is not permitted to reclassify these to Profit or Loss
6.2	**Measurement frequency**	▪ Detailed actuarial valuation to determine present value of the benefit obligation is carried out at least once in every three years, and fair value of plan assets are determined at each balance sheet date	▪ No explicit requirement on frequency of measurement. However, they should be measured regularly enough that the amount recognized is not materially different from the amount that would be determined on the reporting date
6.3	**Termination benefits**	▪ An entity should recognize termination benefits as a liability and an expense when, and only when: - The entity has a present obligation as a result of past event, - It is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and - A reliable estimate can be made of the amount of the obligation ▪ E.g. Voluntary retirement benefits (VRS) **accepted**	▪ An entity should recognize termination benefits as a liability and an expense only when it is demonstrably committed to either of the following: - Terminate the employment of an employee before the normal retirement date, or - Provide termination benefits as a result of offer made in order to encourage voluntary redundancy An entity is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan for the termination, and is without realistic possibility of withdrawal ▪ E.g. Voluntary retirement benefits (VRS) **offered**

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
7	**Government Grants and disclosure of government assistance**		
7.1	**Government loans at Nil rate of interest or rate below market rate of interest**	▪ There is no specific guidance	▪ Government loans with below market rate of interest are initially recognized at fair value and the difference between proceeds received and the initial fair value is accounted as government grant
7.2	**Grants in the form of non monetary assets**	▪ Government grants in the form of non-monetary assets, given at concessional rate of interest, are to be recognized on the basis of the original cost ▪ If a non monetary asset is received free of cost, it should be recorded at nominal value	▪ Ind AS 20 requires entities to account for government grants in the form of non-monetary assets at their fair value
7.3	**Grants in the nature of promoter's contribution**	▪ Grants to be recognized directly in Capital Reserve	▪ Grants will be recognized as income over the periods necessary to match them with the related costs which they intend to compensate, on a systematic basis

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
8	**Intangible Assets**		
8.1	**Useful life**	▪ There is rebuttable presumption that the useful life of the asset shall not exceed ten years from the date on which the asset is available for use	▪ Useful life can be finite or indefinite
8.2	**Amortisation**	▪ Amortization is charged over a maximum period of 10 years, unless there is persuasive evidence to the contrary	▪ Intangible assets with finite useful lives are amortised over their expected useful lives. Intangible assets with indefinite useful lives are not amortised but tested for impairment at least annually
8.3	**Goodwill amortisation**	▪ Goodwill arising on amalgamation is written off over a period of 5 years ▪ Goodwill arising on consolidation is not amortised but is tested for impairment	▪ Goodwill is not amortised but is tested for impairment annually or when there is an indication for impairment
8.4	**Intangible assets purchased on deferred payment terms**	▪ There is no specific guidance	▪ The cost of an intangible asset acquired separately is its cash price equivalent at the acquisition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest expense over the period of credit, unless such interest is recognized in the carrying amount of the item in accordance with Ind AS 23

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
8	**Intangible Assets**		
8.5	**Subsequent measurement of intangible assets**	▪ After initial recognition, an intangible asset is carried at cost less any accumulated amortisation and impairment losses. Revaluation of intangible asset is prohibited	▪ An entity will choose either the cost model or the revaluation model as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class will also be accounted for using the same model, unless there is no active markets for those assets. The revaluation model is permitted only where there is an active market for the underlying intangibles. If an entity applies revaluation model for subsequent measurement of its intangible assets, similar requirements as discussed in case of PPE will apply here as well

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
9	**Provisions, Contingent Liabilities and Contingent Assets**		
9.1	**Recognition of provisions**	▪ A provision is recognized when : - There is an obligation, arising from past events, whose existence at the Balance Sheet date is considered probable - An outflow of resources is expected - The liability can be measured using a substantial degree of estimation Constructive obligations are not recognized	▪ Provision is recognized when 3 conditions are satisfied : - A past event has created a legal or constructive obligation - An outflow of resources is probable - The amount of obligation can be estimated reliably
9.2	**Discounting**	▪ Provisions are created at their full value and discounting is not permitted	▪ Where the effect of time value of money is material, the amount of provision should be 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
9.3	**Rights to interest arising from decommissioning, restoration and environmental funds**	▪ No specific guidance	▪ Deals with the accounting in the financial statements of the contributor for interests in decommissioning, restoration and environmental rehabilitation funds

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
9	**Provisions, Contingent Liabilities and Contingent Assets**		
9.4	**Contingent Assets**	▪ Contingent assets are not disclosed in the financial statements. They are usually disclosed in the BoD's report	▪ Contingent assets are disclosed in the Financial Statements when an inflow of economic benefit is probable
9.5	**Restructuring Cost**	▪ Recognition is required when the general recognition criteria is fulfilled	▪ Provision is required on the basis of constructive obligation, which arises only when the entity has a detailed formal plan for the restructuring and has raised an assurance in the parties affected that it will carry out the plan by starting to implement it or announcing its main features to the affected parties

Major GAAP differences - Others

Sr. No	Particulars	Indian GAAP	Ind AS
10	**Impairment (Other than financial assets)**		
10.1	**Goodwill impairment**	▪ The bottom up/top down approach is adopted whereby, the goodwill is tested for impairment by allocating its carrying amount to each CGU or smallest group of CGUs to which a portion can be allocated on reasonable and consistent basis	▪ The goodwill is allocated to CGUs that are expected to benefit from the synergies of the business combination ▪ The goodwill is allocated at the lowest level where it is internally monitored by the management, which should not be larger than an operating segment before aggregation of segments as defined in Ind AS 108
10.2	**Annual impairment tests for goodwill and intangibles**	▪ Goodwill and other intangibles are tested for impairment only when there is an indication that they may be impaired. AS 26 requires intangible assets that are not available for use and intangible assets that are amortised over a period exceeding 10 years to be assessed for impairment at least at each financial year end even if there is no indication that the assets is impaired	▪ Goodwill, intangible assets not yet available for use and indefinite life intangible assets are required to be tested for impairment at least on an annual basis or earlier if there is an impairment indication
10.3	**Reversal of impairment loss for goodwill**	▪ Can be reversed only if the impairment was caused by a specific event of an exceptional nature which is not expected to recur and other subsequent external events have occurred which have reversed the effect of that event	▪ Reversal of impairment of goodwill in a subsequent period or in a subsequent interim period is prohibited

Major GAAP differences - Disclosure

Sr. No	Particulars	Indian GAAP	Ind AS
1	**Segment Reporting**		
2.1	**Determination of Segments**	• As per AS 17 two types of segments depending upon the risk & rewards approach as "Business Segment" and "Geographic Segment".	• Financial information is set as a parameter to identify the operating segments, it is regularly evaluated by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. *(In Ind AS, we encounter with the concept of CODM. A CODM is practically the Chief Executive Officer (CEO) or the Managing Director (MD) of an organization.)*
2.2	**Methodology for presentation of segment profit or loss**	• Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole.	• Segment profit or loss should be reported on the same measurement basis as that used by the chief operating decision maker. (E.g. If the CODM uses any particular MIS for taking any decisions, than segments should be reported on that MIS basis.)
2.3	**Entity wide disclosures**	• Disclosures are based upon the classification of segment primary or secondary. Primary segment disclosures are much elaborate in comparison to secondary segment disclosures	• Requires disclosures of revenues from external customers for each product and service. With regard to geographical information, it requires the disclosure of revenues from customers in the country of domicile and in all foreign countries, non-current assets in the country of domicile and all foreign countries.

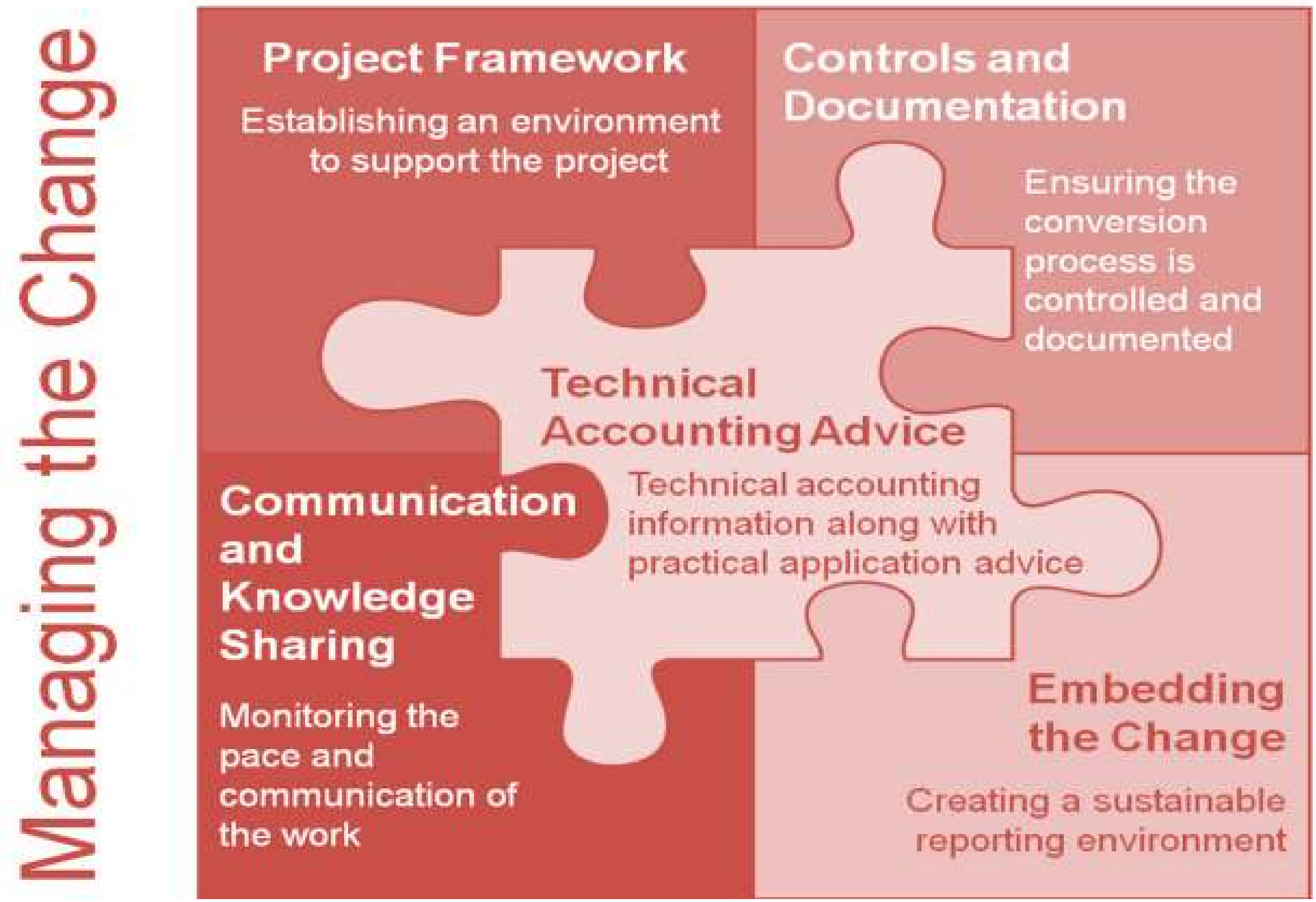
Major GAAP differences - Disclosure

Sr. No	Particulars	Indian GAAP	Ind AS
2	**Related Party Disclosures**		
2.1	**Definitions— related party**	▪ Parties are related if at any time during the FY, one party has the ability to control or exercise significant influence over the other party in making financial and/or operating decisions	▪ Related party is a person or entity related to the reporting entity and includes - A person or close member of the person's family if that person has control, joint control or significant influence over the reporting entity - Key member of the reporting entity or of a parent of the reporting entity - Entities that are members of the same group
2.2	**Post-employment benefit plans**	▪ Not considered as related parties	▪ Post employment benefit plan of the entity or of a related party of the entity is considered as a related party
2.3	**Exemptions**	▪ Entities are exempt from disclosures if such disclosures would conflict with an entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar component authority ▪ Entities under the control of Government are not required to disclose related party relationship and transactions with other Government controlled entities	▪ Some minimum disclosures are required to be made by Government entities, such as: - The name of government & the nature of its relationship with the reporting entity - The nature and amount of each individually significant transaction - For other transactions that are collectively, but not individually significant, a quantitative or qualitative indication of their extent

III. Approach towards implementation

- Essentials of IFRS Conversion Approach
- Project Management Framework
- Project structure
- “Thinking - Strategy to Execution”
- Thinking Global Strategy & Business Model
- Thinking Global Strategy & Business Model
- RACI and RAPID Framework
- Work Breakdown Structure
- Mapping RACI with GIRA Framework

Essentials of IFRS Conversion Approach

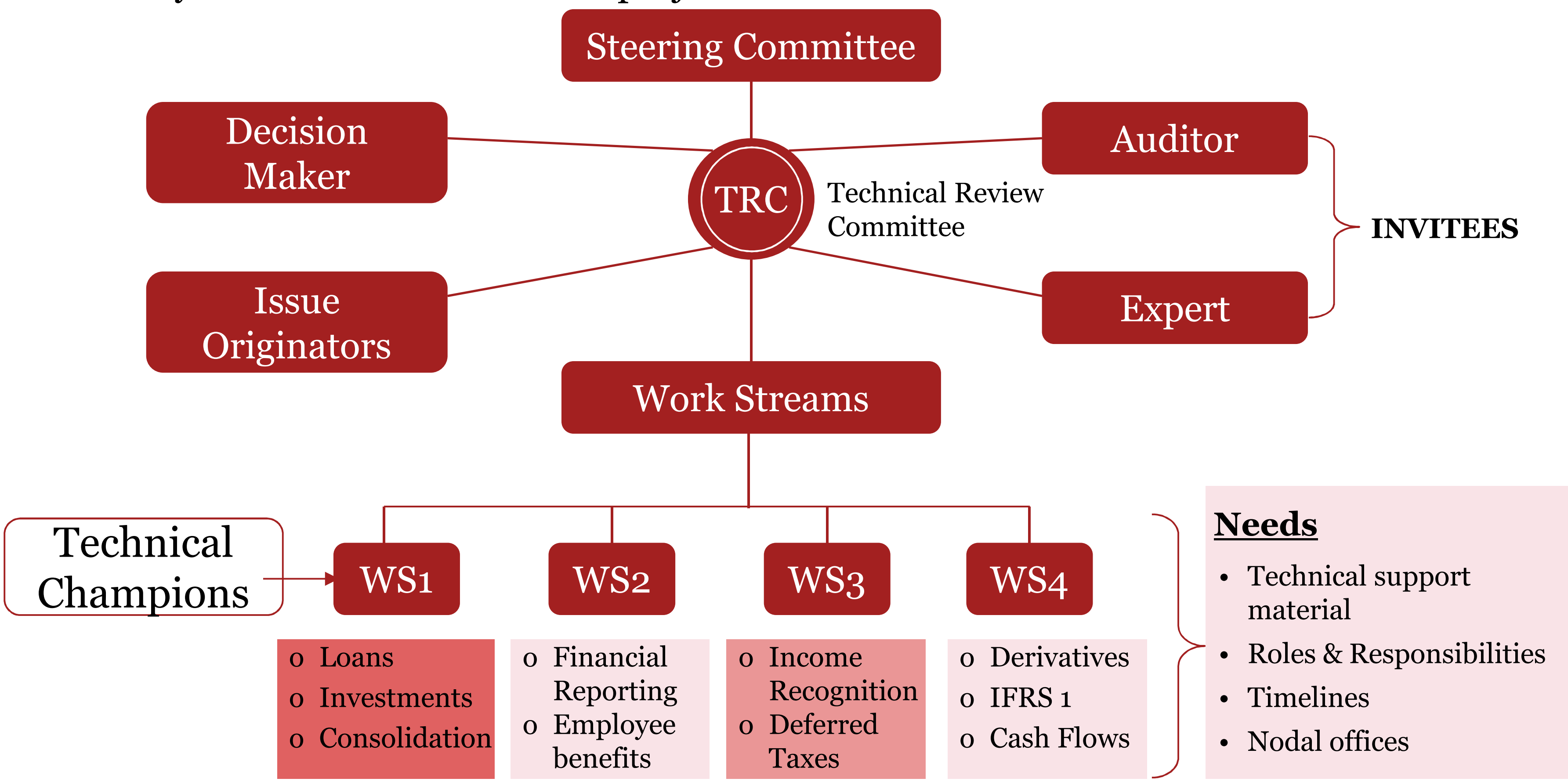


Essentials of IFRS Conversion Approach

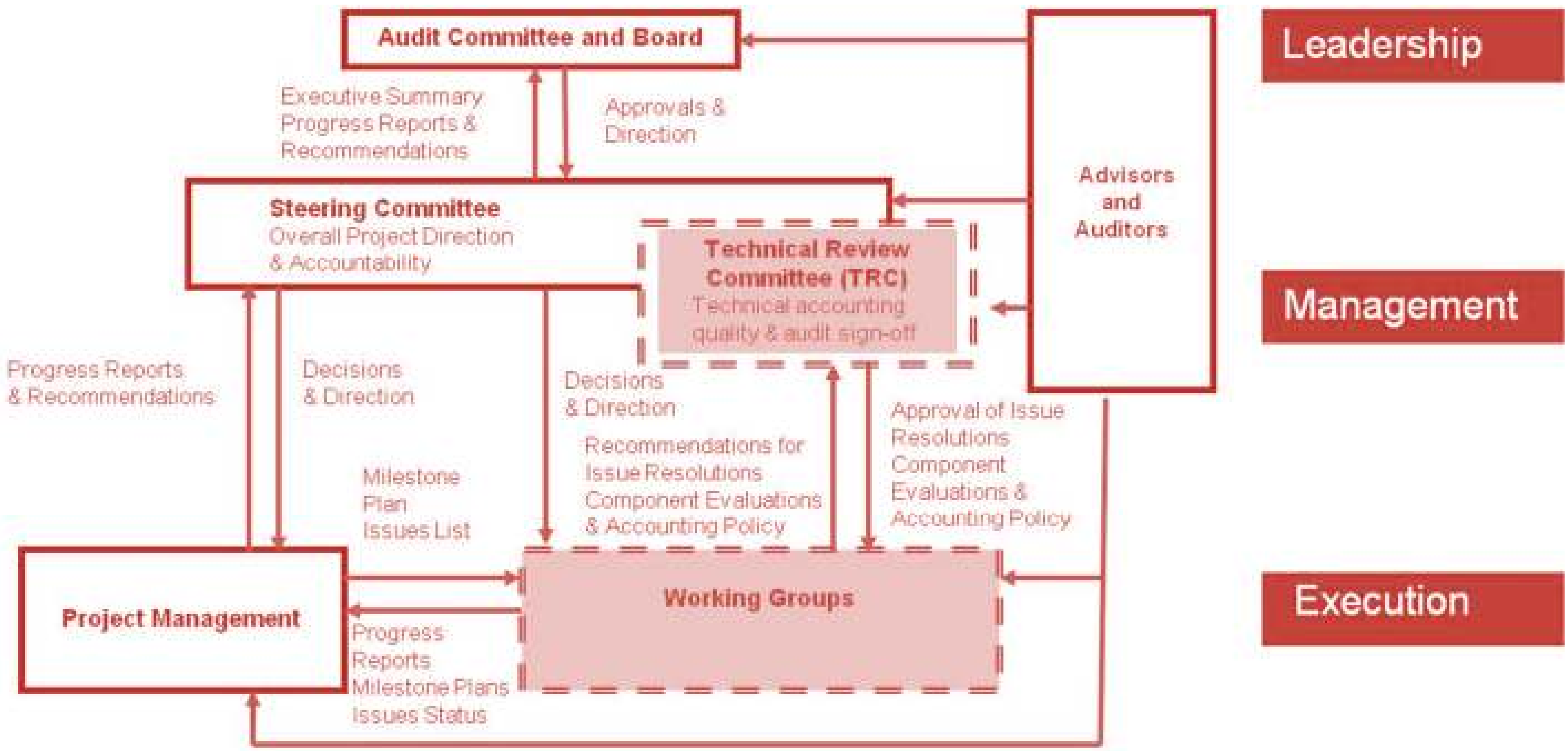
Phased approach – Transition IFRS methodology

Project Management Framework

A well thought out project structure on lines below ensures that an entity is able to get appropriate management focus on project and on technical front “get it right the first time” which is very essential for a successful project.



Project structure



We propose to create a TRC and Working Groups

"Thinking - Strategy to Execution"

Strategy

Execution

Functional Excellence

Effective Reporting

- Complying with the laws of the land
- Innovation – DNA
- Zeal towards excellence
- Standing up for societal values

Thinking Global Strategy & Business Model

Apple -

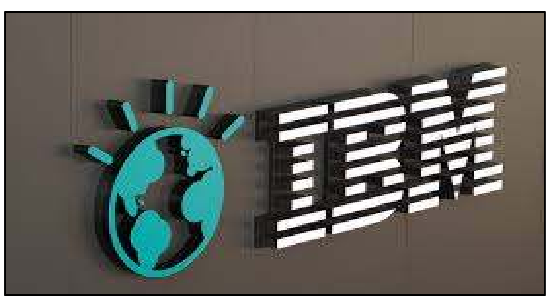
Simplicity in design and customer experience

Walmart –

Stack high & no frills

Amazon.com –

Lowest cost, anytime anywhere



IBM –

Local centric to global centric

Thinking Global Strategy & Business Model

What are the main functions and tools required to execute those ?

Box One

MAIN Function:

Manufacturing Excellence, Customer Excellence, People Excellence, Supply chain Excellence, Innovation –DNA, etc.

Tools for executing main functions:

- ✓ RACI
- ✓ RAPID

What are the support functions and tools required to execute those ?

Box Two

SUPPORT Function:

Corporate Secretarial, Accounts, Taxation – Direct, Indirect & International, Shared Services, Banking, etc.

Tools for executing support functions:

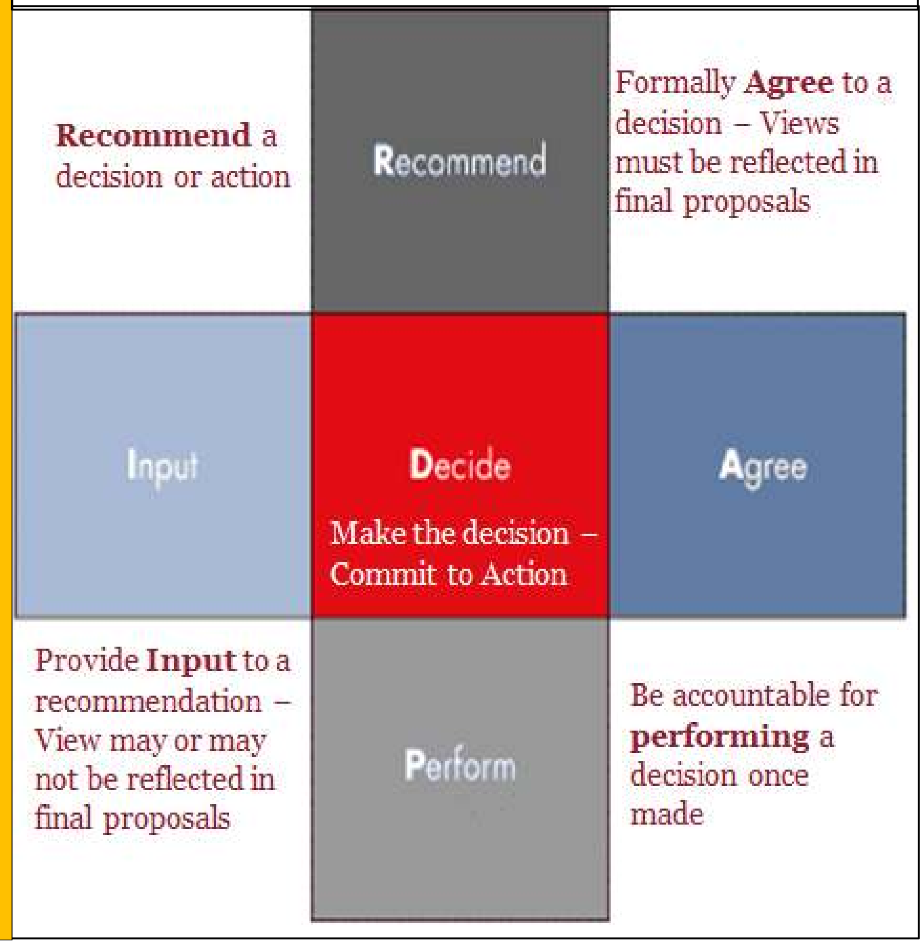
- ✓ Internal control
- ✓ Maker checker

RACI and RAPID Framework

RACI

Responsible "Doer"	Individual(s)/ committees who perform an activity – responsible for action/implementation. R's can be shared.
Accountable "Buck Stops Here"	The individual/committee who has to make sure its done. The final decision-maker. Only one "A" can be assigned to an activity/decision.
Consulted "In the Loop"	The individual(s)/ committees to be consulted prior to a decision being taken.
Informed "FYI"	The individual(s)/ committees who need to be informed after a decision or action is taken.

RAPID



Mapping RACI with GIRA Framework

Levels / Bands	Hierarchy	Governance Framework – Roles/Relied	Governance by
Band – 1	CEO	RACI/RAPID	Top Management
Band – 2	Executive Director - Finance	RACI/RAPID	
Band – 3	Chief Accounts Officer/Expert	Maker Checker	Extended Arm of Management
Band – 4	Unit Head / Functional Head	Monitor Reconciliation / Technical	
Band – 5	Executive/Clerks	Perform	

Responsible "Doer"	Individual(s)/ committees who perform an activity – responsible for action/implementation. R's can be shared.
Accountable "Buck Stops Here"	The individual/committee who has to make sure its done. The final decision-maker. Only one "A" can be assigned to an activity/decision.
Consulted "In the Loop"	The individual(s)/ committees to be consulted prior to a decision being taken.
Informed "FYI"	The individual(s)/ committees who need to be informed after a decision or action is taken.

GIRA Framework - For example Ind AS Conversion

	Responsible	Accountable	Consulted	Informed
G – Guess	Expert (3)	CFO (2)	Band 2 – Non CFO	CEO (1)
I – Inference	Expert (3)	CFO (2)	Band 2 – Non CFO	CEO (1)
R – Reliable	Executive/Unit Heads (5 & 4)	CAO/Experts (3)	Expert/CFO (3)	CFO / CEO (2&1)
A – Accurate	Executive/Unit Heads (5 & 4)	CAO/Experts (3)	Expert/CFO (3)	CFO / CEO (2&1)

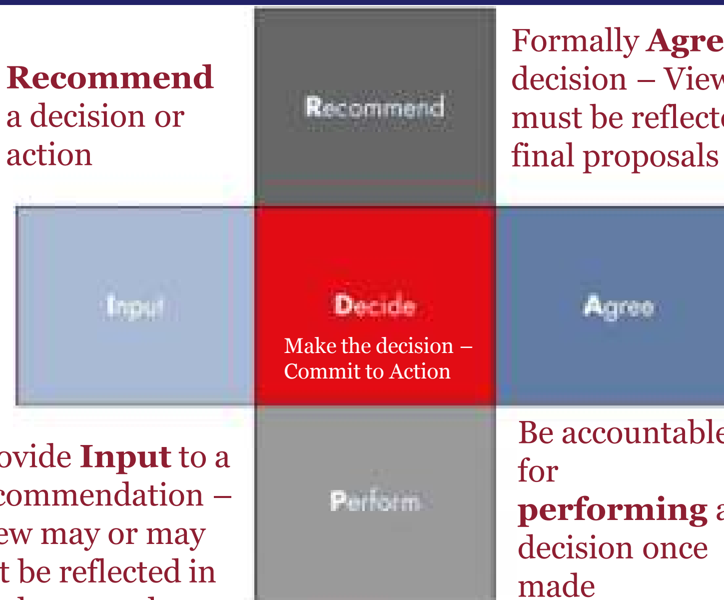
** Brackets indicates levels / bands*

Mapping RACI with GIRA Framework

Levels / Bands	Hierarchy	Governance Framework – Roles/Relied	Governance by
Band – 1	CEO	RACI/RAPID	Top Management
Band – 2	Executive Director - Finance	RACI/RAPID	
Band – 3	Chief Accounts Officer/Expert	Maker Checker	Extended Arm of Management
Band – 4	Unit Head / Functional Head	Monitor Reconciliation / Technical	
Band – 5	Executive/Clerks	Perform	

Recommend a decision or action

Formally **Agree** to a decision – Views must be reflected in final proposals



Provide **Input** to a recommendation – View may or may not be reflected in final proposals

Be accountable for **performing** a decision once made

GIRA Framework – For example Ind AS conversion

	Recommend	Agree	Perform	Input	Decide
G – Guess	Expert/CAO (3)	CFO/Expert (2 &3)	CAO (3)	Band 2 – Non CFO	CFO (2)
I – Inference	Expert / CAO (3)	CFO (2)	CAO (3)	Band 2 – Non CFO	CFO (2)
R – Reliable	Unit Head / Functional Head (4)	CAO (3)	Executive/Clerks (5)	CAO (3)	CAO (3)
A – Accurate	Unit Head / Functional Head (4)	CAO (3)	Executive/Clerks (5)	CAO (3)	CAO (3)

** Brackets indicates levels / bands*

Your Gym Ind AS

Welcome to your Ind AS Gym

Tools and Publications supporting Ind AS Conversion

- Tools used in Ind AS conversions: Issues log and Template financial statement
- Big 4 – Publications available generally
- E-learnings

40 to 80 hours of learning

Tools used in Ind AS conversions: Issues log and Template financial statement

Tools used in Ind AS conversions

Issue log

ABC Limited

Issues Log

Sr	Type of Issue	Issue	Requirements under IFRS	Technical Reference	Requirements under Indian GAAP	Priority (H, M, L)	Enquiries / Discussion with management during the workshop
Property, plant and equipment							
1	Measurement	Component Approach	The Company is required to depreciate each significant component of an item of PPE separately, if they have significantly different useful life.	IAS 16	There is no specific requirement.	H	To assess whether any significant component of an item of PPE having significantly different useful life.
2	Measurement	Major overhaul expenses	The cost of major overhaul occurring at regular intervals to be capitalized.	IAS 16	The cost of major overhaul occurring at regular intervals is charged to Profit and loss A/c	M	Subsequent expenditure incurred for every seven years in rayon plant (spinning machine) needs to capitalised
3	Measurement	Subsequent expenditure	Subsequent costs should be capitalized, that is recognized as an asset, only if they meet the recognition criteria that: a) It is probable that future economic benefits associated with the item will flow to the entity; and b) The cost of the item can be measured reliably	IAS 16	Subsequent maintenance expenditure will be capitalized as part of PPE, if they increase the life of the plant or increase capacity or has a benefit for more than a year.	L	No such cases were reported
4	Measurement	Deferred term basis	If the Company has acquired a PPE on deferred term basis and terms are beyond normal credit terms, PPE will be recognized on cash price equivalent, i.e. discounted amount.	IAS 16	PPE is recorded on purchase price.	L	No, any purchases are done on deferred term basis
5	Recognition	Environmental obligation and Asset retirement obligation	Costs of dismantling and removing the item or restoring the site on which it is located be recorded when an obligation exists. A liability for the present value of the costs of dismantling, removal or restoration as a result of a legal or constructive obligation is recognized and the corresponding cost included as part of the related PPE.	IAS 16	No provision has been made for environment and asset retirement obligation.	L	As discuss the amount is not material
6	Measurement	Expenditure during construction period	Indirect expenses during construction period which are not required to bring the asset in the condition for its intended use are expensed off as incurred.	IAS 16	Indian GAAP allows pre-operative expenses to be generally capitalized as part of PPE.	L	No such cases were reported
7	Measurement	Change in method of depreciation	Change in method of depreciation is	IAS 16	Change in depreciation method is	L	The Company has not changed its method

Template Financial

ABC Limited		-	<-- If this cell is red - there is problem in this sheet
Financial Statements		-	<-- If this cell is red - there is problem in this sheet
Template for IFRS conversion for year ended March 31, 2009			
Rs. In Crore	Rs. in Crores		

			NON CURRENT ASSETS						
PARTICULARS	AS PER Indian GAAP	AS PER IFRS	PPE	INVESTMENT PROPERTY	HELD TO MATURITY	AVAILABLE FOR SALE FINANCIAL ASSET	OTHER FINANCIAL ASSETS	DEFERRED TAX ASSETS	TRADE & OTHER RECEIVABLES
SOURCES OF FUNDS									
Share Capital	93.04	93.04							
Reserves and Surplus	1,402.48	1,402.48							
		-							
Loan Funds		-							
Secured Loans	1,714.98	1,714.98							
Unsecured Loans	43.31	43.31							
		-							
Deferred tax liability (Net)	290.08	290.08						-	
		-							
	3,543.89	3,543.89							
APPLICATION OF FUNDS									
Fixed Assets (Net Block Incl. CWIP)	2,810.83	2,810.83	2,810.83						
		-							

Sketch Financial

Statement of financial position

	Note	As on March 31, 2009
ASSETS		
Non-current assets		
Property, Plant and equipment	6	
Intangible Assets	7	
Available for sale financial asset	9	
Deferred income tax assets	21	
Derivative financial instruments	10	
Trade and other receivables	11	
Current assets		
Inventories	12	
Trade and other receivables, net of allowance for doubtful debts	11	
Derivative financial instruments	10	
Investments in bank deposits		
Cash and cash equivalents	14	
Assets held for sale and discontinued operations	15	
Total assets		
EQUITY		

Big 4 – Publications

Big 4 – Publications available generally

Illustrative FS	GAAP Differences	Various Standard specific publications

E-learnings

E-learning available and their web-links

Sr #	Organisation / Institute	Web-link	Remarks
1	Deloitte	http://www.deloitteifrslearning.com/	Available free of charge
2	EY	http://www.ey.com/GL/en/Issues/IFRS/Issues_GL_IFRS_Web-based-learning-downloads	Available free of charge
3	PwC	http://www.pwcacademy.rs/news/e-learning.aspx	Costs 200 Euros per person
4	KPMG	http://www.kpmg.com/in/en/services/advisory/advisorytrainings/pages/ifrse-learning.aspx	Training chargeable
5	ICWAI	http://icwai-marf.ifrseacademy.com	Charges Rs. 5,618
6	ACCA	http://www.accaglobal.com/in/en/discover/events/global/e-learning/corporate-reporting/fundamentals.html	Training available only to ACCA members
7	AICPA	http://www.ifrs.com/certificate/#1	Training available only to AICPA professionals

Simple Guide Towards Understanding Ind AS

Basic level understanding of Ind AS:

1. **Quick understanding to Ind AS / IFRS - Pocket guide:**
   Pocket guide provides a brief summary of the recognition, measurement, presentation and disclosure requirements under the Ind AS. (PWC- Click here for link)

2. **GAAP differences - Major GAAP differences between Indian GAAP and Ind AS:**
   Referring recent publication on GAAP differences between Indian GAAP and Ind AS by:
   Deloitte - Indian GAAP, IFRS and Ind AS - A Comparison Click here for link

Proficiency level understanding of Ind AS:

1. **Way towards preparation of Ind AS Financial Statement:**
   a) Referring the illustrative financial statement prepared by Big 4s. (Deloitte- Click here for link)

   b) Referring IFRS financial statements prepared by Indian entities such as Infosys, Wipro, Tata motors, Dabur, Rolta, Bharti Airtel, Dr, Reddys and Noida Toll bridge etc. (Please refer IFRS financial statements of respective companies)

2. **Through understanding and in-depth reading of few important accounting standards:**
   Deloitte e-learning – Free of cost – Click here for link

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