Report

Report on the equivalence of the Indian Accounting Standards

21 October 2014 | ESMA/2014/1278

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List of abbreviations and acronyms used in this report

ASB	Accounting Standard Board
CESR	Committee of the European Securities Regulators
EC	European Commission
EP	European Parliament
EU	European Union
ESMA	European Securities and Markets Authority
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAI	Institute of Chartered Accountants in India
IFRS	International Financial Reporting Standards
Ind-AS	Indian Accounting Standards
IRDA	Insurance Regulatory and Development Authority
FRRB	Financial Reporting Review Board
MCA	Ministry of Corporate Affairs
NACAS	National Advisory Committee on Accounting Standards
NFRA	National Financial Reporting Authority
QARC	Qualified Audit Report review Committee
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India

Executive Summary

This report fulfils the mandate received by the European Securities and Markets Authority (ESMA) from the European Commission (EC) in February 2014 to provide it with an update on the level of convergence of the Indian Accounting Standards (Ind-AS)[1] towards International Financial Reporting Standards (IFRS) and the quality of application and enforcement of the Ind-AS, so that the EC can provide a progress report to the Council and the European Parliament (EP) in line with its obligations under Commission Regulation (EC) 1569/2007. ESMA and its predecessor the Committee of the European Securities Regulators (CESR) have previously provided the EC with progress reports on the status of equivalence in June 2009, November 2010 and April 2011.

This report is an update of the last report issued in April 2011 and is intended to be factual in nature, providing for information purposes much of the source material that has been used to prepare it. It should be read in conjunction with the reports previously produced.

In preparing this report, ESMA had drawn on information provided by representatives of the Institute of Chartered Accountants of India (ICAI) and the Securities and Exchange Board of India (SEBI) as well as information publicly available. The actions taken by India on the convergence of its accounting standards and on its enforcement process are detailed in specific sections of this report.

Originally, India intended to converge with IFRS in a phased approach beginning in 2011, but the transition to Ind-AS was postponed. Therefore, Ind-AS are not yet applicable in India and a transition date has not been formally announced by the Ministry of Corporate Affairs (MCA) at the time of this report. On the basis of the information publicly available or received from stakeholders, ESMA identified areas of concern with respect to the progress made towards convergence, as presented below:

a) The initial roadmap for implementation of the converged standards by companies has been spread over several years with significant delays to the process. Following the postponement of this roadmap in 2011, the ICAI performed an Impact Assessment of Ind-AS in 2013 and subsequently published in March 2014 a new roadmap for the implementation of Ind-AS converged with IFRS. The new roadmap proposes that listed and large entities mandatorily use Ind-AS for the preparation of consolidated financial statements from 1 April 2016. However, this roadmap is under the consideration of the MCA and will only be effective after a formal decision of the Indian government. At the time of this report, ESMA does not have any further indication from the Indian authorities on the adoption timeframe of Ind-AS and their exact content remains uncertain.

b) The strategy followed by the Indian authorities regarding the convergence process has been to adopt IFRS as issued by the IASB and modify them for the specific Indian legal and economic context. Since 2011, the ICAI has continued the process of developing the Ind-AS based on IFRS as initiated in the past. Consequently, the converged Ind-AS have removed a number of options available within IFRS and introduced several compulsory carve-outs, some of which may constitute sig-

[1] References to the Indian Generally Accepted Accounting Principles (GAAP) relate to the currently applicable and non-converged standards. References to Ind-AS relate to the Indian standards converged with IFRS.

nificant departures from IFRS. The ICAI expressed its commitment to remove these carve outs, when possible, even though the impact analysis of the Ind-AS made reference to the inclusion of additional differences in the Ind-AS.

c) The expertise in India regarding IFRS application and enforcement remains limited. Even though the ICAI has made a significant effort to prepare auditors and preparers for the implementation of Ind-AS, this expertise is rather of a theoretical nature and has unproven practical value. Furthermore, only a limited number of issuers already apply IFRS, as they are still required by Indian law to prepare financial statements in accordance with the Indian Generally Accepted Accounting Principles (GAAP) currently in force. For the time being, only 8 issuers using Indian GAAP are listed on the European regulated markets.

I. Requirements with respect to equivalence in the European Union

1. In accordance with the ESMA Founding Regulation (EU 1095/2010), ESMA has the objective to protect the public interest by contributing to the stability and effectiveness of the financial system, for the Union economy, its citizens and businesses. Article 33(2) of this Regulation requires ESMA to assist the EC in preparing equivalence decisions pertaining to supervisory regimes in third countries.

2. Under both the European Prospectus Directive[2] and Transparency Directive[3], third country issuers that have their securities admitted to trading on an EU regulated market or that wish to make a public offer of their securities in Europe, are required to produce financial reports using either IFRS adopted pursuant to EC Regulation 1606/2002 (hereinafter “EU IFRS”) or a third country’s national accounting standards ("third country GAAP") deemed equivalent to those standards.

3. In December 2007, the European Commission published Regulation (EC) 1569/2007 “Commission Regulation establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council” (“Commission Regulation on the mechanism”). This Regulation established the conditions under which the GAAP of a third country can be considered equivalent to IFRS pursuant to a definition of equivalence set out in article 2. The Regulation also set out conditions in article 4 under which the accounting standards of other third countries could be considered acceptable for a limited period expiring no later than 31 December 2011.

4. The aim of granting this transitional period was to allow standard setters and regulators in the countries concerned more time to pursue their existing programmes either to converge their accounting standards with or to adopt IFRS. The countries concerned were Canada, China, India and South Korea. In 2008, at the EC’s request, CESR provided advice on the equivalence of the accounting standards of those four countries.

[2] http://eur-lex.europa.eu/legal-content/FR/ALL/?uri=CELEX:32003L0071

[3] http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:02004L0109-20080320

5. The Regulation also requires the EC to update the EP at regular intervals on the progress that is being made by these countries with regard to their respective programmes. Consequently, ESMA has undertaken work and prepared reports at regular intervals on the adoption or convergence of these third-country GAAP to IFRS.

6. Based on the report prepared by ESMA in April 2011 and the uncertainties of the timetable for implementation of the converged standards, the EC decided on 11 April 2012 in its Implementing Decision 2012/194/EU[4] that "*third country issuers shall be permitted to prepare their annual consolidated financial statements and half-yearly consolidated financial statements in accordance with the Generally Accepted Accounting Principles of the Republic of India for financial years starting before 1 January 2015.*"

7. In February 2014, ESMA received a new mandate from the EC (Annex I) which required ESMA to assess the level of convergence of Ind-AS towards IFRS and the quality of application of Ind-AS. The EC will use this report to supplement the information contained in earlier reports prepared by ESMA when it will provide an update to the EP and amend the respective legislation accordingly.

8. In order to fulfil the latest request of the EC in the above mentioned mandate and, consequently, to supplement its 2011 report, ESMA has assessed the information publicly available and entered into contact with the Indian authorities during Spring and Summer of 2014.

II Previous reports on equivalence

9. The aim of this report is to update the information previously provided regarding the process of convergence in India. This update report is part of an on-going process of assessment of the equivalence of Ind-AS which permits Indian issuers to access European markets using financial statements prepared in accordance with Ind-AS.

10. In its November 2008 advice (CESR/ 08-859), CESR opined that the convergence programme in India was comprehensive and there was no reason to doubt that India would be in a position to achieve the objective of substantial convergence by the end of 2011. This advice was based on the fact that the program was comprehensive and capable of being completed before 31 December 2011 as indicated by the following elements:

    a. The ICAI had made, in July 2007, a public commitment to adopt IFRS by 31 December 2011;

    b. The Indian Government had confirmed publicly, in May 2008, its intention to achieve convergence with IFRS by the end of 2011;

    c. The ICAI had noted that it might introduce certain modifications into IFRS to reflect "Indian conditions" such as requiring additional disclosures, changing some terminology and omitting some options or alternative treatments. However, those changes were expected to be of minor nature, and the stated intention of both the ICAI and the Indian Govern-

[4] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012D0194&from=EN

ment was that Ind-AS, to all intents and purposes, would be fully IFRS compliant by the end of the program; and

d. Consequently, effective measures had been taken to secure the timely and complete convergence of Ind-AS to IFRS by 31 December 2011.

11. In June 2009, CESR provided the EC with the update report on the progress made by India in the process of convergence with IFRS (CESR/09-472). This report was approved and endorsed by the EP in June 2010.

12. In June 2010, CESR received a request from the EC to produce a second update report. The new mandate required CESR to focus its work on publicly available information or on information made available upon request by the authorities concerned.

13. In November 2010, CESR provided a second update report on the progress made in Canada and South Korea towards adopting IFRS and in India and China towards converging with IFRS (CESR 10-1301). The information related to India was only based on publicly available information, an exchange of written information with representatives of the Indian authorities and a meeting with a representative of the IASB.

14. In April 2011, ESMA provided an update report on the progress made on the equivalence of the Ind-AS with IFRS (ESMA/2011/116). On the basis of additional research and on-the-spot investigation undertaken by ESMA in January 2011, the report identified potential areas of concern with the progress made towards convergence, as presented below:

    a. The Indian version of IFRS appeared to have a significant number of differences (carve-outs) from IFRS, some of which constituted significant departures from IFRS;

    b. India had the intention to bring to the IASB's attention some of those specific issues constituting the differences between Ind-AS and IFRS. India did not make a public commitment with respect to the elimination of those differences;

    c. There was no experience in India regarding IFRS enforcement, as there were no issuers applying IFRS; and

    d. The roadmap for implementation of the Ind-AS was spread over a 3 year period (2011 to 2014), but significant doubts arose in relation to the launching date of the process.

III Institutional framework in India

15. The institutions playing a role in the implementation of accounting standards in India are the ICAI and the MCA. Enforcement of the accounting standards on listed companies in India is mainly done by the SEBI.

16. Accounting Standards are formulated by the ICAI through its Accounting Standards Board (ASB), which has the task to develop and establish standards and guidance governing financial accounting and reporting. Thereafter, the Standards are assessed by the National Advisory Committee on Accounting Standards (NACAS) of the MCA which recommends them to the Central Government for notifying under the Companies Act, 1956. Once the Government accepts the standards, they are published in the

Official Gazette. In the future, the NACAS will be replaced by the National Financial Reporting Authority (NFRA) under the Companies Act, 2013.

17. The Reserve Bank of India (RBI) is the regulator of banks in India and ordinarily requires banks to follow the accounting standards issued by the ICAI and endorsed by the Government. A similar process is applied by the Insurance Regulatory and Development Authority (IRDA) which is the regulator of insurance companies in India.

18. The ICAI has set up a Financial Reporting Review Board (FRRB) to review the financial statements of listed and non-listed entities. In case of serious non-compliance with financial reporting requirements, the FRRB submits a report to the relevant enforcers for necessary action against the relevant entity, i.e., the MCA for companies, the SEBI for listed companies, the RBI for banks and the IRDA for insurance entities. In case of serious discrepancies with the auditor's opinion on financial statements, the case is referred to the Director (Discipline) of the ICAI for initiating a disciplinary action against the auditor under the Chartered Accountants Act, 1949.

19. The SEBI is the regulator of the securities market in India and has the power to enforce financial reporting requirements against issuers and to sanction issuers found to be non-compliant with Ind-AS. The SEBI has set up a Qualified Audit Report review Committee (QARC) to review qualified audit reports accompanying the financial statements of listed companies. The QARC can refer the qualifications in the auditor's reports to the FRRB for its opinion whether these qualifications are justified. Upon receipt of the FRRB's report, the QARC may ask the concerned issuer to restate its financial statements in compliance with the statutory requirements.

IV Evolution of the process of convergence of Indian accounting standards with IFRS (technical developments)

20. In 2007, the ASB constituted a Task Force which released a Concept Paper, followed by a public commitment of the ICAI and the Indian Government to converge to IFRS before 31 December 2011. In 2008, the Indian Government confirmed publicly its intention to achieve convergence by 31 December 2011.

21. The strategy behind the process of convergence with IFRS has been to make appropriate modifications in IFRS in order to achieve convergence, taking into consideration the following matters in India: the legal and regulatory environment, economic conditions, industry preparedness and practice as well as the removal of some options permitted under IFRS and differences in concepts.

22. In February 2011, 35 Ind-AS corresponding to IFRS in force on 1 April 2011 (with the exception of IFRS 9 – *Financial Instruments*, IAS 26 – *Accounting and Reporting by Retirement Benefit Plans*, and IAS 41 – *Agriculture*) were posted on the MCA's website[5]. Each standard issued contained an Appendix highlighting the differences between the converged Indian standard and the corresponding IFRS. When providing advice to the EC in 2008, CESR made a detailed assessment of the differences between Ind-AS and IFRS (Appendix II to CESR 08-859).

[5] http://www.mca.gov.in/MinistryV2/standards.html

23. In the press release accompanying the converged standards in February 2011, the MCA acknowledged the publication of the standards, which were neither notified under the Companies Act 1956 nor implemented in view of certain tax and other implications. This press release is presented in Annex III of the 2011 ESMA Report.

24. Following this publication in February 2011, the ICAI has continued to formulate and revise Ind-AS[6] based on IFRS issued or revised after 1 April 2011. Seven draft Ind-AS and four draft amendments to Ind-AS have been sent to the NACAS/NFRA for consideration and are published on the website of the ICAI for information purposes. The ICAI is also considering 12 new or amended standards issued by the IASB.

25. In 2014, ESMA requested from the ICAI an update of the analysis of the differences between Ind-AS and IFRS. The ICAI provided a list of all main changes in the converged Ind-AS compared to IFRS (Annex II) and the reasons for the modifications made. When there was no difference between IFRS and Ind-AS, no mention was made. On the basis of consultations regarding those differences, the differences were classified into four categories, presented below, together with relevant examples for each category:

    a. Standards for which there is no equivalent under Indian converged standards, such as:

        i. Accounting for agreements for the construction of real estate: no converged Indian standard has been issued and the method for revenue recognition follows the percentage of completion method and not the method required under IFRIC 15 – *Agreements for the Construction of Real Estate*.

        ii. Accounting for biological assets: the converged Indian standard corresponding to IFRS 41 – *Agriculture* has not been released as it is considered that the fair value method cannot be applied because of the lack of information regarding such values in the Indian market. Following the recent publication of amendments to IAS 41 by the IASB in June 2014, Ind-AS 41 is being drafted along the lines of these amendments.

        iii. The provisions of IFRS 15 – *Revenue from Contracts with Customers*, which have been issued by the IASB but not yet endorsed in the EU, have not been transposed yet in India. However, the ICAI is in the process of considering these provisions for early convergence.

    b. Indian converged standards with significant departures from IFRS, such as:

        i. Accounting for the excess value of net assets acquired over purchase consideration: the converged Indian standard requires recognition of the excess in equity directly or through other comprehensive income depending on evidence of bargain purchase and not in profit or loss as required under IFRS 3 – *Business combinations*.

[6] http://www.icai.org/post.html?post_id=9258

ii. Financial instruments: For the time being, the ICAI has only issued Ind-AS 39 – *Financial Instruments: Recognition and Measurement*. The provisions of the Indian converged standard for accounting for gains resulting from the deterioration of own credit risk have been modified and any variation in fair value relating to a change in own credit risk is not recognised in the financial statements, as required under IAS 39 – *Financial Instruments: Recognition and Measurement*. The ICAI is in the process of replacing this standard with the converged standard of IFRS 9 (please refer to paragraphs 26 to 28 of this report).

iii. Obligation to prepare consolidated financial statements. The draft Ind-AS 110 – *Consolidated Financial Statements* removed some exemptions granted to parent companies under IFRS 10 – *Consolidated Financial Statements* when presenting consolidated financial statements.

iv. Classification of particular types of financial instruments: the converged Indian standard has been modified to scope out foreign currency convertible bonds from the definition of a financial liability as required under IAS 32 – *Financial Instruments: Presentation*.

c. Specific departures related to first time application (Ind-AS 101 – *First-time Adoption of Indian Accounting Standards*) such as: issuers are not obliged to provide comparative information for the prior period; they are permitted to use the carrying values of the assets as on the date of transition as deemed cost. However, the revised roadmap of the ICAI suggested to revise Ind-AS 101 and required issuers to provide comparatives for the prior periods in the financial statements. Therefore the ICAI informed ESMA that Ind-AS 101 is being revised and this departure will be removed.

d. Finally, some minor changes have been made to other standards in order to take into consideration the Indian environment / local conditions.

Financial instruments

26. The working group, created by the RBI in 2010 to address regulatory conflicts and facilitate the formulation of operational guidelines for Indian banks, considered specific implementation issues relevant to the transition of the banking sector to Ind-AS. In November 2012, the working group submitted its report, proposing changes to the banking law and regulations. However ESMA could not get access to the conclusions of this report.

27. Following the issuance of IFRS 9 by the IASB in July 2014, the ASB of the ICAI decided that an Ind-AS corresponding to IFRS 9 should be prepared and considered for the purpose of convergence in line with the ICAI revised roadmap. The ICAI is also considering the opportunity to allow earlier application of the Indian converged standard of IFRS 9 in order to ensure a stable platform to the issuers and avoid changes in the basis of preparation of the financial statements one year after the entry into application of the Ind-AS.

28. According to information provided by the ICAI, one difference that might still remain relates to the determination of provisions for impairment which the Indian representatives believe would be better made following current prudential norms rather than the method required under IAS 39 or being proposed under IFRS 9.

V The implementing process of the roadmap

29. As indicated in the 2011 ESMA Report, the press release issued by the MCA in 2010 (Annex II of the 2011 Report) with respect to the roadmap distinguished 3 phases, with companies adopting the converged Indian standards with effect from 1 April 2011, 2013 or 2014 depending on a number of criteria related to the net worth of an entity. Insurance companies were required to apply the converged Indian standards in 2012 and banks in 2013 or 2014 depending also on the nature of their activities and their net worth.

30. However, in February 2011, the MCA issued another press release stating that the implementation of the converged Ind-AS would take place in a phased manner after resolving various issues, including some related to taxation, and that the exact date of implementation would be disclosed by the Ministry at a later date. This press release is presented in Annex III of the 2011 ESMA Report.

31. In 2012 and 2013, a certain number of actions have been taken with the objective to make progress in the implementation of the roadmap:

    a. The Indian Parliament adopted a new Companies Act which incorporates various provisions to facilitate the implementation of the Ind-AS.

    b. The Indian Ministry of Finance issued draft Tax Accounting Standards to solve conflicts between the Ind-AS and taxation rules.

    c. The MCA requested the ICAI to examine the impact of Ind-AS on various sectors of the economy (including their application to small and medium sized companies) and to suggest a roadmap for implementation.

    d. The ICAI performed an impact analysis and published the *Report on Impact Analysis of Indian Accounting Standards (Ind-AS) and One set of Standards vs. Two sets of Standards* (Annex III) on the basis of some 350 entities representing the main sectors of the economy.

32. In the revised roadmap issued in March 2014 (Annex IV) and as a result from the above impact analysis (Annex III), the ICAI made the following recommendations:

    a. Scope: the Ind-AS should be applied to the consolidated financial statements of (a) entities listed or in the process of listing on any financial market, (b) unlisted companies having a net worth in excess of Rupees 500 crore[7] and (c) holding or subsidiaries of companies covered under (a) or (b) for the reporting periods starting on or after 1 April 2016. The recommendation of the ICAI to only use Ind-AS for the preparation of consolidated financial statements would have the advantage to avoid implications in terms of income tax and other statutory requirements related to the distribution of the retained earnings of a company.

[7] A *Crore Rupee* is equal to 10 million Rupees

b. First time adoption date: the first set of converged Ind-AS shall be applied for the accounting period beginning on or after 1 April 2016, with comparatives for the year ending 31 March 2016 or thereafter.

c. Use of IFRS: Indian issuers which are already applying IFRS for the purpose of their listing on European or other markets will not be able to apply IFRS for the purpose of their financial reporting on the Indian market and will be required to apply the Ind-AS as first time adopters. Moreover, such entities will not be able to use their previous IFRS reporting as the opening balance sheet in the financial statements prepared under the Ind-AS.

33. In his budget speech to the Indian Parliament on 11 July 2014[8] the Honourable Minister of Finance of India, Arun Jaitley, underlined that there was an urgent need to converge the Ind-AS with IFRS. In this respect, he proposed that Indian companies apply Ind-AS from the financial year starting on or after 1 April 2016 on a mandatory basis and from the financial year starting on or after 1 April 2015 on a voluntary basis. The minister also considered that the date of implementation of Ind-AS for banks or insurance companies will be separately notified on the basis of the work of the respective regulators.

34. The roadmap was further amended by the ICAI in August 2014 to take into account the budget speech of the Finance Minister and his suggestion that the Ind-AS may be applied to both standalone and consolidated financial statements in a phased manner. According to the information available to ESMA, the proposed roadmap is currently in the process of being finalised by the MCA, but no planned date for official adoption has been communicated to ESMA.

VI Future plans related to convergence

35. As there are still a number of significant differences between the converged Ind-AS and IFRS, ESMA asked for information on future plans of the Indian authorities with respect to convergence. The Indian authorities expressed their intention to further reduce or even to eliminate the differences. While doing so, the Indian authorities will cooperate with the IASB while also calling for consideration of these differences in the process of amending or revising the relevant IFRS standards.

36. Even though the appointment term of the Indian member on the board of the IASB expired in 2013, India remains active in the IASB sending comment letters on Exposure Drafts issued by the IASB. It also organised the 8th IFRS Regional Policy Forum in March 2014.

37. The recommendations included in the Impact Assessment Report (Annex III) refer to some changes in the current version of the Ind-AS that, if implemented, may imply additional differences from IFRS such as introducing an exception to the definition of 'current liabilities' in Ind-AS 1 or providing additional local guidance with regard to revenue recognition.

VII Enforcement experience

[8] http://indiabudget.nic.in/ub2014-15/bs/bs.pdf

38. The SEBI is the main enforcer for listed companies in India and its role has substantially increased with the adoption of the Companies Act, 2013 as this Act recognized SEBI's authority to refer proceedings to the Court and the National Company Law Tribunal for undertaking enforcement actions.

39. In order to undertake its new role, the SEBI informed ESMA that it carried out in 2013 and 2014 an internal restructuring of its enforcement mechanism in order to strengthen its review process and be able to take effective enforcement actions. The enforcement department now carries out all the enforcement proceedings alone and ensures follow-up actions such as issuing notices, organising hearings, passing orders and handling court proceedings.

40. Because of the current obligation of companies to use Indian GAAP when listed on Indian capital markets, SEBI has no experience enforcing any standards other than the current Indian GAAP. Companies which prepare financial statements under IFRS because of a listing abroad are not subject to enforcement in India.

VIII Other matters

41. As indicated in our previous reports, India has taken actions to ensure an appropriate process of education and training for the relevant participants in the financial reporting process.

42. An IFRS Certificate Course (100 hours) and an IFRS e-learning Course (60 hours) are being conducted by the ICAI. As of April 2014, 127 of IFRS Certificate Course have been completed and around 5000 members of the ICAI have undergone this course. The certificate is only granted to participants after clearing the written examination. The ICAI also issued Educational Materials on several Ind-AS to provide guidance on IFRS-converged Ind-AS: Ind-AS 1, *Presentation of Financial Statements*; Ind-AS 2, *Inventories*, Ind-AS 7, *Statement of Cash Flows*; Ind-AS 18, *Revenue*; Ind-AS 37, *Provisions, Contingent Liabilities and Contingent Assets*; and Ind-AS 108, *Operating Segments*.

IX Preliminary conclusions

43. On the basis of the information available, ESMA identified the following areas of concern with the progress made towards convergence:

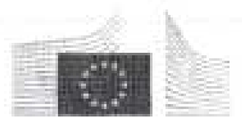
    a. The strategy followed by the Indian authorities regarding the convergence process has been to adopt IFRS as issued by the IASB and modify them for the specific Indian legal and economic context. Consequently, the converged Indian Standards have removed a number of options available within IFRS and introduced several compulsory carve-outs, some of which may constitute significant departures from IFRS. The ICAI expressed its commitment to remove these carve outs, when possible, even though the impact analysis of the Ind-AS made reference to the inclusion of additional differences in the Ind-AS.

    b. The new roadmap for the implementation of Ind-AS, as prepared by the ICAI in March 2014, proposes their use for the preparation of consolidated financial statements from 1 April 2016. However, this roadmap will only be effective after a formal decision of the Indian government. At the time of this report, ESMA does not have any further indication from the Indian authorities. As significant delays occurred in the past, ESMA concludes that the adoption timeframe of Ind-AS and their exact content remain uncertain.

c. With regard to the expertise in IFRS application and enforcement, the ICAI has made a significant effort to prepare auditors and preparers for the implementation of Ind-AS. However, at the moment, this expertise is rather of a theoretical nature and therefore has unproven practical value.

Annex I: Mandate from the European Commission to ESMA for an updated report

Ref. Ares(2014)419383 - 20/02/2014



EUROPEAN COMMISSION
Directorate General Internal Market and Services

Director General

Brussels, 20. 02. 2014
MARKT-F-3/SS/gn Ares(2014)400441

ESMA
European Securities and Markets Authority
For the attention of Mr Steven MAIJOOR
Chairman
103 rue de Grenelle
FR - 75007 PARIS

Subject: Request for an update of ESMA report of 12 April 2011 on equivalence of the Generally Accepted Accounting Principles (GAAP) of India with International Financial Reporting Standards (IFRS)

Dear Mr Maijoor, Dear Steven,

The Commission Decision 2012/194/EU and the Commission delegated regulation 311/2012 establish equivalence between certain third countries' GAAPs and IFRS pursuant to the Transparency Directive and the Prospectus Directive.

In these legislative acts, the Commission recognises the equivalence of GAAPs of Japan, USA, China, Canada and South Korea with IFRS on a permanent basis and decided to accept the use of the Indian GAAP for a temporary period ending next 31 December 2014.

As the temporary period granted to the GAAP of India will expire at the end of 2014, the Commission would like to ask ESMA for an update of its previous Report of 12 April 2011 in respect of the current situation in India.

In particular, we would be grateful if ESMA would assess the level of convergence of Indian GAAP towards IFRS and the quality of application of Indian GAAP.

We would very much welcome receiving an updated report from ESMA by 30 June 2014, which should allow the Commission the necessary time to amend the relevant legislation accordingly, if necessary.

We look forward to continuing the excellent cooperation between ESMA and the Commission on this important subject and we remain at ESMA's disposal to answer any questions on this request.

Yours sincerely,

Jonathan Faull

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http://ec.europa.eu/internal_market/

Annex II: Paper on the main differences between the converged Indian standards and IFRS, as prepared and provided by the ICAI

Differences between IFRSs/IASs and Ind-ASs

A. Carve-outs

Ind-AS 11, *Construction Contracts*

Appendices A and B to Ind-AS 11 (corresponding to IFRIC 12) and (SIC 29), Service Concession Arrangements and Service Concession Arrangements: Disclosures respectively would not be notified along with the other standards and their application has been deferred.

Ind-AS 17, *Leases*

Appendix C to Ind-AS 17 (corresponding to IFRIC 4), Determining Whether an Arrangement contains a Lease would not be notified along with the other standards and its application has been deferred.

Ind-AS 18, *Revenue*

(i) A footnote has been added in paragraph 1 to Ind-AS 18, Revenue, that for rate regulated entities, this standard shall stand modified, where and to extent the recognition and measurement of revenue of such entities is affected by recognition and measurement of regulatory assets/liabilities as per the Guidance Note on the subject being issued by the Institute of Chartered Accountants of India.

(ii) 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 retained neither continuing managerial involvement nor effective control. IFRIC 15 has not been included in Ind-AS 18. Such agreements have been scoped out from Ind-AS 18 and have been included in Ind AS 11, Construction Contracts.

Ind-AS 21, *The Effects of Changes in Foreign Exchange Rates*

Ind-AS 21 permits an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity. In this situation, Ind-AS 21 requires the accumulated exchange differences to be amortised to profit or loss in an appropriate manner. IAS 21 does not permit such a treatment.

Draft Ind-AS 28, *Investment in Associates and Joint Ventures (as amended)*

(i) Paragraph 17 has been deleted and consequently paragraph 16 has been modified, as the applicability or exemptions to the Ind-AS is governed by the Companies Act and the Rules made thereunder. However, paragraph numbers have been retained in Ind-AS 28 (as amended) to maintain consistency with IAS 28 (as amended in 2011).

(ii) References to mutual funds, unit trusts and similar entities including investment linked insurance funds, have been deleted in paragraphs 18 and 19 of Ind-AS 28 (as amended) as the Companies Act, 1956,

is not applicable to mutual funds, unit trusts and similar entities including investment linked insurance funds and, thus, this standard would not be applicable to such entities.

(iii) Similarly to the current Ind-AS 28 in place, the draft Ind-AS 28 was modified and where the financial statements of an associate are prepared as of a date different from that of the investor, IAS 28 (as amended in 2011) requires that this difference should not be more than three months. However, paragraph 34 of Ind-AS 28 (as amended) provides that this difference should not be more than three months, unless, in case of an associate, it is impracticable. Similarly, paragraph 35 of Ind-AS 28 (as amended) requires use of uniform accounting policies, unless, in case of an associate, it is impracticable, which IAS 28 (as amended in 2011) does not provide. These changes have been made because the investor does not have 'control' over the associate, it may not be able to influence the associate to prepare additional financial statements or to follow the accounting policies that are followed by the investor.

(iv) Paragraph 32(b) has been modified on the lines of Ind-AS 103, Business Combinations to transfer excess of the investor's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment in capital reserve whereas in IAS 28 (as amended in 2011), it is recognised in profit or loss.

Ind-AS 32, *Financial Instruments: Presentation*

As an exception to the definition of 'financial liability' in paragraph 11 (b) (ii), Ind-AS 32 to consider the equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments as an equity instrument if the exercise price is fixed in any currency. This exception is not provided in IAS 32.

Ind-AS 39, *Financial Instruments: Recognition and Measurement*

(i) A provision 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. IAS 39 requires all changes in fair values in such liabilities to be recognised in profit or loss.

(ii) IAS 39 does not change the requirements relating to employee benefit plans that comply with IAS 26, Accounting and Reporting by Retirement Benefit Plans. Ind AS 39 does not mention so as IAS 26 is not relevant for companies

Ind-AS 103, *Business Combinations*

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

Ind-AS 106, *Exploration for and Evaluation of Mineral Resources*

Ind-AS 106 corresponding to IFRS 6, Exploration for and Evaluation of Mineral Resources, would not be notified immediately as it is under consideration of the Government.

Ind-AS 101, First-time Adoption of Indian Accounting Standards

(i) Presentation of comparatives in the First-time Adoption of Ind-AS101 (corresponding to IFRS 1)

IFRS 1 defines transitional date as beginning of the earliest period for which an entity presents full comparative information under IFRS. It is this date which is the starting point for IFRS and it is on this date the cumulative impact of transition is recorded based on assessment of conditions at that date by applying the standards retrospectively except to the extent specifically provided in this standard as optional exemptions and mandatory exceptions. Accordingly, the comparatives, i.e., the previous year figures are also presented in the first financial statements prepared under IFRS on the basis of IFRS.

Ind-AS 101, however, requires an entity to provide comparatives as per the existing notified Accounting Standards. It is provided that, in addition to aforesaid comparatives, an entity may also provide comparatives as per Ind-AS on a memorandum basis.

(ii) Reconciliations

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.

As 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.

(iii) Elimination of effective dates prior to transition date under Ind-AS 101 First-time Adoption of Indian Accounting Standards (corresponding to IFRS 1)

IFRS 1 provides for various dates from which a standard could have been implemented. For example, IFRS 1 provides that an entity is encouraged, but not required, to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before 7 November 2002 or to instruments that were granted after 7 November 2002 and vested before the later of (a) the date of transition to IFRSs and (b) 1 January 2005. Further, IFRS 1 provides that an entity would have had to adopt the de-recognition requirements in IAS 39 prospectively for transactions entered after 1 January, 2004.

Ind-AS 101 provides that all these dates would be changed to coincide with the transition date elected by the entity adopting these converged standards.

(iv) Cost of Non-current Assets Held for Sale and Discontinued Operations on the date of transition on First-time Adoption of Indian Accounting Standards (Ind-AS)

Ind-AS 101 provides transitional relief that while applying Ind-AS 105 - Non-current Assets Held for Sale and Discontinued Operations, an entity may use the transitional date circumstances to measure such assets or operations at the lower of carrying value and fair value less cost to sell.

(v) Transitional Relief from retrospective application of certain requirements of Ind-AS 19 Employee Benefits

Ind-AS 19 requires recognition of actuarial gains and losses for post-employment defined benefit plans and other long-term employment benefit plans in other comprehensive income immediately and are not reclassified to profit or loss in a subsequent period. However, Ind-AS 101 provides that a first-time adopter may elect to recognise all cumulative actuarial gains and losses subsequent to the date of transition to Ind-AS in other comprehensive income.

(vi) Exemption as a consequence of optional treatment prescribed in Ind-AS 21, The Effects of Changes in Foreign Exchange Rates, in context of exchange differences arising on account of certain long-term monetary assets or long-term monetary liabilities

Ind-AS 101 provides that on the date of transition, if there are long-term monetary assets or long-term monetary liabilities mentioned in paragraph 29A of Ind-AS 21, an entity may exercise the option mentioned in that paragraph regarding spreading the unrealised Gains/Losses over the life of Assets/Liabilities either retrospectively or prospectively. If this option is exercised prospectively, the accumulated exchange differences in respect of those items are deemed to be zero on the date of transition.

(vii) Exemptions regarding designation of previously recognised financial instruments

Ind-AS 101 provides that the financial instruments carried at amortised cost should be measured in accordance with Ind-AS 39 from the date of recognition of financial instruments unless it is impracticable (as defined in Ind-AS 8) for an entity to apply retrospectively the effective interest method or the impairment requirements of Ind-AS 39. If it is impracticable to do so then the fair value of the financial asset at the date of transition to Ind-ASs shall be the new amortised cost of that financial asset at the date of transition to Ind-ASs.

Ind-AS 101 provides another exemption that financial instruments measured at fair value shall be measured at fair value as on the date of transition to Ind-AS.

(viii) Definition of previous GAAP under Ind-AS 101 First-time Adoption of Indian Accounting Standards

IFRS 1 defines previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting IFRS.

Ind-AS 101 defines previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting Ind-AS for complying with the reporting requirements in India.

(ix) Cost of Property, Plant and Equipment (PPE), Intangible Assets, Investment Property, on the date of transition of First-time Adoption of Ind-AS.

Ind-AS 101 provides an entity 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.

Draft Ind-AS 41, *Agricultur*e (as amended)

IAS 41 - Agriculture, requires measurement of biological assets, viz., living animals and plants at fair value and recognizing gains and losses arising on such measurement in profit or loss. The standard presumes availability of fair values for various biological assets. In the Indian market, since fair values of biological assets, such as, standing crops, plants, living animals etc. are not readily available and where available their reliability is doubtful, it is proposed to revise the Standard and not to issue the standard as it is.

Draft Ind-AS 110, Consolidated Financial Statements (as amended)

Paragraph 4(a) has been deleted as the applicability or exemption to the Ind-AS is governed by the Companies Act and the Rules made thereunder.

Draft Ind-AS 111, Joint arrangements (as amended)

The transitional provisions given in paragraph numbers C2-C13 of Appendix C in IFRS 11 have not been given in Ind AS 111, since all transitional provisions related to Indian ASs, wherever considered appropriate, have been included in Ind AS 101, First-time Adoption of Indian Accounting Standards corresponding to IFRS 1, First-time Adoption of International Financial Reporting Standards. In order to maintain consistency with paragraph numbers of IFRS 11, the paragraph numbers are retained in Ind AS 111.

Draft Ind-AS 113, Fair value measurement (as amended)

(i) Paragraphs 7(b) refers to Ind AS 26, Accounting and Reporting by Retirement Benefit Plans which is not relevant for the companies. Hence the paragraph is deleted. In order to maintain consistency with the paragraph numbers of IFRS 13, the paragraph number is retained in Ind AS 113.

(ii) Paragraph D18 – D46 of Appendix D and IGA8-IGA9 in Appendix on Amendments to guidance on other Ind ASs deals with IFRS 9 Financial Instruments, as only Ind AS 39 corresponding to IAS 39 is made

applicable. Hence, these paragraphs have been deleted. However, in order to maintain consistency with the paragraph numbers of IFRS 13, the paragraph number are retained in Ind AS 113.

(iii) Appendix C is not relevant as the date of application will be notified under the Companies Act. However, in order to maintain consistency with IFRS 13, the same has been retained.

(iv) Following paragraphs of Appendix D have been deleted as they are not relevant: D11,D 61, D77, D94, D96, D113, D122, D123, D135, D137,D141, D142, D145 D146. However, in order to maintain consistency with the paragraph numbers of IFRS 13, the paragraph numbers are retained in Ind-AS 113.

(vi) Paragraphs D124-D130 and IGA13 that deal with IAS 41 Agriculture have been deleted as the relevant changes have already been incorporated in the Exposure Draft of Ind AS 41.

(vii) Paragraphs D131-D134 refer to IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments which is not relevant for the companies. Hence the paragraphs are deleted. In order to maintain consistency with the paragraph numbers of IFRS 13, the paragraph numbers are retained in Ind AS 113.

B. Other major changes in Indian Accounting Standards vis-a-vis IFRSs/IASs not resulting in carve-outs

Ind-AS 1, *Presentation of Financial Statements*

With regard to preparation of Statement of profit and loss, IAS 1, Presentation of Financial Statements, provides an option either to follow the single statement approach or to follow the two statement approach. While in the single statement approach, all items of income and expense are recognised in the statement of profit and loss, in the two statements approach, two statements are prepared, one displaying components of profit or loss (separate income statement) and the other beginning with profit or loss and displaying components of other comprehensive income. Ind-AS 1 allows only the single statement approach.

IAS 1 requires preparation of a Statement of Changes in Equity as a separate statement. Ind-AS 1 requires the Statement of Changes in Equity to be shown as a part of the balance sheet.

IAS 1 gives the option to individual entities to follow different terminology for the titles of financial statements. Ind-AS 1 is changed to remove alternatives by giving one terminology to be used by all entities.

IAS 1 permits the periodicity, for example, of 52 weeks for preparation of financial statements. Ind-AS 1 does not permit it.

IAS 1 requires an entity to present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the equity. Ind-AS 1 requires only nature-wise classification of expenses.

IAS 1 contains Implementation Guidance. Ind-AS 1 does not include the same because various enactments have prescribed formats, e.g., Schedule VI to the Companies Act, 1956.

Different terminology is used in accordance with existing laws, so that e.g., the term ‘balance sheet’ is used instead of ‘Statement of financial position’ and ‘Statement of profit and losses’ is used instead of ‘Statement of comprehensive income’.

Ind-AS 7, *Statement of Cash Flows*

In case of other than financial entities, IAS 7 gives an option to classify the interest paid and interest and dividends received as item of operating cash flows. Ind-AS 7 does not provide such an option and requires these items to be classified as items of financing activity and investing activity, respectively.

IAS 7 gives an option to classify the dividend paid as an item of operating activity. However, Ind-AS 7 requires it to be classified as a part of financing activity only.

Ind-AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

Ind-AS 8 has been amended to provide that in absence of specific Ind-AS on the subject, management may also first consider the most recent pronouncements of the IASB and in absence thereof those of the other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices.

Ind-AS 16, *Property, Plant and Equipment*

The text of paragraph 8 has been changed to clarify more precisely that 'servicing equipment' also qualifies as property, plant and equipment when an entity expects to use them during more than one period.

Ind-AS 19, *Employee Benefits*

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 paragraph 73 of Ind-AS 19.

Ind-AS 20, *Accounting for Government Grants and Disclosure of Government Assistance*

IAS 20 gives an option to measure non-monetary government grants either at their fair value or at nominal value. Ind-AS 20 requires measurement of such grants only at their fair value. Thus, the option to measure these grants at nominal value is not available under Ind-AS 20.

IAS 20 gives an option to present the grants related to assets, including non-monetary grants at fair value in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Ind-AS 20 requires presentation of such grants in balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at the carrying amount of the asset is not available under Ind-AS 20.

Ind-AS 21, *The Effects of Changes in Foreign Exchange Rates*

When there is a change in functional currency of either the reporting currency or a significant foreign operation, IAS 21 requires disclosure of that fact and the reason for the change in functional currency. Ind-AS 21 requires an additional disclosure of the date of change in functional currency.

The following examples have been included in Ind-AS 21, The Effects of Changes in Foreign Exchange Rates, as Appendix B:

-An example to clarify the provisions of paragraph 14.

-An example to clarify impairment loss in Paragraph 25.

-An example to clarify paragraphs 33 and 37.

The date of change of functional currency should also be disclosed in paragraph 57.

Ind-AS 23, *Borrowing Costs*

IAS 23 provides no guidance as to how the adjustment prescribed in paragraph 6(e) is to be determined. Ind-AS 23 provides guidance in this regard.

Ind-AS 24, *Related Party Disclosures*

In Ind-AS 24, disclosures which conflict with confidentiality requirements of statute/regulations are not required to be made since Accounting Standards cannot override legal/regulatory requirements.

Paragraph 24A (reproduced below) has been included in the Ind-AS 24. It provides additional clarificatory guidance regarding aggregation of transactions for disclosure.

"24A Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure."

In the definition of the 'close members of the family of a person', relatives as specified under the meaning of 'relative' under the Companies Act, 1956, has been included.

Draft Ind-AS 27, *Separate Financial Statements (as amended)*

Paragraphs 8 and 16 have been deleted and paragraphs 6 and 17 have been modified as the applicability or exemptions to the Ind-AS is governed by the Companies Act and the Rules made thereunder.

A sentence has been added in paragraph 9 of Ind-AS 27, Consolidated and Separate Financial Statements requiring that for companies the form of consolidated financial statements as given in Appendix C to this standard shall be applied to the extent circumstances admit.

Ind-AS 29, *Financial Reporting in Hyperinflationary Economies*

Ind-AS 29 requires an additional disclosure regarding the duration of the hyperinflationary situation existing in the economy.

Ind-AS 33, *Earnings per Share*

IAS 33 provides that when an entity presents both consolidated financial statements and separate financial statements, it may give EPS related information in consolidated financial statements only, whereas, the Ind-AS 33 requires EPS related information to be disclosed both in consolidated financial statements and separate financial statements.

Paragraph 2 of IAS 33 requires that the entire standard applies to:

(a) the separate or individual financial statements of an entity:

(i) whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or

(ii) that files, or is in the process of filing, its financial statements with a Securities Regulator or other regulatory organisation for the purpose of issuing ordinary shares in a public market; and

(b) the consolidated financial statements of a group with a parent:

(i) whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or

(ii) that files, or is in the process of filing, its financial statements with a Securities Regulator or other regulatory organisation for the purpose of issuing ordinary shares in a public market.

It also requires that an entity that discloses earnings per share shall calculate and disclose earnings per share in accordance with this Standard.

The above have been deleted in the Ind-AS as the applicability or exemptions to the Indian Accounting Standards is governed by the Companies Act and the Rules made there under.

Paragraph 4 has been modified in Ind-AS 33 to clarify that an entity shall not present in separate financial statements, earnings per share based on the information given in consolidated financial statements, besides requiring as in IAS 33, that earnings per share based on the information given in separate financial statements shall not be presented in the consolidated financial statements.

In Ind-AS 33, the following paragraph has been added after paragraph 12:

"Where any item of income or expense which is otherwise required to be recognized in profit or loss in accordance with accounting standards is debited or credited to securities premium account/other reserves, the amount in respect thereof shall be deducted from profit or loss from continuing operations for the purpose of calculating basic earnings per share."

Paragraph 15 of Ind-AS 33 has been amended by adding the phrase, 'irrespective of whether such discount or premium is debited or credited to securities premium account' to further clarify that such discount or premium shall also be amortised to retained earnings.

Ind-AS 34, *Interim Financial Reporting*

A footnote has been added to paragraph 1 of Ind-AS 34, Interim Financial Reporting that Unaudited Financial Results required to be prepared and presented under Clause 41 of Listing Agreement with stock exchanges is not an 'Interim Financial Report' as defined in paragraph 4 of this Standard.

Ind-AS 39, *Financial Instruments: Recognition and Measurement*

(i) The transitional provisions given in IAS 39 and IFRIC 6, IFRIC 16 and IFRIC 19 have not been given in Ind AS 39, since Accounting Standard corresponding to IFRS 1, First-time Adoption of International Financial Reporting Standards, will deal with the same. The transitional provisions given in IAS 39 and IFRIC 6, IFRIC 16 and IFRIC 19 have not been given in Ind AS 39, since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, First-time Adoption of Indian Accounting Standards corresponding to IFRS 1, First-time Adoption of International Financial Reporting Standards

(ii) Different terminology is used in accordance with the terminology of IAS 1.

Ind-AS 40, *Investment Property*

IAS 40 permits both cost model and fair value model (except in some situations) for measurement of investment properties after initial recognition. Ind-AS 40 permits only the cost model.

Ind-AS 101 *First-time Adoption of Indian Accounting Standards*

Paragraph 3 of Ind-AS 101 specifies that an entity's first Ind-AS financial statements are the first annual financial statements in which the entity adopts Ind-ASs in accordance with Ind-ASs notified under the Companies Act, 1956 whereas IFRS 1 provides various examples of first IFRS financial statements.

Paragraph 4 of IFRS 1 provides various examples of instances when an entity does not apply this IFRS. Ind-AS 101 does not provide the same.

IFRS 1 requires specific disclosures if the entity provides non-IFRS comparative information and historical summaries. Such disclosures are not required under Ind-AS 101.

Ind-AS 103, *Business Combinations*

IFRS 3 excludes from its scope business combinations of entities under common control. Appendix C of Ind-AS 103 gives guidance in this regard.

C. IAS and relevant Interpretations not included in Ind-AS as these are considered not relevant for companies in India

1. Ind-AS corresponding to IAS 26 - Accounting and Reporting by Retirement Benefit Plans, has not been considered relevant for companies, therefore, the same is not being notified under the Companies Act, 1956.

2. IFRIC 2 - Members' Shares in Co-operative Entities and Similar Instruments issued by IASB has not been considered relevant for companies, as only an individual can hold shares in cooperative entities, therefore, the same is not being notified under the Companies Act, 1956.

3. SIC 7 - Introduction of the Euro issued by IASB has not been considered relevant in the Indian context, therefore, the same has not been issued.

4. Paragraph 1(b) of IAS 28 has been deleted in Ind-AS 28 as the Companies Act, 1956, is not applicable to mutual funds, unit trusts and similar entities including investment linked insurance funds and, thus, this standard would not be applicable to such entities.

Similar change has been made in Ind-AS 31, Interests in Joint Ventures.

5. Paragraph 1(b) of IAS 31 has been deleted in Ind-AS 31 as the Companies Act, 1956, is not applicable to mutual funds, unit trusts and similar entities including investment linked insurance funds and, thus, this standard would not be applicable to such entities.

Report

on

Impact Analysis of

Indian Accounting Standards (Ind AS)

and

One set of Standards *vs*. Two sets of Standards

The Institute of Chartered Accountants of India
New Delhi

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Executive Summary and Recommendations

I. The Core Group on Convergence of Indian Accounting Standards with IFRS, constituted by the Ministry of Corporate Affairs (MCA), at its last meeting held on August 23, 2013, decided that the Institute of Chartered Accountants of India (ICAI) should conduct an impact analysis of Indian Accounting Standards (hereinafter in this Report referred to as 'Ind AS') converged with IFRS on the principal sectors of economy since Ind AS were placed on the MCA website in February 2011. The Core Group also desired that the ICAI should study and recommend whether one set of Ind AS can be made applicable to all companies including small and one person companies, with exemptions/relaxations. The Core Group requested the ICAI to submit its recommendations on the aforesaid aspects by October 15, 2013 (paragraphs 6 to 10).

II. The ICAI, through its Accounting Standards Board (ASB), conducted the impact analysis of Ind AS on the principal sectors of economy and also analysed whether one set of Ind AS can be applied to all companies including small and one person companies. This Report contains the process, findings and recommendations in respect of the aforesaid aspects (paragraph 11).

Part A - Impact Analysis of Ind AS on Principal Sectors of Economy

III. Keeping in view the time constraint of submitting its Report by October 15, 2013, the ICAI selected 301 companies from public and private sectors having turnover in excess of rupees Two Thousand Crore, representing principal sectors of economy, viz., Power, Telecom, Automobiles, Information Technology, Oil and Gas, Infrastructure – Real Estate Development, Construction and Transportation, Steel, Pharmaceuticals, Manufacturing, Retail, FMCG, Agriculture and others. Apart from these companies, thirty eight trade and industry associations and five Regulators /industry Boards were also selected to provide their inputs on the impact of Ind AS on the profitability and financial position of the companies with a view to highlight the areas of concerns needed to be addressed through carve

outs, if necessary, or by providing additional guidance wherever required. For this purpose, the ICAI conducted three Workshops at Mumbai, Delhi and Chennai at which all the aforesaid organisations were invited. As many as 75 officials representing these organisations participated in the Workshops, whereat issues were discussed in-depth (paragraphs 12 to 14).

IV. Only with regard to one Indian Accounting Standard namely Ind AS 1 on, *Presentation of Financial Statements,* the ICAI is of the tentative view that a carve out may be required, by providing an exception to the definition of 'current liability' to recognise that in the situation of routine procedural type of non-compliances with the terms of a long term loan, e.g., non-submission of stock statement in time, which are normally subsequently regularised, non-current loan should not be considered as a current liability. It may be mentioned that since the carve-out, if decided to be made, would mean change in the Ind AS, it is required to undergo the due process including issuance of the exposure draft by the ASB, approval of the ICAI's Council and the National Financial Reporting Authority. This may take some time before it is finalised (paragraph 15.I.5).

V. The ICAI recommends the following with regard to Ind AS/Appendices to Ind AS, which were deferred by the MCA at the time the Ind AS were placed on its website:

(i) Ind AS 106, *Exploration for and Evaluation of Mineral Resources,* as recommended by NACAS may be notified since the concerns expressed by the MCA and the industry are being addressed by the ICAI in consultation with the industry

(ii) It is reiterated that Appendix C, (Appendix to Ind AS 17) *Determining whether an Arrangement Contains a Lease,* provides correct accounting based on substance of the transaction rather than its legal form.

(iii) It is reiterated that Appendices 'A' and 'B', (Appendices to Ind AS 11) *Service Concession Arrangements,* provide correct accounting treatment.

VI. Many concerns raised by the industry can be addressed by providing additional guidance separately by the ICAI and, accordingly, no change in Ind AS would be required. In respect of certain concerns, e.g., revenue recognition by Telecom and Information Technology companies, the ICAI feels no changes in Ind AS are

required as the principles prescribed in Ind AS would result in improvements in accounting (paragraph 15).

VII. Some concerns were expressed regarding implementation of Ind AS related to preparation of consolidated financial statements in view of different definitions of 'control', 'associate' and 'subsidiary' in the Companies Act, 2013, as compared to those contained in the relevant Ind AS and the Explanation to section 129 (3) of the said Act that for the purpose of preparation of consolidated financial statements, the word 'subsidiary' includes associate and joint venture. The ICAI notes that the Draft Rule 9.4 issued by MCA clarifies that consolidated financial statements shall be prepared in accordance with Accounting Standards, which may be interpreted to mean that the definitions used in the Standards should be applied and that the associates and joint ventures should be consolidated as per the relevant Standards. It may be noted that at present also, the definition of 'relative' in the existing notified Accounting Standard (AS) 18, *Related Party Disclosures,* is different as compared to the definition under the Companies Act, 1956 (paragraph 15).

Part B – One set of Standards vs. Two sets of Standards

VIII. After an in-depth examination of the arguments for one set of Ind AS for all companies, including small and one person companies, the ICAI recommends that there should be two sets of Accounting Standards - one set comprising Ind AS for large, public interest companies and the other set containing simplified measurement principles with fewer disclosures for smaller companies - for the following reasons:

(i) Impracticability to formulate one set of Ind AS providing exemptions/relaxations from measurement principles (See paragraphs 25 to 36 of the Report for detailed analysis).

(ii) Experience of other counties that have implemented IFRS shows that IFRS are enforced only on public interest entities and that other GAAPs exist for non-public interest entities (See paragraph 38)

(iii) The number of private and small companies is much larger as compared to large, public interest entities in India making it extremely onerous on the part of managements of the companies to implement full Ind AS, even with

exemptions/relaxations, in view of skills and expertise available with them (See paragraphs 40 and 41).

(iv) Information needs of non-public interest, smaller companies is different as compared to that for large, public interest companies [See paragraph 42 (b)].

(v) The language of Ind AS, coupled with measurement principles, is complex. Therefore, keeping in view the skills available with smaller companies, a set of simplified Accounting Standards is a necessity, if these are to be implemented effectively [See paragraph 42 (c)].

(vi) The set of Ind AS is too voluminous to be gone through by small companies. Such companies require a simplified smaller set understandable to their managements who are not expected to have necessary skills and expertise [Paragraph 42 (iv)].

(vii) A second set of Standards does not mean that the recognition and measurement principles would be significantly different for Ind AS in all cases (See paragraph 43).

(viii) The Companies Act 2013, itself recognises two sets of Accounting Standards in various sections (See paragraph 39).

IX. The ICAI suggests that the second set of Accounting Standards may comprise the upgraded existing Accounting Standards for small and one person companies (See paragraph 44).

Other recommendations on an issue arising during discussion with Industry

X. There was an unanimous view that going forward, those Ind AS should be implemented which correspond to the IFRS in force as on the date of implementation. Thus, for instance, if Ind AS are enforced on one class of companies from 1st April 2015, then those Ind AS that correspond to IFRS effective on that date should be implemented and not those Ind AS that are placed on the MCA website which correspond to IFRS in force in 2011, as this would be a backward step resulting in India losing its international

standing. The ICAI agrees with this view and as far as ICAI is concerned, it has formulated Ind AS that are at par with most of the new IFRS and the revised IFRS issued by the International Accounting Standards Board after February 2011 (Paragraph 17).

Historical Background

1. In 2007, the Institute of Chartered Accountants of India (ICAI) decided to converge with IFRS. The Ministry of Corporate Affairs (MCA), Government of India, also supported the initiative of ICAI to converge with IFRS from 1st April, 2011, in order to bring the accounting practices followed in India at par with the best international practices. In this direction, the MCA issued a Press Release in January 2010 containing a road map for convergence for different classes of companies, starting from 1st April, 2011, in a phased manner.

2. The Ministry of Corporate Affairs placed on its website 35 Indian Accounting Standards (Ind AS) converged with IFRS in force on 1st April, 2011, formulated by the ICAI after recommendation thereof by National Advisory Committee on Accounting Standards (NACAS). The MCA in its Press Release stated that it will implement the Ind AS in a phased manner after various issues including tax related issues are resolved with the concerned departments. As far as possible no change was made in the Ind AS from the corresponding IFRS unless absolutely warranted keeping in view the Indian conditions and circumstances. Accordingly, certain departures were made keeping in view the then economic environment prevailing in the country. In certain cases, departures were made in view of conceptual differences which were taken up by the ICAI with the International Accounting Standards Board (IASB). A list of Ind AS placed on the MCA website in February 2011 with the corresponding IFRS in force at that time is reflected in Annexure 'A' to this Report.

3. With a view to continue to remain at par with the IFRSs which are being revised and new IFRSs being issued by the IASB, the ASB, after approval by the Council of the Institute, initiated the process of revising the existing Ind AS and issuing new Ind AS in convergence with the new/revised IFRS, so that whenever the Government decides to converge with IFRS, the Ind AS corresponding to the IFRS effective on that date are available.

4. Post-February 2011, to achieve convergence with the IFRS, the Council of the ICAI finalised seven new/revised Ind AS along with certain amendments to other Ind AS corresponding to the new/revised IFRS issued by the IASB which were forwarded to NACAS for its consideration, except a few recent revisions/amendments in IFRS which are in the process of being finalised. Annexure 'A' contains the list of revised Ind AS corresponding to the existing Ind AS placed on the MCA's website and the list of new Ind AS is contained in Annexure 'B'. The list of revised/new Ind AS is placed on the ICAI's website.

5. In the expectation of passing of the new Companies Act and the expected changes in the tax laws, the Ministry of Corporate Affairs in September 2012 requested the ICAI to suggest a revised road map for implementation of Ind AS. The revised road map formulated by the ICAI was considered and approved by NACAS and was forwarded to the MCA in April 2013 for further action. The revised road map recommended implementation of Ind AS from 1st April, 2015, on the lines of the earlier road map issued by the MCA (The roadmap finalized by NACAS and forwarded to the MCA is reproduced in Annexure 'C').

Recent developments

6. The Indian Parliament recently passed the new Companies Act, 2013, which incorporates provisions that facilitate implementation of Ind AS in the country. Further, the Ministry of Finance formulated the drafts of the Tax Accounting Standards which are expected to come into force from April 2014. It is felt that with these changes in the relevant laws, road is paved for the implementation of Indian Accounting Standards converged with IFRS.

7. A meeting of the Core Group on Convergence of Indian Accounting Standards with IFRS, constituted by the Ministry of Corporate Affairs, Government of India, was held on August 23, 2013 on the revised road map for applicability of Indian Accounting Standards (Ind AS) submitted by the National Advisory Committee on Accounting Standards (NACAS) based on the road map finalized and forwarded to the NACAS by the ICAI.

8. At the above meeting of the Core Group, a concern was expressed that since the Ind AS formulated in 2011 were approved keeping in view the economic environment prevailing in the country at that time, it would be appropriate that an impact analysis in the current scenario of the Ind AS on the principal sectors of the economy may be conducted. It was felt that the impact analysis may also consider the Ind AS converged with IFRS issued subsequent to 2011 formulated by the ICAI and placed on its website since the revised roadmap recommended that the Ind AS corresponding to the IFRS in force as on 1st April, 2015 should be implemented. The ICAI agreed to carry out this impact study.

9. The road map submitted by the NACAS, in line with the earlier road map issued by the MCA in 2010, recommended that there should be two separate sets of Accounting Standards. The first set would comprise the Indian Accounting Standards (Ind AS) converged with the IFRS which should be applicable to the specified classes of public interest and large companies. The second set would comprise the existing notified Accounting Standards and should be applicable to other companies. At the meeting of the Core Group held on August 23, 2013, a view was expressed that there should be only

one set of Accounting Standards applicable to all companies, namely, the Ind AS. If necessary, exemptions/relaxations in respect of various requirements of the Ind AS primarily with regard to measurement and disclosures may be identified to reduce the burden of smaller companies. On the other hand, there was also a view that since the Ind AS converged with IFRS even after exemptions/relaxations would be complex for the smaller companies who lack the necessary expertise to implement them, there is a need for simpler Accounting Standards for such companies.

10. In view of divergence of views, the Core Group requested the ICAI to also study whether one set of Accounting Standards can be applied to all companies including one person companies and small companies as defined in the Companies Act, 2013. The ICAI was also requested to study the option of second set of Accounting Standards as to how it would be consistent with the first set of Accounting Standards so that at least the recognition and, to a large extent, the measurement principles are the same. The Core Group requested the ICAI to complete the aforesaid study and the impact analysis and submit its suggestions by October 15, 2013.

11. The ICAI, through its Accounting Standards Board, as per the decision of the Core Group, conducted the impact analysis of the Ind AS on the principal sectors of economy and also studied the issue of one set of Ind AS versus two sets of standards applicable to different classes of companies. This Report, accordingly, contains the process, findings and recommendations in respect of the aforesaid two aspects. Part A of the Report contains impact analysis of Ind AS on the principal sectors of economy and Part B contains the study of one set of Ind AS versus two sets of Standards.

Part A

Impact Analysis of Ind AS on Principal Sectors of Economy

Process

12. The Accounting Standards Board of the ICAI while deciding the manner of conducting the impact analysis felt that to analyse the impact of Ind AS, ideally, Ind AS should be used for preparing financial statements of individual companies pertaining to different sectors. The Board, however, noted that to do so would require considerably long period of time which would be much beyond October 15, 2013, i.e., the date by which the MCA desired the ICAI to complete the analysis and submit its recommendations. The Board, therefore decided that, given the time frame, it would be appropriate to seek the views of larger companies, trade and industry associations, industry-specific regulators, e.g., Telecom Regulatory Authority of India (TRAI) and the industry Boards like the Tea Board, relating to significant sectors of economy. With this in view, 301 companies

belonging to both public sectors and private sectors whose turnover was in excess of Rupees Two Thousand Crore were selected for the purpose of impact analysis. It was ensured that these companies represented the principal sectors of economy, viz., Power, Telecom, Automobiles, Information Technology, Oil and Gas, Infrastructure – Real Estate Development, Construction and Transportation, Steel, Drugs and Pharmaceuticals, Manufacturing, Retail, FMCG, Agriculture and others. With regard to Non-Banking Financial Companies, Banks and Insurance Companies, since the call for implementation of Ind AS was decided to be taken up by the relevant regulators, viz., the Reserve Bank of India and the Insurance Regulatory and Development Authority, the entities from the aforesaid sectors were not included in the impact analysis. Accordingly, letters were sent to the selected companies, trade and industry associations and regulators/industry Boards to highlight their concerns, if any, on implementation of Ind AS, so that, where appropriate, changes can be made in the Ind AS. The letters also invited the representatives of these companies and associations to discuss their concerns at the workshops decided to be organized at Delhi, Mumbai and Chennai (list of these companies is set out in Annexure 'D' and the list of the trade and industry associations along with the list of regulators/industry Boards is given in Annexure 'E').

13. The Workshops were conducted by the ASB on 1st October, 2013 at Mumbai, 4th October, 2013 at Delhi and 8th October, 2013 at Chennai whereat 75 representatives of industry associations and companies representing various sectors of economy attended and participated in the deliberations (list of participants is given in Annexure 'F'). At the Workshops, a presentation was made on the current status of Ind AS vis-à-vis the IFRS, existing carve outs in the Indian Accounting Standards and major impact areas compared to existing Accounting Standards. The participants were requested to provide their inputs as to whether the existing carve outs are needed in view of the changed economic scenario and the subsequent changes, if any, in the IFRS corresponding to which the ICAI had developed the Ind AS and whether some other carve outs are required keeping in view the changed economic and legal conditions.

14. Apart from the inputs received from the participants at the Workshops, the ICAI also considered the impact analysis conducted by various other organisations, inculding a regulator (Telecom Regulatory Authority of India for Telecom Companies). The findings and recommendations contained in this Report accordingly are based on the aforesaid analysis and the inputs received from various participants at the Workshops.

Impact Analysis on Principal Sectors

15. The concerns were raised by the following major sectors of economy:

A: Real Estate Development
B: Infrastructure including Power
C: Oil & Gas Exploration and Production
D: Telecom
E: Information Technology
F: Drugs & Pharmaceuticals
G: Automobiles and
H: Retail.

The concerns raised by the companies pertaining to the aforesaid sectors and the general comments, and the manner in which these can be addressed in the view of the ICAI are contained in the following table:

Concerns Raised	How the concerns can be addressed
A: Real estate development sector ***Revenue recognition for real estate sales*** On a concern expressed by various real estate development companies, Ind-AS had carved out IFRIC 15, *Agreements for the Construction of Real Estate*, whose application may have required real estate entities to defer the recognition of revenue from the real estate sale till the completion of construction. Instead, the scope of Ind-AS 11, *Construction Contracts*, has been amended to include accounting for real estate developers. This will require these entities to apply the percentage of completion method (POCM) for recognition of revenue from real estate sales. While, in case of the existing Accounting Standard, i.e., AS 9, *Revenue Recognition* and AS 7, *Accounting for Construction Contracts*, the ICAI has issued a Guidance Note on how to apply the POCM for recognition of revenue from real estate sales, there is no guidance insofar as Ind AS 11, *Construction Contracts*, is concerned. Accordingly, the absence of the guidelines, may again lead to diversity of practice, particularly, in the consideration of cost of land as a part of construction.	ICAI may provide similar guidance with regard to recognition of revenue from real estate sales separately as has been done in the case of the existing notified Accounting Standards.
B: Infrastructure including power sector *Public-private partnership in infrastructure (Service*	

Concession Arrangements) 1. Ind AS provides specific guidance on accounting for such arrangements in which the public sector (Govt.) controls or regulates the services provided with the infrastructure and their prices, and controls any significant residual interest in the infrastructure. Under Ind AS, the accounting of such arrangements is split up into the initial construction phase and the subsequent operations phase. The operator will have to allocate the total consideration to each phase based on their relative fair values. The operator will have to recognise the compensation receivable for the construction phase as either: (a) a financial asset to the extent that it has an unconditional right to receive cash irrespective of usage of the infrastructure (for example, where the operator receives a pre-determined payment from the government irrespective of the actual usage); or (b) an intangible asset, to the extent that consideration is dependent on usage of the infrastructure (for example, where operator has a right to charge the users based on usage of the infrastructure for a defined term). In certain arrangements, both a financial asset and an intangible asset may need to be recognised. All such assets are recorded based on their fair values. In the construction phase, the operator will have to recognise revenue as per Ind AS 11 on construction contracts to the extent of the value of the services performed (i.e. cost of constructing the infrastructure asset with a reasonable margin). During the operations phase, accounting will be determined by the type of arrangement with the grantor. In the case of a financial asset model, the operator will recognise an interest income over the life of the arrangement and a service income towards any additional services like for operations and maintenance. In the case of an intangible asset model, the operator will recognise the amounts collected from	It is noted that while notifying the Ind AS on its website, the MCA indicated that the accounting for *Service Concession Arrangements* as prescribed in Appendices A and B of Ind AS 11, *Construction Contracts*, shall be deferred in view of the fact that the industry had expressed an apprehension that since Appendix A requires *inter alia* recognition of intangible assets, e.g., the right to collect toll from the roads constructed by the operator, the banks may not advance loans against such intangible assets. It may, however, be noted that recently the MCA has amended Schedule XIV to the Companies Act, 1956, which prescribes the rate of depreciation on 'intangible assets' recognised for rights obtained to collect toll on the roads constructed by the operator as, at present, there are no requirements regarding accounting for service concession arrangements. Accordingly, Schedule II to the Companies Act, 2013 requires that amortisation of intangible assets created under service concession arrangements should be in accordance with the Accounting Standards. Further, recently, the industry has also informed that even though the intangible assets are being recognized by infrastructure companies, the banks have no issues in providing loans against such assets. While the other concerns expressed by the industry may remain, the ICAI reiterates its view that the accounting treatments provided in Appendices A and B to Ind AS 11 are appropriate keeping in view the substance of the transactions.

users of the infrastructure assets as income The intangible asset will be amortised in accordance with the principles laid down in Ind AS 38 on intangible assets. Further, contractual obligations to maintain or restore infrastructure are recognised and measured in accordance with Ind AS 37 on provisions, contingent liabilities and contingent assets; irrespective of the model followed. Generally, the intangible asset model will apply to economic infrastructure projects such as toll roads, bridges, ports etc. and the financial asset model will apply to social infrastructure projects such as hospitals, schools, government administrative buildings etc. Currently, under Indian GAAP, operators generally recognize and depreciate infrastructure assets (both existing and those constructed or purchased by the operator) as their own property, plant and equipment. Amounts received from the Government and user charges are generally recorded as income over the period of the arrangement. No separate income is generally recognised during the construction period. Adoption of Ind AS will affect operators' revenue recognition and profit pattern during the period of the arrangement. The change in the profit profile could also impact the timing or ability to pay dividends in certain years during the term of the project. Additionally, the operators' balance sheet composition will also change, as assets previously classified as fixed assets will now be separately classified as financial assets or intangible assets. The accounting for service concession arrangements under Ind AS will significantly alter some of the key ratios in the financial statements of the operators, which may require re-negotiation of loan covenants with lenders.	
2. It was noted at a Workshop that since the Accounting Standards Board of the ICAI is in the process of formulating a Guidance Note on	The ICAI may provide separate guidance in this regard.

Accounting for Service Concession Arrangements for use until Ind AS come into force. The Guidance Note would be based on Appendices 'A' and 'B' to Ind AS 11, and would contain guidance in the Indian context with regard to the application of the principles contained in the Appendices. Accordingly, similar guidance may be provided in the context of Ind AS to facilitate implementation of the said Appendices. *Rate-regulated Activities* 3. Ind AS 18, *Revenue*, contains a footnote which states that in respect of the enterprises which are subject to tariff control by the regulatory authorities (termed as Rate Regulated Entities), the revenue may need to be levied in accordance with the Guidance Note on the subject to be issued by the Institute of Chartered Accountants of India. The status of the Guidance Note is not clear	The Accounting Standards Board has already issued a Guidance Note on *Accounting for Rate Regulated Activities* in the context of existing notified Accounting Standards. It is felt that the same Guidance Note with certain minor changes can be used in the context of Ind AS as well. The Accounting Standards Board of the ICAI is in the process of examining the said Guidance Note keeping in view these aspects which is expected to be finalised shortly.
Embedded Derivatives 4. A power sector company raised the issue that Ind AS 39, *Financial Instruments: Recognition and Measurement* requires that an embedded derivative should be separated from the host contract and accounted for as a derivative if certain conditions are met. However, paragraph AG 33 (d) of Ind AS 39 exempts entities from separation of embedded derivatives in the following cases: (i) If the contract is denominated in the functional currency of either of the parties to the contract. (ii) If the contract is denominated in a currency which is used around the world international trade. (iii) If the contract is denominated in a currency which is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the	The ASB had earlier examined the matter and decided that a clarification can be issued on what is "commonly used" currency under paragraph AG 33 (d) of Ind AS 39, in consultation with IASB.

transaction takes place. Contracts for procurement of power plant equipment in foreign currencies, which are not covered by these exemptions, have the following impacts-: 1) The cost of equipment would be computed at the forward exchange rate for the relevant currency prevailing on the date of contract for settlement at the expected date of supply. 2) The changes in forward rates for the unexecuted and unpaid portion of the contract shall be recognised in the profit and loss account at the end of each accounting period. Accordingly, there is an impact on the cost of the asset and an increase in the volatility of earnings reported by the Indian corporates. It was also mentioned that the proposed accounting provision of Ind AS 39 does not have much relevance for the rate regulated entities like NTPC, as in India their fixed assets for tariff purposes are valued at costs incurred as per the CERC Regulations. Therefore, the rate regulated entities can be exempted from these provisions of Ind AS 39, *Financial Instruments: Recognition and Measurement*.	
C: Oil & Gas Exploration and Production sector *Exploration and evaluation expenditure* Currently, two alternative methods are available under IGAAP to account for exploration and evaluation (E&E) expenditure: **Full cost method** requires all exploration and development costs to be capitalised, even for unsuccessful wells. **Successful efforts method**: Here all costs are	It may be noted that application of Ind AS 106, *Exploration for and Evaluation of Mineral Resources*, had been deferred by the MCA while placing the Ind AS on its website for the following reasons: "The Ministry of Corporate Affairs was of view that from the definition of the "Exploration and Evaluation Assets" given in Appendix A

initially capitalised as intangible assets. If commercially viable reserves are determined, costs pertaining to that block is added to PPE and depreciated over its useful life. Under Ind AS 106, there is no specific requirement to follow any of the above methods. Ind AS 106 requires an entity to segregate E&E expenses into the following three phases: **Pre-exploration phase:** Expenses to be charged to the statement of profit and loss, unless the expense meets the definition of an asset under any IFRS. **Exploration & evaluation (E&E) phase:** IFRS provides entities with an accounting policy choice to either capitalise such expenses or charge against profits. **Development phase:** The expenses during the development phase are capitalised based on recognition and measurement principles of intangible assets standard (Ind AS 38). Ind AS 106 requires E&E assets to be tested for impairment if there are facts suggesting that the carrying amount of an asset may exceed its recoverable amount. An asset may be tested for impairment if the company's right to explore in a particular area will expire in the near future and is not expected to be renewed, the company has not planned any significant exploration expenditure in the area, or the company's efforts have not led to the discovery of any commercially viable resources in the area. The current practice of international companies seems to suggest that the full cost method may not be an acceptable practice under Ind AS. In India, all companies except a few companies, follow successful costing method. Therefore, the impact would not be much. Those companies that follow full costing method are allowed to carry forward their current costs of the assets under Ind AS 101. Only going forward, adoption of the successful efforts method will result in lower	of the Standard, it appears that the entity may treat the exploration and evaluation assets as expenditure or as assets depending upon the accounting policy adopted by it meaning thereby that sometimes the entity may treat it as assets and at other times, it may treat it as expenditure defeating the very purpose of the presentation of the true and fair view of the financial statements as required by section 211 of the Companies Act. The fact is that the entity may change such accounting policy at any time depending upon its whims and fancies and at the same time declare in the Directors' Report that it has fully complied with Ind AS 106 notified under the Act leading to creating an impression in the mind of the public that it has complied with the Ind AS 106 whereas the Ind AS 106 has not prescribed any accounting treatment and has left it to the corporates to adopt any treatment depending upon the its own accounting policy. Thus, when the corporates have to adopt any accounting treatment depending upon its own accounting policy, there is no need to have such an Ind AS creating false impression of strictness in the mind of the public". The matter was considered by NACAS at its 45th meeting which decided as follows: "The Committee considered the issue and felt that it would be necessary to issue the proposed Standard as it allows companies in the relevant sector such as Oil and Gas Companies to continue capitalization of expenditure incurred on Exploration for and Evaluation of Mineral Resources in their balance sheets in accordance with their existing accounting policies. As other Ind ASs converged with IFRS do not permit such capitalization, such companies would not be able to capitalize such expenditure as per their existing accounting policies. Apart from this, the Standard provides specific guidance on assessment of the impairment of the Exploration and Evaluation Assets where these are capitalized. The Committee

profits in the current year as expenditure pertaining to unsuccessful efforts will be immediately recognised in the statement of profit and loss . The carrying value of assets will be reduced by the amount of expenses in the year and so will the net worth. Lower profits will adversely impact return on assets and return on capital employed in the year of change and lead to higher returns in subsequent years on account of the lower base. The table below summarises the impact of the change from the full cost to the successful effort method:

Impact of change from full cost to successful effort method

Impact on	*Current year*	*Subsequent years*
Net profit	**Lower**	**Higher**
Fixed assets	**Lower**	**Lower**
Net worth	**Lower**	**Lower**
ROA	**Lower**	**Higher**
ROCE	**Lower**	**Higher**

also felt that in the absence of the standard, there would be absolutely no standardization of accounting policies as no other standard, even partly deals with the subject.

The Committee also expressed its view that a company cannot arbitrarily change its accounting policies as apprehended by the MCA in view of the requirements of Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which lays down the situations in which an accounting policy can be changed."

At its 48th meeting, the NACAS again considered the matter and noted that certain oil and gas exploration companies had expressed their concerns that Ind AS 106 is not a complete Standard and that the *Guidance Note on Accounting for Oil and Gas Producing Activities* issued by the ICAI needed to be revised as it does not address certain concerns of such companies. However, these concerns primarily do not affect Ind AS 106. It was further noted that Ind AS 106 was a limited scope standard. The Committee therefore felt that Ind AS 106 would be acceptable provided that-

(ii) the concerns of the industry are met in the Guidance Note; and

(iii) there is no conflict between the Guidance Note and Ind AS 106.

With a view to address the concerns of the oil and gas companies, the existing *Guidance Note on Accounting for Oil and Gas Producing Activities* has been revised by the ICAI in the context of existing Accounting Standards. The representatives of the industry were extensively involved in the revision of the Guidance Note. However, in the context of Ind AS 106, the Guidance Note may have differences with Ind AS 106 insofar as impairment of assets is concerned. The matter was considered by the ASB which advised the Research Committee of the ICAI to follow the position stated in Ind AS 106. The matter was considered by the Research Committee which has revised the Guidance Note to meet the concerns of the industry in the context

	of the existing Accounting Standards and that insofar as Ind AS 106 is concerned it decided that it would revise the Guidance Note once the Ind AS 106 is implemented by the Government as advised by ASB so that there is no conflict with Ind AS 106. Keeping this in view, the NACAS decided to recommend to the Ministry of Corporate Affairs that Ind AS 106 should not be deferred and it should also be notified alongwith the other Indian Accounting Standards as the ICAI would revise the Guidance Note.
Restoration/Abandonment costs 1. Both IGAAP and Ind AS require companies to provide for restoration costs, net of salvage value. Under Ind AS, a provision is required to be created at the initial stage by discounting the eventual estimated liability to its present value. The discount is unwound by way of recognising an interest expense over the life of the asset. IGAAP do not require discounting of abandonment costs. Adoption of Ind AS will lead to lower fixed assets and liabilities as companies will now have to discount the eventual liability rather than recognizing the total amount as liability and adding it to the cost of production. It will also result in lower depreciation (due to lower fixed assets) and higher finance costs on account of unwinding the discount over the life of the asset. 2. Oil and gas companies presently provide for restoration/abandonment costs on the basis of current costs rather than on the basis as required in Ind AS. It was suggested that for the purpose of the first time adoption of Ind AS, such companies should be permitted to carry forward the abandonment cost at the current cost.	 1. It is felt that the discounting of the amount of provision for restoration cost is in line with the approach of Ind AS to value such items at net present value which reflects the true economic value of such amounts. 2. Ind AS 101 already permits companies to continue to carry forward the carrying amounts of property, plant and equipment as per the existing IGAAP at the time of first time adoption of Ind AS. Since abandonment costs would form part of the oil and gas producing property, the same can continue to be part of the carrying amount of the said asset in case an oil and gas company decides to adopt this option provided under Ind AS 101. However, going forward, the provision should be created in accordance with the principles laid down in Ind AS as discussed at 1 above.

Charging of depreciation on oil wells The Ind AS requires charging of depreciation on the basis of the useful life of the assets. It also allows use of 'unit of production' method as the method of depletion in case of oil and gas reserves. On the other hand, Schedule II to the new Companies Act, 2013 indicates a life of 25 years for oil wells. Since the life of an oil well depends upon the rate of extraction of oil from the well, it would not be appropriate to prescribe any life for the oil well even though it may be indicative.	It is suggested to the MCA that the oil companies may be required to follow the unit of production method as the appropriate method of depletion instead of prescribing/indicating the useful life of oil well in Schedule II.
Componentisation of assets IAS 16, *Property, Plant and Equipment*, requires componentisation of fixed assets such as property, plant and machinery. There is no exemption from componentisation at the time of the first time adoption of Ind AS 101. In the oil and gas industry, some of the assets are more than 50 years old and, therefore, arriving at the cost of components would be very difficult to arrive at. Some of the assets might have been completely written off but may still be operational. In view of this, it would be a challenge for the oil and gas companies to follow the component approach at the time of first time adoption. *Function-wise presentation of expenses in the statement of profit and loss* Oil and gas companies feel that even though currently also the statement of profit and loss requires nature-wise presentation of expenses, keeping in view the nature of the industry, it would be appropriate to have function-wise classification under Ind AS also as in IFRS.	It is noted that Schedule II to the Companies Act, 2013 also requires componentisation of the property, plant and equipment and that there are no specific relaxations in this regard at the time of the first time application of Schedule II. While the concern is understandable yet it is not insurmountable that the component approach cannot be adopted at the time of first time adoption. One can always arrive at the appropriate basis on which the assets can be segregated into major components since it is only in respect of significant components where the lives are different that the component approach would have to be adopted. The ICAI can provide separate guidance for adoption of component approach. While IFRS permits function-wise classification of expenses also where appropriate, a conscious decision was taken by the MCA not to allow function-wise classification in the Ind AS in view of the difficulties involved as well as to ensure comparability between the companies.
D: Telecom sector ***Revenue Recognition- Activation fee (Customer Connection revenue)*** *Treatment under Ind AS 18*	It is felt that the treatment of the activation charges depends on its nature. Some of the companies are deferring the activation charges over the period of rendering of service as would be

Activation fee/installation charges or similar nature of other charges is recognized over the expected life of the customer and is not permitted to be recognized upfront. *Treatment under existing AS-9* There is no specific guidance under the existing Accounting Standard. Companies are generally recognising activation revenue/other similar revenue upfront and showing revenue in the year of receipt. *Impact on accounts on adoption of Ind AS* Adoption of Ind AS will affect (reduce) the revenue of the relevant year in which the mobile connection is given due to its spread over the expected life of the customer. This will be a case of deferment of revenue. *Consequential effect on adoption of Ind AS* As the revenue for the year of transaction will come down, the licence fee payable to the regulator will be reduced for that year. However, the revenue will be accounted for in future years and licence fee will accordingly be deferred to those years. The deferment of revenue will have an impact on the profit for the year of transaction as well as future years and consequently on RoCE.	done under Ind AS, in a situation where activation fees contains service element. As Ind AS 18 makes such a requirement abundantly clear, compared to AS 9 which lays down only the general principles. It would only improve accounting for activation fees.
Revenue Recognition- Multiple Deliverables in Telecom Companies *Treatment under Ind AS 18* In case of bundled sales involving multiple components/services, such multiple deliverables/ components of bundled sale shall be required to be divided into separate units for accounting and the consideration is to be allocated based on their relative fair value as a stand-alone service/item.	Although specific guidance is not provided under the existing AS 9, it is possible and permitted to unbundle the components of bundled sales for the purpose of recognition of revenue. Application of Ind AS 18 in this regard would therefore improve recognition of revenue on a more scientific basis. The ICAI is also of the view that there may be an

Treatment under existing AS-9 There is no specific guidance under the existing Accounting standard. Companies are recognising revenue as a single unit and are not splitting revenue based on the component/ service in the bundled sales. *Impact on accounts on adoption of Ind AS* There will be no impact on overall revenue of the company. As Ind AS 18 requires the consideration to be allocated on the basis of fair value of each unit/service/item, only the classification of revenue will change. *Consequential effect on adoption of Ind AS* No consequential impact on revenue or assets/liabilities. However, the classification of such revenue will change on account of presentation of its break up.	impact on revenue recognition and asset/ liabilities in this regard since after unbundling the components, different accounting treatments need to be applied to various components.
Revenue Recognition- Customer incentives (Free Minutes) in Telecom Companies *Treatment under Ind AS 18* Revenue recognition per minute is to be adjusted for the impact of free talk time. In other words, revenue per minute will be reduced by the amount of bonus talk time, i.e, revenue is measured at effective rate per minute. *Treatmentunder existing AS-9* There is no specific guidance under the existing Accounting Standard. Free talk time to customer is presently ignored for the purpose of measurement of revenue. Revenue recognition is based on actual usage of chargeable talk time by customers. *Impact on accounts on adoption of Ind AS* If the whole talk time is utilised by the customer within the same financial year, there will be no impact on the revenue. However, if this is not the case, then the revenue for the financial year in	Free minutes are linked to the paid talktime, and hence they have value. Accordingly, the principles of recognition of revenue as prescribed in Ind AS 18 would improve the accounting and reflect the true economics.

which the transaction takes place will be reduced by the unutilised talk time (adjusted after free talk time) but the revenue of the subsequent year/(s) will be increased when the remaining talk time is utilised or the validity period of use of talk time expires. *Consequential effect on adoption of Ind AS* If the whole talk time (adjusted after free talk time) is not utilized, the revenue of the current financial year will be reduced and consequently licence fee payable to the regulators will also be reduced for that year. However, the revenue and licence fee payable to the regulator will be deferred to subsequent year/(s). This deferment will have an impact on the profit for the year of transaction as well as for subsequent years and consequently on RoCE.	
Gross versus net recognition of revenuesin Telecom Companies Companies in the telecom sector enter into a number of arrangements involving more than one party in the rendering of the services to the end customer. Common examples include: (i) Provision of third-party content, e.g., ringtones, games and traffic updates. (ii) Interconnect agreements that allow telecom companies to terminate calls on the network of other companies. Indian GAAP does not provide any specific guidance on identifying whether a company is acting as a principal or an agent, and therefore, whether it should recognize gross revenues or net amount. In contrast, Ind AS 18, *Revenue*, includes specific guidance on this issue. It provides that a company is acting as a principal only when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. In addition, it delineates specific factors that need to be considered.	It may be noted that the definition of the term *Revenue* in the existing AS 9 also recognises that in case of an agency relationship, only the commission should be considered as revenue, although the Standard does not lay down specific factors to be considered for identifying whether there is any principal-to-principal relationship or principal-to-agent relationship. Thus, it is felt that the accounting for revenue prescribed in Ind AS 18 would improve the accounting by providing guidance on identifying whether a company is acting as a principal or as an agent.

It is felt that the application of Ind AS will require Indian telecom companies to critically evaluate various arrangements to identify the nature of each arrangement.	
Indefeasible right to use (IRU) Telecom, being a capital-intensive industry, requires significant costs to be incurred on setting up network infrastructure such as mobile towers and fiber optic cables. A "right-to-use" fiber optic cables in a network for an agreed period of time, in return for a payment or a series of payments, is very common in the telecom sector. These arrangements are typically structured as purchase, sale or service arrangements, rather than as straight-forward leases. The current Indian GAAP do not specifically require the identification of leases embedded in service arrangements; however, there is no prohibition as well. By implication, there is diversity in the accounting practice. In Ind AS regime, the application of Ind AS 17, *Leases*, will require all companies to assess whether such contracts are or contain a lease. Lease accounting may have a significant impact on the financial statements of both the service provider and the customer. If the agreement contains a right to use the asset, e.g., fibre optic cables and is in the nature of a finance lease, the Standard will require the service provider to derecognize the proportionate underlying asset(s) from its financial statements and correspondingly recognise profit/loss on sale in the statement of profit and loss. The same asset will get recognised in the financial statements of the customer. If the lease is evaluated to be an operating lease, the straight-lining of lease payment may have a significant impact. The above issue was also raised by certain power sector and infrastructure companies.	It is noted that the issue raised is dealt with in Appendix C, '*Determining whether an Arrangement contains a Lease*' of Ind AS 17, *Leases*. It may also be noted that while notifying the Ind AS on its website, the MCA had deferred application of this Appendix of Ind AS 17. The ICAI reiterates its view that the treatment contained in the Appendix is appropriate keeping in view the substance of the transaction.
Accounting for free talk time on on-time payment or early payment of the bill.	

Telecom companies provide incentives for on-time payment or early payment of bills in the form of free talk time. A clarification was sought as to how this can be accounted for under Ind AS.	It is felt that the matter does not require any changes in Ind AS 18 or any other Standard since it is a matter of providing clarification. Accordingly, it is felt that a clarification in this regard can be provided as an implementation guidance by the ICAI separately.
Difficulties in implementing component accounting in companies telecom Telecom towers costing upto Rs. 30 lacs have certain significant components which have different useful lives, for example, cards. These cards are interchangeably used on different towers. It is felt that adopting component accounting for the purpose of Ind AS 16, *Property, Plant and Equipment*, would present problems.	It is felt that the matter does not require any change in Ind AS 16 or any other Standard since it is a matter of providing clarification. Accordingly, it is felt that a clarification can be provided as an implementation guidance by the ICAI separately.
E: Information Technology (IT) sector *Revenue Recognition: Post-Customer Support Services in Information Technology Companies* There is a significant diversity of accounting treatment under Indian GAAP on revenue recognition. Typically, accounting by companies that are listed in the US market is influenced by the US GAAP, which is highly prescriptive and rule-based with extensive industry-specific guidance. Other technology companies may not be influenced by US GAAP. In such cases, the accounting practices are more driven by the legal form given in the agreement, rather than their true economic substance. In either case, the application of Ind AS (and any further ICAI guidance) may change the accounting practice followed. An example in this regard is Post-contract Customer Support (PCS). Under the Ind AS regime, the application of Ind AS 18, *Revenue*, will require the company to treat the PCS as a separately identifiable component of the sales transaction and allocate a part of the total consideration toward this component. However, the Ind AS does not mandate the use of relative-selling-price method. The company is free to use other methods as well for allocation, e.g., the	It is felt that the principles prescribed in Ind AS 18 are robust as the companies which provide post-contract service support free of cost are not really doing so free of any charges, as such charges are ordinarily inbuilt in the original selling price. Accordingly, it is appropriate to bifurcate revenue between the two components and defer the revenue pertaining to component relating to the PCS to the period in which the service is actually rendered. This will improve the accounting.

residual method.	
Share Based Payments *Valuation model* As allowed under both the Guidance Note on the subject issued by the ICAI and the relevant SEBI guidelines, most Indian companies use intrinsic value method for recognition of employee-share based payment, resulting in recognition of nil or small compensation cost. Ind AS 102, *Share Based Payment*, mandates the use of fair value method. This will result in a significant increase in employee compensation cost. *Graded vesting* Under Indian GAAP, companies have an option regarding expense recognition of an award that has a graded vesting schedule. A company can elect to recognise compensation expense either over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards, or on a straight-line basis over the requisite service period for an entire award. Many companies have elected the latter option primarily due to its relative simplicity in application. However, Ind AS 102 requires a company to treat each instalment of a graded vesting award as a separate grant. This will require separately measuring and attributing expense to every tranche of an award at each reporting date (for example, quarterly), thereby accelerating the overall expense recognition.	It may be noted that the ICAI had earlier discussed the issue with SEBI. At that time, SEBI had indicated that once Accounting Standard based on Ind AS 102 is issued, it would withdraw its guidelines as it is felt that the valuation method prescribed in Ind AS 102 is appropriate. With regard to accounting in the situation of graded vesting grants, it is appropriate that the methodology prescribed in Ind AS 102 needs to be followed as this is the scientific methodology as compared to the other methodology of spreading the compensation cost over the life of the grant on straight-line basis.
F: Drugs and Pharmaceuticals sector *Free samples distributed by Pharmaceutical Companies* Pharmaceutical companies distribute a significant part of their products as “free samples” to physicians and hospitals so as to increase awareness about their products. The cost of these samples is recognised as a marketing expense under both the Indian GAAP and Ind AS. However, the key issue is regarding the timing of expense	It is felt that guidance in the matter, if required, may be issued separately as it involves application of principles and not a change in the Ind AS.

recognition. AS 26 under Indian GAAP requires advertising/marketing expenditure to be expensed off as and when incurred, without providing any guidance on the notion "… when it is incurred." The Expert Advisory Committee (EAC) of the ICAI has given an opinion, which requires the stock of samples to be disclosed under the head "current assets". These are written off to the statement of profit and loss when actually distributed. The notion of "… when it is incurred" has been dealt with more clearly in Ind AS. Ind AS 38 clarifies that the advertising and promotional expenditures are recognised as expenses when the entity has the right to access the goods or when it receives the services. Paragraph 69A of Ind AS 38 has the following detailed guidance as to when advertising and promotional expenditures should be expensed. "An entity has a right to access goods when it owns them. Similarly, it has the right to access goods when they have been provided by a supplier in accordance with terms of a supply contract and the entity could demand delivery of them in return for payment. Services are received when they are performed by supplier in accordance with a contract to deliver them to the entity and not when the entity uses them to deliver another service, for example, to deliver an advertisement to customers." It is believed that the application of the above guidance may require companies to recognise product costs as a marketing expense when it is packaged as sample product and not when it is distributed free.	
G: Automobiles sector *Securitisation* Stringent conditions for securitisation of loans will impact the financing arms of auto companies. Under IGAAP, an entity may de-recognise its assignments of loans and advances with credit	 Accounting for securitization under Ind AS reflects accounting of the underlying economics of the transactions. Accordingly, it is felt that this will improve the accounting in the industry.

enhancements as a 'sale' transaction; i.e., when it meets the 'true sale' criteria prescribed by the RBI. Under Ind AS, the assessment of retention or transfer of risk and rewards is a critical criterion to determine if de-recognition is appropriate. Legal isolation/transfer is not sufficient criteria to achieve 'sale' accounting. Qualitative factors such as credit enhancement facilities provided by the originator to the special purpose trust or to a counterparty in the case of a direct assignment will also have to be evaluated to assess if the de-recognition criteria are met. As a result of reconsolidation of the securitised receivables, debt and interest cost will increase. The interest coverage and debt service ratios will decline and the debt-to-equity ratio will increase, resulting in an increased cost of debt in future.	
Consolidated Financial Statements Under Ind AS, consolidation is based on the control (both direct and indirect) over the entity rather than ownership. This may result in consolidation of some current joint ventures and associates and de-consolidation of certain joint ventures and subsidiaries based on contractual arrangements. In the auto industry, the partnerships between Indian and foreign auto companies, where the Indian company may hold a majority stake but has shared control with the foreign company, may be impacted under Ind AS. Based on the above guidance, if the consolidated entity is classified as an associate or a joint venture, the company would not be able to disclose the entire revenue of the investee in its consolidated financial statements. This would impact revenues, margins and return ratios. Ind AS provides indicators to determine whether an entity controls an SPE, including an assessment of an entity's exposure to the majority of risks and rewards of ownership of the SPE. Therefore, if the 'control' criteria over the SPE are met, the entity will be required to consolidate the SPE in its financial statements, even though it may have no legal ownership in the SPE. In the automotive	It is felt that the accounting for consolidation prescribed in the Ind AS is more robust as the definition of 'control' is principle-based as compared to the rule-based definition under AS 21. The Ind AS definition of 'control' is robust because it will involve consolidation of various SPEs and subsidiaries which are de-facto controlled by the companies. In other words, it will consolidate those structures which are at present outside the ambit of consolidation because based on the rule-based definition of 'control' they are not consolidated whereas since they are actually controlled either through an agreement or through some other means, the consolidation thereof will represent the true structure of the companies forming the group.

sector, the entity operates through a wide network of auto component manufacturers that work on an auto-pilot mechanism or are funded by the automotive company. Such arrangements need to be assessed for SPEs. If such entities are classified as SPEs and meet certain criteria, they are consolidated with the entity. Thus, all the assets and liabilities of these SPEs are recognised in the entity's consolidated financial statements, thereby affecting key ratios of the entity. IGAAP does not provide for such guidance.	
H: Retail sector *Customer loyalty programmes* IGAAP provides limited guidance on accounting treatment for loyalty reward points. Accordingly, many retailers do not account for cost of customer loyalty programmes. As per Ind AS, when a retailer grants loyalty reward points, it will have to separate the consideration into two components: fair value of goods and services provided and fair value of reward points. The retailer will defer the recognition of fair value of awards as revenues until they have been redeemed or expire. This would reduce revenue.	Accounting for customer loyalty programmes as laid down in Ind AS 18, *Revenue*, will fill the gap existing in the current Accounting Standards. Thus, the overall accounting in retail companies would improve.
I: General Comments 1. The definition of 'control', 'subsidiary' and 'Associates' is different in the new Companies Act, 2013, as compared to those contained in the Ind AS. In the interest of effective implementation of Ind AS, it is necessary that the definitions should be aligned. Further, it has been stated in the Act [explanation to section 129 (3)] that for the purpose of preparation of consolidated financial statements, the term 'subsidiary' would include associate and joint venture	It is noted that the draft Rule 9.4 issued by the MCA provides that the consolidated financial statements should be prepared in accordance with the Accounting Standards. Accordingly, it can be interpreted that the definitions contained in the Ind AS would be relevant for the limited purpose of preparing consolidated financial statements, while for other purposes, the definitions contained in the Act would be relevant. Also, for the purpose of the explanation to section 129(3), the aforesaid Rule can be interpreted to mean that the accounting for associates and joint venture would be in accordance with the relevant Accounting Standards for preparing consolidated financial statements. It may be mentioned that the aforesaid interpretation would be in line with the existing position in notified Accounting Standards, viz., the definition of 'relative' is different in AS 18, *Related Party* Disclosures, compared to the definition contained in the Companies Act, 1956.

2. At present, Ind AS 39 provides the requirements for hedge accounting where the hedges are considered as 'accounting hedges' which leave out certain hedging strategies which result into economic hedges. As compared to this, IFRS 9 is expected to deal with economic hedges and simplify hedge accounting. Accordingly, it was suggested that instead of first implementing Ind AS 39 as presently placed on the website of MCA, the industry should be required to shift to IFRS 9 directly. This would also avoid hardship to the industry of shifting to two Standards within a span of couple of years.	IFRS 9, at present, is incomplete. It is expected to be completed by the end of 2013 in respect of all aspects, except *impairment of financial assets*, which is expected to be completed by end of 2014. Although, some of the countries such as Australia and New Zealand have given the option to their companies to apply the requirements of the incomplete IFRS 9, many other jurisdictions, for example, Europe, have not yet endorsed IFRS 9. Accordingly, a conscious decision was taken not to issue Ind AS corresponding to IFRS 9 until the latter is complete.
3. Paragraph 29A of IndAS 21, *The Effects of Changes in Foreign Exchange Rates*, provides an option to recognise the exchange gains and losses in equity. However, there is no guidance in Ind AS 39 on how to account for the derivatives which are taken as hedges against the relevant foreign currency monetary items.	Under the requirements of Ind AS 39, hedging of foreign currency risk can be considered as a cash flow hedge. Accordingly, the foreign exchange changes in the hedged instruments would be recognised in the cash flow hedge reserve which would be recycled in the statement of profit and loss for the period in which the statement of profit and loss recognises the foreign exchange changes recognised in the equity as per paragraph 29 A. If necessary, ICAI may issue necessary guidance.
4. It was pointed out that various public sector companies enter into various transactions with other public sector companies. Since these public sector companies are controlled by the government, the transactions between the public sector companies are considered to be related party transactions and, accordingly, disclosures are required to be made in accordance with the requirements of Ind AS 24, *Related Party Transactions*. It was suggested that exemption may be provided from such disclosures where the enterprises are state controlled enterprises.	Paragraph 25 of Ind AS 24 already exempts disclosures of transactions between government related entities subject to certain other disclosures. It is felt that the extent of exemption provided is adequate.
5. Paragraph 69(d) of Ind AS 1, *Presentation of Financial Statements*, requires a company to classify a liability as current when it does not have an unconditional right to defer settlement of the liability for atleast 12 months after the reporting period. Paragraph	The ICAI tentatively agrees that an exception may be provided in the definition of 'current liability' contained in paragraph 69 (d) to recognize that in routine procedural types of non-compliances, the loan should not be considered as a current liability where the same has been regularised after the

	74 of Ind AS 1 further states that when an entity breaches a provision of long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agrees after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach, since the company does not have an unconditional right to defer its settlement at the end of the reporting period. It has been pointed out that in India, the banks at the time of entering into a loan agreement with the borrowers lay down various conditions some of which are more procedural in nature, for example, submission of stock statement periodically where the loans are secured against stocks. In case a company does not submit the stock statement as per the terms of the conditions while the loan may become recallable, in practice, as a matter of routine, the bankers normally accept the stock statements submitted after the date on which they are required to be submitted. Accordingly, rarely the loan is recalled because of non-compliance with such procedural and technical requirements. However, an application of the aforesaid requirements of the Ind AS 1 would require such term loans to be classified as current the moment a company does not submit the stock statement even though the lender submits the statement immediately thereafter. It is felt that these requirements of Ind AS 1 would result into unnecessary hardship for the companies as their current ratio and other ratios would undergo changes adversely.	balance sheet date and before the approval of the financial statements by the Board of Directors. It it is decided to incorporate the aforesaid exception, it will result into a carve out from the IFRS. However, it may be noted that before effecting the carve out, the due process of issuing the standard will have to be carried out which would include issuance of the Exposure Draft by the ASB, approval by the Council of the ICAI, approval by the National Financial Reporting Authority to be constituted under the Companies Act, 2013. Accordingly, processing of the revised Ind AS 1 would take sometime.
6.	IFRS 3, *Business combinations*, scopes out common control transactions, i.e., business combinations amongst the group entities. However, the corresponding Ind AS 103 in Appendix C deals with such combinations. It was suggested that the accounting prescribed	The accounting for common control transactions as provided in Appendix C of Ind AS 103 was finalised by NACAS after detailed deliberations. It, therefore, needs no change.

in the said Appendix, while following the pooling of interests method as in the existing AS 14, *Accounting for Amalgamations*, requires recognition of goodwill/capital reserve contrary to the requirements of AS 14. It was suggested that in case pooling of interests method is applied it should not result in creation of goodwill or capital reserve as such combinations are related party transactions.	
7. Ind AS 111, *Joint Arrangements*, placed on the ICAI website, which would replace Ind AS 31, *Interests in Jointly Controlled Entities*, does not permit proportionate consolidation method in respect of jointly controlled entities. It was suggested that this option as presently available under Ind AS 31 should continue as it results in more appropriate accounting for joint ventures compared to the equity method as prescribed in Ind AS 111 and it would facilitate segment reporting as well.	It is felt that ultimately the result under Ind AS 111 and under Ind AS 31 would be the same on the net position of the statement of profit and loss and the balance sheet. Accordingly, Ind AS 111 should replace Ind AS 31.
8. Ind AS 113, *Fair Value Measurement*, placed on the ICAI website requires fair value to be measured on the basis of the principle of 'highest and best use' for non-financial assets such as land. For instance, where land of an existing factory is to be fair valued for the purpose of Ind AS 16, the fair value would be arrived at on the basis of the highest and the best use of the land which may not be construction of a factory but could be the use of the land for construction of a shopping mall. Application of this principle would provide an unrealistic fair value of the land as the company as a going concern would not be contemplating disposing of the land. Accordingly, the fair value of the land should be determined based on the current use of the land in view of the going concern principle.	The principles of Ind AS 113 are based on the market perspective of fair value rather than entity-specific fair values. Wherever the fair values are to be entity-specific the same have been scoped out of Ind AS 113. In the present case, from the market perspective, it is meaningful for the users of financial statements to have the fair value based on highest and best use principle, as that is the objective of adopting revaluation model under Ind AS 16. Accordingly, no change is warranted in Ind AS 113

Other views expressed by industry at the Workshops

16. Apart from the specific suggestions on Ind AS as narrated in the above paragraphs, industry representatives also gave few other suggestions as discussed hereinafter.

Which Ind AS should be used for convergence?

17. There was an unanimous view that going forward, those Ind AS should be implemented which correspond to the IFRS in force as on the date of implementation. Thus, for instance, if Ind AS are enforced on one class of companies from 1st April 2015, then those Ind AS that correspond to IFRS effective on that date should be implemented and not those Ind AS that are placed on the MCA website which correspond to IFRS in force in 2011, as this would be a backward step resulting in India losing its international standing. The ICAI agrees with this view and as far as ICAI is concerned, it has formulated Ind AS that are at par with most of the new IFRS and the revised IFRS issued by the International Accounting Standards Board after February 2011.

Tax issues

18. While the issuance of Tax Accounting Standards may facilitate implementation of Ind AS, yet there are many tax issues which are still to be resolved, e.g., tax implications in case of adoption of fair value measurements under Ind AS 102, conversion of financial statements from functional foreign currency into financial statements based on presentation currency which is in Indian rupees resulting into exchange gains and losses under Ind AS 21, and Minimum Alternative Tax (MAT) issues arising from fair value measurements.

ICAI's views

The Ministry of Finance has issued Tax Accounting Standards. It is, thus, expected that many tax issues would get addressed and resolved. With regard to the other issues such as MAT, it is understood that the Ministry of Finance would address these issues once MCA notifies Ind AS.

Other suggestions

19. The other suggestions made by the industry and the ICAI's views thereon are as follows:

    (i) Industry's suggestion: There should be as less carve outs as possible so that the companies may take the benefit of claiming that the financial statements prepared on the basis of Ind AS are IFRS-compliant. Some companies believe that the

carve outs should be made only where there are conceptual differences with the IFRS and the same should be taken up with the IASB.

ICAI's views: The ICAI believes that there should not be any carve outs from the IFRS unless warranted by the economic, legal and regulatory requirements prevailing in the country. The ICAI also takes up the carve outs with the IASB. In certain cases, e.g., IAS 41, *Agriculture*, IASB has started to revise its standard on the suggestions made by the ICAI along with some other countries such as Malaysia.

(ii) *Industry's suggestion:* Since in most of the countries which have converged or adopted IFRS, the IFRS are applicable only on the consolidated financial statements, the Government should re-examine the implementation of Ind AS to both consolidated financial statements and separate financial statements since this would avoid tax issues as tax can continue to be computed based on the existing notified Accounting Standards thereby obviating even the need for Tax Accounting Standards.

ICAI's views: This issue was examined earlier in-depth and it was felt that Ind AS should be applied for consolidated financial statements as well as for separate financial statements.

(iii) *Industry's suggestion:* IAS 27, IAS 28 and IAS 31 and the corresponding new IFRS 10 and IFRS 11 provide exemptions to consolidated financial statements of intermediate companies in case the ultimate parent company prepares consolidated financial statements. Exemption has been provided as the consolidation of intermediate subsidiary is not useful from the perspective of the users of financial statements. It is, therefore, felt that such an exemption provided in IFRS should continue in the Ind AS also. Although, the Companies Act, 2013, does not provide this exemption but draft Rule 9.4 provides that the consolidated financial statements shall be prepared in accordance with the Accounting Standards. Thus, if the exemption is given in the Indian Accounting Standards, the same would be applicable for the purpose of the Companies Act itself.

ICAI's view: While the ICAI appreciates the view from the technical accounting perspective and from the perspective of industry as the exemption would remove the hardship, it is the prerogative of the Government to decide which companies should prepare consolidated financial statements.

20. Apart from the above, the industry representatives also expressed their views on the date of implementation of Ind AS. The majority view at the Mumbai workshop was that the Ind AS should be enforced from 1st April, 2015 with comparatives, if the Government makes an announcement in this regard by mid-November, 2013. The majority view at the Delhi and Chennai workshops was that the date of implementation should not be 1st April, 2015 but should be 1st April, 2017 in view of the following:

    (i) Time should be given for stabilization of Tax Accounting Standards which are yet to be announced by the Government. The companies will have to make their systems ready for two sets of financial statements – one for the purposes of the Companies Act and the other for tax purposes. Ideally, the Accounting Standards under the Companies Act should be implemented after one year of the implementation of the Tax Accounting Standards.

    (ii) International Accounting Standards Board is expected to finalize new Standards on *Revenue, Leases* and *Financial Instruments*, by the end of this year or by the end of next year. These Standards may come into force from 1st April, 2017 or later. In case, the industry is made to apply the existing Ind AS from 2015, then, only after two years, it will have to converge with the new Ind AS corresponding to the new IFRSs being formulated on the aforesaid subjects. It would, therefore, be appropriate to wait for the new Standards to be implemented by 1st April, 2017 and go in for implementation of Ind AS from that date.\

21. With regard to the manner of implementation, while some companies were in favour of phased implementation of Ind AS, as presently contemplated, others felt that as far as listed companies are concerned, Ind AS should be implemented for all listed companies at one go. Implementation of Ind AS at one go would also facilitate consolidation of entities which fall in different phases. For example, NBFCs, Banks and Insurance companies may form part of the groups of the manufacturing and trading companies which would facilitate consolidation.

Part B

One Set of Standards vs. Two Sets of Standards

Process

22. With a view to study the pros and cons of one set of standards *versus* two sets of standards, Accounting Standards Board of the ICAI constituted a Study Group comprising experts in the areas concerned. The Study Group held two full day meetings

at which an analysis was made of the existing Accounting Standards, Ind AS and IFRS with a view to understand the impact of exemptions/relaxations which may have to be given in case one set of accounting standards are to be followed.

Arguments for one set of Accounting Standards

23. The arguments that can be advanced for one set of standards are as follows:

(a) The present framework gives exemptions/relaxations to small and medium companies (SMCs) from the provisions contained in various existing notified Accounting Standards. This principle can be continued in the Indian Accounting Standards (Ind AS).

(b) The financial statements of all companies would be comparable only if one set of accounting standards are followed facilitating users, viz., investors, banks, statutory authorities and others.

(c) It would be easier for companies to integrate to full Ind AS once their size becomes large or when they get listed on a stock exchange.

(d) It would be more convenient for the professionals, namely, the auditors who will have to study and apply only one set of accounting standards, since many of the professionals would be involved in the audits of larger companies as well as smaller companies.

Analysis of arguments for one set of Accounting Standards

24. On the basis of the analysis made in respect of exemptions/relaxations which may have to be provided in a single set of Accounting Standards, the arguments for one set of Accounting Standards were examined and the analysis in this regard is discussed hereunder.

Practicability of incorporating exemptions/relaxations in the Indian Accounting Standards

25. It is noted that in the existing notified Accounting Standards, the exemptions/relaxations incorporated are not significant in number in view of the fact that the said Standards contain simple recognition, measurement and disclosure requirements. Only in case of Accounting Standard AS 15, *Employee Benefits*, and Accounting Standard 28,

Impairment of Assets, relaxations have been given in respect of measurement principles. The rest of the exemptions/relaxations relate to disclosure and presentation. As compared to the existing notified Accounting Standards, the Ind AS are complex in nature. While granting exemptions/relaxations in respect of disclosure requirements would present no problem if one set of Ind AS are to be made applicable, it would be extremely difficult if exemptions/relaxations are required to be incorporated in the Ind AS in respect of measurement principles which would in some cases affect even the recognition and classification in view of the fact that the measurements in some of the IFRS drive recognition and classification, e.g., in financial instruments. Such exemptions/relaxations would have impact not only in one standard in which exemption/relaxation is given but would also have all pervasive effect over the entire gamut of the framework of Ind AS as most of the Ind AS are inter-related. With a view to demonstrate whether it would be practicable to incorporate exemptions/relaxations from the measurement principles in the Ind AS, a detailed exercise was conducted for various Ind AS and the results of the exercise are discussed hereafter.

Fair value measurements/measurements involving use of discount rates

26. Many of the Ind AS, particularly those on financial instruments, require measurements at fair value not only at the time of initial recognition but also at the time of subsequent measurements. The determination of fair value is a simple exercise provided the quoted prices of the concerned assets and liabilities are available in markets which are orderly and have depth and breadth. In India, such observable market prices are not available for most assets and liabilities in view of the absence of markets having necessary depth and breadth. Accordingly, fair values are to be determined based on valuation models which is a complex exercise requiring services of experts in the areas concerned. While large companies are expected to have access to necessary expertise and skills, it is extremely onerous and expensive for small companies to have access to such skills and expertise. In the absence of such expertise and skills to small companies, if such companies are made to determine fair values, the fair value measurements would not be reliable.

27. In certain Ind AS, for example, in the standard on financial instruments, the measurements require use of discount rates to arrive at the carrying amounts of relevant assets and liabilities. A company has to select a discount rate that is appropriate keeping in view its own business model, capital structure and operating environment. While determination of appropriate discount rate would not be too cumbersome for larger companies in view of the expertise available to it, such a determination would be cumbersome for smaller entities and in case such measurements are imposed on the smaller entities, the resulting measurements may not be reliable. Similar would be the situation where some measurements require application of rates of interest other than

those stated in the contractual arrangements, for example, for the purpose of computing amortised costs in case of certain financial instruments, effective interest rate is required to be used.

28. Further, it is not only a question of providing relaxations/exemptions from the fair value and other measurements as specified in the above paragraphs but the alternative measurements that are to be used, for example, cost, would also have to be stated. Thus, wherever in a Standard the fair value measurement is required it has to be replaced with the alternative measurement basis, which may have consequences in other related Ind AS.

29. With a view to study the impact of providing exemptions/relaxations in respect of fair value measurements and other similar measurements as specified in the above paragraphs, as a test case, the Indian Accounting Standard (Ind AS) 39, *Financial Instruments*: *Recognition and Measurement*, was selected which is extensively fair value based. Some of the major changes which may be required in the Standard could be as follows:

    (i) The Standard requires classification of financial instruments in four categories, viz., (a) Financial assets or financial liability at fair value through profit or loss (FVTPL), (b) Held to Maturity (HTM) investments, (c) Loans and receivables, and (d) Available For Sale (AFS) financial assets. It may be noted that in case of financial assets or liabilities covered in categories (a) and (d), i.e., FVTPL and AFS, measurements at fair value would be required not only at the time of initial recognition but also at the time of subsequent measurements. Similarly, in respect of the other two categories, i.e., held to maturity investments and loans and receivables, the measurements have to be initially at fair value but the subsequent measurements would be at amortised cost requiring use of effective interest rate method. If exemption is required to be given in any of the categories from fair value measurements, many issues would arise. For example, whether AFS category is required to be measured at cost instead of fair value; whether the HTM investments and loans and receivables are to be measured at cost or at the transaction value instead of amortised cost etc. A question would also arise as to the need for having three categories.

    (ii) The entire Standard, i.e., the requirements relating to measurement, impairment and hedge accounting are based on the aforesaid classification. If exemptions/relaxations are required to be given to small companies, for example, based on cost, then the requirements related to classification, measurement, impairment and hedge accounting will also undergo a total change.

(iii) In some cases, e.g., in case of derivatives that are not held as hedging instruments, if cost were to be used as the basis of measurement, some derivative transactions, e.g., forward contracts, would be off balance sheet as no cost is incurred at origination. This would not be a desirable accounting practice. In such cases, fair values may have to be considered as the appropriate measurement basis with simplifications.

(iv) If changes were to be made in accordance with the IFRS for SMEs, which is also to a large extent fair value based, the extent of changes required to be made in the corresponding IFRS to reduce complexities is given in Annexure 'G'.

30. In case relaxations/exemptions are to be given in respect of amortized cost determined by the effective interest rate, this will not only impact Ind AS 39 but it will also affect the other Ind AS, for example, Ind AS 18, *Revenue* and Ind AS 23 *Borrowing Costs*. The latter Standard would impact indirectly the other Ind AS, namely, Ind AS 2, *Inventories*, and Ind AS 16, *Property, Plant and Equipment*. Thus, wherever measurement of interest expense/interest income is involved in an Ind AS, it would be necessary to identify that Ind AS and make the necessary changes therein which in itself would be an onerous exercise.

Reducing complexities in other measurements and presentation

31. Apart from the Ind AS involving fair value and other similar measurements as discussed in the above paragraphs, some other Standards were also examined with a view to understand the impact of providing relaxations and exemptions. For instance, Indian Accounting Standard (Ind AS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, was selected to demonstrate the effect of making changes in the Standard itself. This Standard requires re-statement of prior year comparative amounts in case an error pertaining to a prior year is discovered in the current year and a change in accounting policy is made with a retrospective effect. It is felt that requiring smaller companies to re-state the prior year's comparatives in the current year's financial statements would be a cumbersome task as it will involve tracking the prior year's financial statements and then attempting to relate the same in respect of those prior years. Accordingly, if an exemption is to be given from requiring re-statement of prior year's comparatives in case of errors and changes in accounting policies and, instead, it is to be required that the effect of such errors and changes in accounting policies is to be given in the opening balance of reserves of the current year, it would involve changes at as many as 34 places in the Standard besides requiring total removal of Appendix B to the existing Ind AS 8. The Accounting Standards Board recently decided to revise existing AS 5 based on the Ind AS 8 which attempted to make several changes including the aforesaid changes. A marked copy of the said Standard is set out at Annexure 'H'

which shows the extent of changes which have been made in Ind AS 8 to give effect to the said relaxations. It would almost be impracticable to give effect in terms of wordings, references to paragraph numbers etc., if relaxations/exemptions are to be incorporated in Ind AS 8 itself. In other words, even a simple change like this would require many references at many places to be given either at the beginning or at the end of the Standard or within the Standard after the relevant paragraphs as presently done in the existing notified Accounting Standards. The smaller companies would find it difficult to keep track of all these references in different paragraphs.

32. Another Ind AS that was examined for the purpose of giving relaxations/exemptions is Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*, which is based on the 'functional currency' approach as compared to the simpler 'integral/non-integral' approach in the existing Accounting Standard (AS) 11, *The Effects of Changes in Foreign Exchange Rates*. The determination of functional currency in Ind AS 21 requires consideration of large number of factors affecting the cash inflows and outflows of an enterprise as the management is required to take a judgment call based on the effect a currency has on such cash flows. While the existing AS 11 has been in existence for more than 20 years in the country and the entities as well as the auditors are conversant with this approach, the functional currency approach would require various judgments to be made by the management of small companies who may not have the necessary expertise in this regard. Further, in case a company has functional currency which is a foreign currency, the financial statements are required to be first prepared in that foreign currency and then converted into presentation currency as per Ind AS 21 because, in India, for various statutory purposes, financial statements prepared in the foreign currency would not be acceptable. Thus, the smaller companies will have to undertake another complex exercise for which they may not be equipped. It may also be mentioned that ultimately the results of following the functional currency approach and integral and non-integral approach for smaller companies whose functional currency is Indian rupees would not be different. However, providing exemption from functional currency would mean that Ind AS 21 would have to be replaced with the existing AS 11.

33. Another Standard in which the approach is totally different as compared to the existing Standard is Ind AS 12, *Taxes on Income*, compared to AS 22, *Accounting for Income Taxes*. While Ind AS 12 is based on the balance sheet approach, AS 22 is based on the income statement approach. AS 22 has been in existence for about 12 years. While smaller entities have now become accustomed to this Standard, bringing in a new concept based on the balance sheet approach would be difficult to understand as the language and structure of the Standard is complex. This Standard requires understanding of new concepts such as taxable temporary differences, deductible temporary differences, tax base etc., as compared to AS 22. There would be some

instances where the results would be different if Ind AS 12 were to be applied compared to AS 22. Thus, it needs to be examined whether in view of less impact of the new Standard, i.e. Ind AS 12, as compared to the existing AS 22, it would be appropriate to ask the smaller entities to undergo the rigour to understand a Standard which contains complex requirements. Accordingly, if new approach is not to be imposed upon the smaller companies, and the existing approach is required to be continued to be followed for such companies, giving exemptions/relaxations from Ind AS 12 would not be sufficient as it would have to be replaced with the existing AS 22.

34. Another example where complex measurement requirements would be onerous for smaller companies would be Ind AS 18, *Revenue*, which operates on the presumption of separation of multiple deliverables in case of sale of goods and services. Many smaller entities also may be selling products bundled with certain services, for example, a small manufacturer may give an extended warranty for its products. This Standard would require separation of revenue from the sale of the product and the sale of the extended warranty as it would be considered as a separate service. While the revenue from the product would be recognized as per the present requirements, i.e., in the period in which transfer of significant risks and rewards of ownership takes place, the revenue in respect of extended warranty would have to be recognized in the period in which the warranty service is availed by the customer. Similarly, a company which provides extended credit which results into part of the transaction being considered as a financing transaction, the interest element would have to be separated from the sale element and would have to be recognized separately. Further, the interest revenue in case of any loans etc., given by a company will have to be recognized not on the basis of the interest rate as per the contractual arrangements but will have to be on the basis of the effective interest rate. All these are some of the measurement complexities which exist in Ind AS 18. As the smaller entities are also likely to have the transactions of the aforesaid nature many changes will have to be made in the standard by providing alternative measurements at various places.

35. Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, is another standard which not only contains complex rule-based requirements, first to classify non-current assets as held for sale or as held for distribution but also onerous requirements involving measurements compared to the existing requirements in Accounting Standard (AS) 10, *Accounting for Fixed Assets*, which provides simpler requirements for assets retired from active use and held for sale in just two paragraphs. Accordingly, if the simpler requirements are to be provided to smaller entities, the entire Standard needs to be changed as the assets held for sale also has implications for accounting for discontinued operations. Instead, it would be simpler to include the existing two paragraphs in the Ind AS on accounting for property, plant and equipment and continue

with the existing AS 24, *Discontinuing Operations*, rather than requiring the smaller entities to follow this standard.

36. Apart from the above Standards, certain relaxations in measurements and reduction in complexities may have to be done in other Ind AS as well, the cumulative effect of which would result in incorporating changes not only in the relevant standards but also in other standards. Such possible changes are indicated in Annexure 'I'.

37. It may be noted that keeping in view the given time frame the above-mentioned changes in Ind AS in the measurement principles are indicative in nature as much more detailed exercise is required to be undertaken involving analysis of each Ind AS and due consultative process needs to be followed before changes can the finalised.

Experience of other countries

38. The IFRS are followed at present in more than 100 countries. An analysis was made whether the full IFRS are used for all entities or these are used primarily for the public interest entities. It has been found that almost all the countries including Argentina, Brazil, Canada, China, France, Germany, Korea, Russia, South Africa and United Kingdom have two sets of Accounting Standards. Even the International Accounting Standards Board that has issued the IFRS considers that the requirements contained in the IFRSs are complex and are meant to be followed by public interest entities. Accordingly, the IASB itself has issued an IFRS for SMEs which is used in more than 30 countries. Thus, the international experience of many countries (see Annexure 'J') also shows that two sets of accounting standards is a norm rather than an exception.

The Companies Act, 2013, recognizes two sets of accounting standards

39. On a perusal of the requirements of the new Companies Act, 2013, it is noted that various requirements of the Act recognise that there would be two sets of Accounting Standards. For example, the definition of 'financial statements' contained in Section 2 (40) states that it would include "a statement of changes in equity, if applicable"; which means that this statement would not be applicable for certain companies which are not yet identified but could be smaller companies. Further, Section 52 of the Companies Act, 2013, recognises that utilization of securities premium received on issue of shares would be different for different classes of companies depending on which set of accounting standards are applicable to the companies as per sub-sections 2 and 3 thereof. Also, Schedule II to the Companies Act, which prescribes useful lives of fixed assets to compute depreciation, recognises the rates of depreciation being prescriptive or indicative based on the applicable Accounting Standards. Thus, the Act itself recognizes

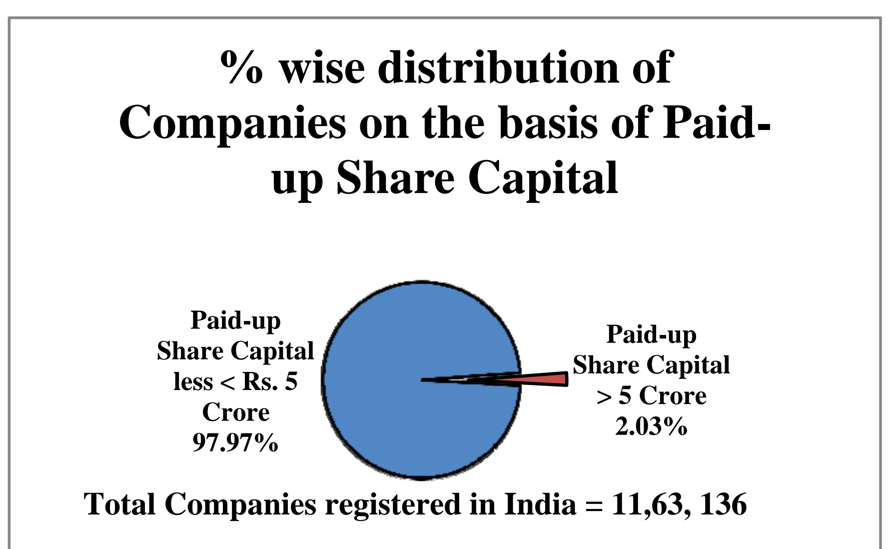
that there would be two sets of accounting standards applicable to different classes of companies.

Number of companies to be covered by Ind AS

40. According to statistics published in Business Line dated September 22, 2013, in October, 2011, there were 11,63,136 companies registered in India with the break-up of small and non-listed companies as reflected in the following graph:

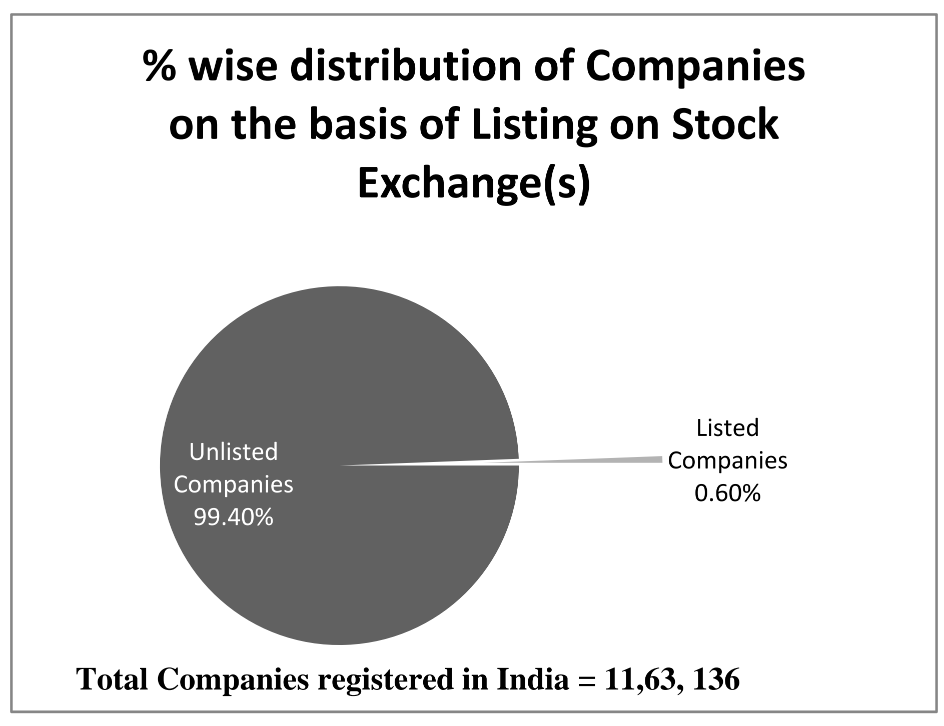
% wise distribution of Companies on the basis of Paid-up Share Capital

Paid-up Share Capital	No. of Companies	Percentage
Paid-up Share Capital less ≤ Rs. 5 Crore	1139547	97.97%
Paid-up Share Capital > 5 Crore	23589	2.03%
Total	**1163136**	**100.00%**



% wise distribution of Companies on the basis of Listing on Stock Exchange(s)

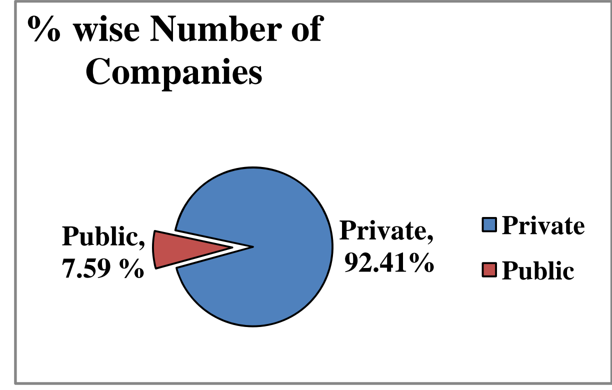
	No. of Companies	Percentage
Unlisted Companies	1156157	99.40%
Listed Companies	6979	0.60%
Total	**1163136**	**100.00%**

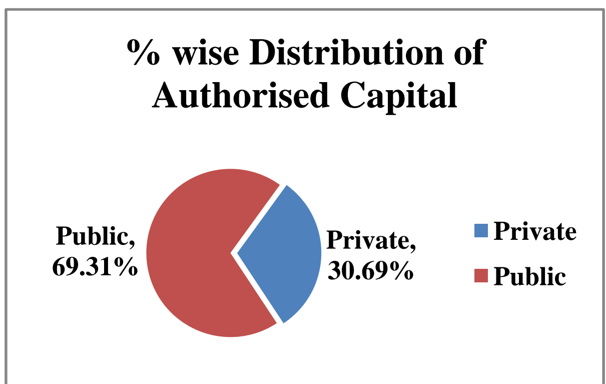


The data in respect of companies having turnover of more than Rs. 20 crore is not available.

Another set of data that may provide an indication of applicability of Ind AS to large number of private limited companies, most of which would be small companies, is provided in the following chart based on data available on the MCA website:

% wise distribution of Companies and Authorised Capital			
	Private	**Public**	**Total**
Number of Companies	92.41%	7.59%	100
Distribution of Authorized Capital	30.69%	69.31%	100





41. The above data gives an indication that there would be a large number of small companies which do not have significant public interest as they are funded primarily through their own sources or by banks which have access to their financial statements and other information in any case.

Other arguments for two sets

42. Apart from the above arguments for second set of Accounting Standards for smaller companies, the other arguments are as follows:

    (i) There will be a need to amend or change the Ind AS in many aspects for Small Companies (hereafter referred to as 'SC's) for following reasons:

    a) SC standards have to be responsive to specific needs of SCs, i.e., address the transactions, events and conditions typically encountered by SCs.

    b) *Users of SCs may have different sets of needs:* Users of financial statements of SCs may have less interest in some information in general purpose financial statements prepared in accordance with full Ind AS than users of financial statements of entities whose securities are registered for trading in public securities markets or that otherwise have public accountability. For example, users of financial statements of SCs may have greater interest in short-term cash flows, liquidity, balance sheet strength and interest coverage, and in the historical trends of profit or loss and interest coverage, than they have in information that is intended to assist in making forecasts of an entity's long-term cash flows, profit or loss, and value. However, users of financial statements of SCs may need some information that is not ordinarily presented in the financial statements of listed entities. For example, as an alternative to the public capital markets, SCs often obtain capital from shareholders, directors and suppliers, and shareholders and directors often pledge personal assets so that the SCs can obtain bank financing.

c) SCs Standards have to be drafted in a simplified language and structured suitably keeping in mind the skill sets and competencies of the preparers and users. Separate set of standards could include constraints such as consistent definitions of elements of financial statements and focus on the needs of users of financial statements of SCs. On balance, considering the cost-benefit considerations, limitations in, and the cost of, the accounting expertise available to SCs, it is necessary that a separate set of standards is appropriate for SCs.

As a result of the above stated primary reasons, there will be a large number of changes/amendments to Ind AS. These could be divergence from recognition and measurement principles, omission of certain topics altogether or options available, addition of new topics and exemption from /simplification in presentation and disclosures. While accommodating amendments on account of disclosure in the Ind AS itself could be easier/error free but the same approach is not practical for amendments in other areas such as divergence from recognition and measurement principles.

(ii) *Stability of SC Standards versus Frequent Changes due to changes in Ind AS*: It is recognized that Ind AS would undergo changes such as new Ind ASs, annual improvements and new interpretations. Considering the level and type of availablibility of human resources and accounting expertise, SCs will find it very difficult and impractical to assimilate new requirements and implement those on timely basis.

(iii) *Need for more and frequent guidance*: SCs would require more accounting guidance and advise on a timely and frequent basis. Under the rigid and lengthy due process for interpretation and guidance under Ind AS Framework due to alignment with Ind AS, it will be quite difficult to meet this unique need of SCs if there is no separate set of standard for SCs.

(iv) SCs need a user-friendly reference manual rather than the voluminous and unwieldy book. While it is a general perception that there is not going to be much difference in the size of material in both the approaches i.e. single set of Ind ASs with added exemptions to SCs or two separate sets one for SC and another for larger companies, the benefits of the latter approach can be demonstrated with the current approach of IFRS as follows:

Single Set – Ind AS including added section for SC carve outs (No. of pages is based on the size of IFRS which forms the basis of Ind ASs)	Dual Sets	
	Ind AS for larger companies	AS for SCs (No. of pages is based on size of IFRS for SMEs (India has not yet decided to converge with those Standards. However, these can be used to upgrade the existing Accounting Standards)
Approx. above 3300pages	**Approx. 3000**	**Approx. 300 pages**

Does second set of Standards necessarily mean significant difference in recognition and measurement principles?

43. The apprehension that recognition and measurement principles in the other set of Accounting Standards would be significantly different is misplaced in view of the fact that the second set of Standards would incorporate the recognition and measurement principles of Ind AS to the extent it is practical for small companies by upgrading the existing Accounting Standards. This would result in financial statements of smaller entities being prepared in accordance with recognition and measurement principles which are, to a large extent, similar to the Ind AS over a period of time. In other words, the process of transition for smaller entities, if it is through a gradual and evolutionary process, would result in greater acceptability and meaningful presentation of financial statements for the users of smaller companies and would ultimately result into a more meaningful transition to Ind AS.

What should be the second set of Accounting Standards?

44. The purpose of the above analysis was to demonstrate whether it would be appropriate to have one set of Standards for all types of companies, with suitable exemptions/relaxations to small companies. The ICAI is of a firm opinion that it would be appropriate to have two sets of Accounting Standards - one set of Standards for large, public interest companies and another set of simplified Accounting Standards for small companies, as in many other countries, by upgrading the existing Accounting Standards, by examining both Ind AS and IFRS for SMEs.

Annexures

Annexure A

List of Ind ASs placed on MCA website and corresponding revised Ind AS formulated by ICAI

S No.	**Ind ASs Placed on MCA Website***			**New/Revised Ind ASs (Post February, 2011) corresponding to the new/revised IFRSs issued by the IASB after finalisation of 35 Ind ASs hosted on the MCA's website. These Ind ASs have been finalised by the Council of the ICAI and sent to the National Advisory Committee on Accounting Standards (NACAS) for its consideration. These are subject to any changes, which may be made by the Government before their notification****		
1.	IAS 1	Ind AS 1	*Presentation of Financial Statements*	Amendments to IAS 1	Amendments to Ind AS 1	*Presentation of Items of Other Comprehensive Income*
2.	IAS 2	Ind AS 2	*Inventories*			
3.	IAS 7	Ind AS 7	*Statement of Cash Flows*			
4.	IAS 8	Ind AS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*			
5.	IAS 10	Ind AS 10	*Events after the Reporting Period*			
6.	IAS 11	Ind AS 11	*Construction Contracts*			
7.	IAS 12	Ind AS 12	*Income Taxes*	Amendments to IAS 12	Amendments to Ind AS 12	*Deferred Tax: Recovery of Underlying Assets*
8.	IAS 16	Ind AS 16	*Property, Plant and Equipment*			
9.	IAS 17	Ind AS 17	*Leases*			

10.	IAS 18	Ind AS 18	*Revenue*			
11.	IAS 19	Ind AS 19	*Employee Benefits*	IAS 19 (as amended)	Ind AS 19 (amended)	*Employee Benefits* (amended)
12	IAS 20	Ind AS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			
13	IAS 21	Ind AS 21	*The Effects of Changes in Foreign Exchange Rates*			
14	IAS 23	Ind AS 23	*Borrowing Costs*			
15	IAS 24	Ind AS 24	*Related Party Disclosures*			
16	IAS 27	Ind AS 27	*Consolidated and Separate Financial Statements*	i. IAS 27 (as amended) ii. IFRS 10 (new issued	i. Ind AS 27(as amended) ii. Ind AS 110	i. *Separate Financial Statements*(as amended) ii. *Consolidated Financial Statements.* (new issued)
17	IAS 28	Ind AS 28	*Investments in Associates*	IAS 28 (as	Ind AS 28 (as	*Investments in Associates*

				amended)	amended)	*and Joint Ventures* (as amended)
18	IAS 29	Ind AS 29	*Financial Reporting in Hyperinflationary Economies*			
19	IAS 31	Ind AS 31	*Interests in Joint Ventures*	IFRS 11 (Newly issued, it supersedes IAS 31)	Ind AS 111	*Joint Arrangements* (newly issued)
20	IAS 32	Ind AS 32	*Financial Instruments: Presentation*			
21	IAS 33	Ind AS 33	*Earnings per Share*			
22	IAS 34	Ind AS 34	*Interim Financial Reporting*			
23	IAS 36	Ind AS 36	*Impairment of Assets*			
24	IAS 37	Ind AS 37	*Provisions, Contingent Liabilities and Contingent Assets*			
25	IAS 38	Ind AS 38	*Intangible Assets*			
26	IAS 39	Ind AS 39	*Financial Instruments: Recognition and Measurement*			
27	IAS 40	Ind AS 40	*Investment Property*			
28	IFRS 1	Ind AS 101	*First-time Adoption of Indian Accounting Standards*	Amendments to IFRS 1	Amendments Ind AS 101	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

29	IFRS 2	Ind AS 102	*Share based Payment*			
30	IFRS 3	Ind AS 103	*Business Combinations*			
31	IFRS 4	Ind AS 104	*Insurance Contracts*			
32	IFRS 5	Ind AS 105	*Non-current Assets Held for Sale and Discontinued Operations*			
33	IFRS 6	Ind AS 106	*Exploration for and Evaluation of Mineral Resources*			
34	IFRS 7	Ind AS 107	*Financial Instruments: Disclosures*	Amendments to IFRS 7	Amendments to Ind AS 107	*Disclosures- Transfers of Financial Assets*
35	IFRS 8	Ind AS 108	*Operating Segments*			

List of Indian Accounting Standards (Ind ASs) corresponding to IFRSs not placed on MCA website at present

1. Indian Accounting Standard corresponding to **IFRS 9, *Financial Instruments,*** is not to be notified at present as it is incomplete and instead of this standard, Ind AS 39 is being notified.

2. Indian Accounting Standard corresponding to **IAS 26, *Accounting and Reporting by Retirement Benefit Plans*,** is not being notified as this Standard is not applicable to companies

3. Indian Accounting Standard corresponding to **IAS 41, *Agriculture***, is not to be notified as corresponding Indian Accounting Standard is being redrafted

* The Downloadable version of 35 Ind ASs placed on MCA web site is available at:

http://www.mca.gov.in/Ministry/accounting_standards.html

** Drafts of these Ind ASs are placed on ICAI Website. The downloadable version of the drafts is available at:

http://www.icai.org/post.html?post_id=9258

Annexure B

New Ind ASs (Post February, 2011) corresponding to the new IFRSs after finalisation of 35 Ind ASs formulated by the ICAI

These Ind ASs have been finalised by the Council of the ICAI and were sent to the National Advisory Committee on Accounting Standards (NACAS) for its consideration. These are subject to any changes, which may be made by the Government before their notification.

S No.	New IAS/IFRS	New Ind AS	Name of the Standard
1.	IFRS 12	Ind AS 112	Disclosure of Interests in Other Entities
2.	IFRS 13	Ind AS 113	Fair Value Measurement

These Ind ASs are placed on the ICAI Website. The downloadable version of the drafts is available at:

http://www.icai.org/post.html?post_id=9258

Annexure C

Revised roadmap for Implementation of Indian Accounting Standard (Ind AS)

For convergence of Indian Accounting Standards with International Financial Reporting Standards (IFRSs), a Press Release (No.2/2010) laying down roadmap for application of converged Indian Accounting Standards by companies (other than Banking companies, Insurance companies and Non-Banking finance companies) was issued on 22nd January, 2010. Further, a Press Release (No.3/2010) related to the roadmap for the application of the converged Indian Accounting Standards by the Banking companies, Insurance companies and Non- Banking finance companies was issued on 31st March, 2010. Subsequently, in response to the requests seeking clarifications on the roadmaps, a Press Release (No. 4/2010) containing a consolidated statement on clarification of roadmap was issued on May 04, 2010. Since the Ind ASs placed on the website of the MCA could not be implemented due to various reasons from 1st April, 2011 as per the aforesaid roadmaps issued, a revised roadmap for implementation of Indian Accounting Standards (Ind ASs) has been decided as under:-

1. As stated in earlier roadmaps for achieving convergence, there shall be two separate sets of Accounting Standards notified under the Companies Act, 1956. First set would comprise the Indian Accounting Standards (Ind AS) converged with the IFRSs which shall be applicable to the specified class of companies. The second set would comprise the existing notified Accounting Standards and shall be applicable to other companies.

2. The first set of Accounting Standards i.e. converged Indian Accounting Standards (Ind AS) shall be applied to specified class of companies in phases:-

(a) ***Phase I*:** The companies with net worth more than Rs.1000 crores shall prepare their first Indian Accounting Standards (Ind AS) financial statements for the accounting period beginning on or after April 1, 2015, with comparatives for the year ending 31st March 2015 or thereafter.

(b) ***Phase II*:** The companies with net worth of Rs. 1000 crores and more than Rs. 500 crores shall prepare their first Indian Accounting Standards (Ind AS) financial statements for the accounting period beginning on or after April 1, 2016, with comparatives for the year ending 31st March 2016 or thereafter.

(c) ***Phase III*:** The listed companies not covered under the above phases (i.e., Phase I and phase II) shall prepare their first Indian Accounting Standards (Ind AS)

financial statements for the accounting period beginning on or after April 1, 2017, with comparatives for the year ending 31st March 2017 or thereafter.

3. Non-listed companies which have a net worth of Rs. 500 crores or less shall not be required to follow the Indian Accounting Standards (Ind AS) which are converged with the IFRS but need to follow only the existing notified Accounting Standards.

4. Current version of Indian Accounting Standards

Companies to which Indian Accounting Standards (Ind AS) are applicable shall prepare their first set of financial statements in accordance the Indian Accounting Standards effective at the end of its first Ind AS reporting period unless otherwise specified. For example, companies covered under Phase I preparing financial statements for the accounting period beginning April 1, 2015 shall be required to apply the Ind ASs effective for financial year ending on 31st March 2016.

5. Calculation of net worth

For the purpose of calculation of qualifying net worth of companies, the following rules shall apply:

(a) The net worth shall be calculated as per the audited balance sheet of the company as at 31st March 2013 or the first balance sheet for accounting periods which end after that date.

(b) The cut-off date for calculating the net worth for application of Indian Accounting Standards for companies covered under Phase II and Phase III shall also be the audited Balance Sheet as at 31st March, 2013.

(c) The net worth shall be calculated as the paid-up Share Capital plus Reserves and Surplus less Revaluation Reserve.

(d) For companies which are not in existence on 31st March 2013 or an existing company meets the criteria for the first time after 31st March, 2013, the net worth shall be calculated on the basis of the first balance sheet ending after that date. The same principle is applicable for other dates of convergence, i.e., 1st April, 2016 or 1st April, 2017.

6. Voluntary Adoption

(a) Companies which are covered in Phase II or Phase IIII shall have an option for early application of the first set of Accounting Standards i.e. the Indian

Accounting Standards (Ind AS) only for the financial year commencing on 1st April, 2015 or thereafter.

(b) Companies not falling in any of the phases (i.e., Non-listed companies which have a net worth of Rs. 500 crores or less) shall have the option to apply the Indian Accounting Standards (Ind AS) voluntarily provided they prepare financial statements under the Indian Accounting Standards (Ind AS) consistently thereafter.

(c) The option to apply the Indian Accounting Standards voluntarily, once exercised, therefore, shall be irrevocable. Such companies would not be required to prepare another set of financial statements in accordance with existing Accounting Standards.

7. Applicability to subsidiaries, joint ventures or associates of companies covered under the convergence roadmap

(a) The criteria for applicability of Indian Accounting Standards (Ind AS) is to be considered for each company's standalone financial statements. The companies covered in a particular phase having subsidiaries, joint ventures or associates not covered in those phase/phases shall prepare their consolidated financial statements according to the first set of Accounting Standards (i.e. the Indian Accounting Standards).

(b) When one or more companies in a group fall in a phase other than the phase applicable to the parent company, they shall continue to prepare standalone financial statements according to the phase applicable to them but the parent may need to make amendments to these accounts for the purposes of consolidation as per the Indian Accounting Standards (Ind AS). Such subsidiaries, joint ventures or associates have the option for early adoption of Indian Accounting Standards (Ind AS).

8. Discontinuing use of the first set of Accounting Standards (i.e. the Indian Accounting Standards)

Once a company starts following the first set of Accounting Standards, i.e., the Indian Accounting Standards (Ind AS) on the basis of the eligibility criteria, it shall be required to follow such Accounting standards for all the subsequent financial statements even if any of the eligibility criteria does not subsequently apply to it.

9. The roadmap for banks, NBFCs and Insurance Companies will be decided in consultation with RBI and IRDA.

Annexure D

List of Companies invited for the Workshops

S No.	Company Name	Sector
1	Bayer CropScience Ltd	Agro Chemicals
2	United Phosphorus Ltd	Agro Chemicals
3	Kingfisher Airlines Ltd	Air Transport Service
4	SpiceJet Ltd	Air Transport Service
5	Jet Airways (India) Ltd	Air Transport Service
6	United Spirits Ltd	Alcoholic Beverages
7	United Breweries Ltd	Alcoholic Beverages
8	Bosch Ltd	Auto Ancillaries
9	Wheels India Ltd	Auto Ancillaries
10	Amtek Auto Ltd	Auto Ancillaries
11	Exide Industries Ltd	Auto Ancillaries
12	SKF India Ltd	Auto Ancillaries
13	Motherson Sumi Systems Ltd	Auto Ancillaries
14	Amara Raja Batteries Ltd	Auto Ancillaries
15	Ashok Leyland Ltd	Automobile
16	TVS Motor Company Ltd	Automobile
17	Tata Motors Ltd	Automobile
18	Mahindra & Mahindra Ltd	Automobile
19	Maruti Suzuki India Ltd	Automobile
20	Hero MotoCorp Ltd	Automobile
21	Escorts Ltd	Automobile
22	Bajaj Auto Ltd	Automobile
23	Force Motors Ltd	Automobile
24	Finolex Cables Ltd	Cables
25	Sterlite Technologies Ltd	Cables
26	ABB India Ltd	Capital Goods - Electrical Equipment
27	Kalpataru Power Transmission Ltd	Capital Goods - Electrical Equipment
28	Sujana Towers Ltd	Capital Goods - Electrical Equipment
29	Siemens Ltd	Capital Goods - Electrical Equipment
30	Crompton Greaves Ltd	Capital Goods - Electrical Equipment
31	K E C International Ltd	Capital Goods - Electrical Equipment
32	ALSTOM India Ltd	Capital Goods - Electrical Equipment
33	Jyoti Structures Ltd	Capital Goods - Electrical Equipment
34	Bharat Heavy Electricals Ltd	Capital Goods - Electrical Equipment
35	Alstom T&D India Ltd	Capital Goods - Electrical Equipment
36	Havells India Ltd	Capital Goods - Electrical Equipment
37	Apar Industries Ltd	Capital Goods - Electrical Equipment
38	Electrotherm (India) Ltd	Capital Goods-Non Electrical Equipment
39	BEML Ltd	Capital Goods-Non Electrical Equipment
40	McNally Bharat Engineering Company Ltd	Capital Goods-Non Electrical Equipment
41	Greaves Cotton Ltd	Capital Goods-Non Electrical Equipment
42	Tecpro Systems Ltd	Capital Goods-Non Electrical Equipment
43	Cummins India Ltd	Capital Goods-Non Electrical Equipment
44	Thermax Ltd	Capital Goods-Non Electrical Equipment
45	Kirloskar Oil Engines Ltd	Capital Goods-Non Electrical Equipment
46	ISGEC Heavy Engineering Ltd	Capital Goods-Non Electrical Equipment
47	Sundram Fasteners Ltd	Castings, Forgings & Fastners
48	Jayaswal Neco Industries Ltd	Castings, Forgings & Fastners
49	Bharat Forge Ltd	Castings, Forgings & Fastners

50	Shree Cement Ltd	Cement
51	India Cements Ltd	Cement
52	Chettinad Cement Corporation Ltd	Cement
53	Prism Cement Ltd	Cement
54	Ambuja Cements Ltd	Cement
55	J K Cements Ltd	Cement
56	Birla Corporation Ltd	Cement
57	UltraTech Cement Ltd	Cement
58	ACC Ltd	Cement
59	Madras Cements Ltd	Cement
60	JK Lakshmi Cement Ltd	Cement
61	OCL India Ltd	Cement
62	GHCL Ltd	Chemicals
63	Atul Ltd	Chemicals
64	Phillips Carbon Black Ltd	Chemicals
65	BASF India Ltd	Chemicals
66	Castrol India Ltd	Chemicals
67	Castrol India Ltd	Chemicals
68	Pidilite Industries Ltd	Chemicals
69	India Glycols Ltd	Chemicals
70	Gujarat Alkalies & Chemicals Ltd	Chemicals
71	Aarti Industries Ltd	Chemicals
72	Sadbhav Engineering Ltd	Construction
73	Consolidated Construction Consortium Ltd	Construction
74	NCC Ltd	Construction
75	Ramky Infrastructure Ltd	Construction
76	Simplex Infrastructures Ltd	Construction
77	Hindustan Construction Company Ltd	Construction
78	Patel Engineering Ltd	Construction
79	Unity Infraprojects Ltd	Construction
80	Punj Lloyd Ltd	Construction
81	Jaiprakash Associates Ltd	Construction
82	Videocon Industries Ltd	Consumer Durables
83	Bharat Electronics Ltd	Consumer Durables
84	Sujana Universal Industries Ltd	Consumer Durables
85	Bajaj Electricals Ltd	Consumer Durables
86	Blue Star Ltd	Consumer Durables
87	Whirlpool of India Ltd	Consumer Durables
88	Oil India Ltd	Crude Oil & Natural Gas
89	Cairn India Ltd	Crude Oil & Natural Gas
90	Oil & Natural Gas Corpn Ltd	Crude Oil & Natural Gas
91	Rajesh Exports Ltd	Diamond, Gems and Jewellery
92	SRS Ltd	Diamond, Gems and Jewellery
93	Titan Industries Ltd	Diamond, Gems and Jewellery
94	Shree Ganesh Jewellery House (I) Ltd	Diamond, Gems and Jewellery
95	Gitanjali Gems Ltd	Diamond, Gems and Jewellery
96	Shrenuj & Company Ltd	Diamond, Gems and Jewellery
97	Asian Star Company Ltd	Diamond, Gems and Jewellery
98	C Mahendra Exports Ltd	Diamond, Gems and Jewellery
99	M D Overseas Ltd	Diamond, Gems and Jewellery
100	PC Jeweller Ltd	Diamond, Gems and Jewellery
101	Winsome Diamonds & Jewellery Ltd	Diamond, Gems and Jewellery
102	Kesoram Industries Ltd	Diversified
103	Balmer Lawrie & Company Ltd	Diversified
104	Century Textiles & Industries Ltd	Diversified
105	Voltas Ltd	Diversified
106	DCM Shriram Consolidated Ltd	Diversified

107	N K Industries Ltd	Edible Oil
108	Gujarat Ambuja Exports Ltd	Edible Oil
109	Ruchi Soya Industries Ltd	Edible Oil
110	Ruchi Infrastructure Ltd	Edible Oil
111	JVL Agro Industries Ltd	Edible Oil
112	Zee Entertainment Enterprises Ltd	Entertainment
113	Dish TV India Ltd	Entertainment
114	Mangalore Chemicals & Fertilizers Ltd	Fertilizers
115	Gujarat Narmada Valley Fertilizers & Chemica	Fertilizers
116	Southern Petrochemicals Industries Corporati	Fertilizers
117	Madras Fertilizers Ltd	Fertilizers
118	Fertilizers & Chemicals Travancore Ltd	Fertilizers
119	Chambal Fertilisers & Chemicals Ltd	Fertilizers
120	Tata Chemicals Ltd	Fertilizers
121	Rashtriya Chemicals & Fertilizers Ltd	Fertilizers
122	National Fertilizer Ltd	Fertilizers
123	Deepak Fertilizers & Petrochemicals Corp Ltd	Fertilizers
124	Coromandel International Ltd	Fertilizers
125	Gujarat State Fertilizers & Chemicals Ltd	Fertilizers
126	Zuari Agro Chemicals Ltd	Fertilizers
127	Hatsun Agro Product Ltd	FMCG
128	Britannia Industries Ltd	FMCG
129	REI Agro Ltd	FMCG
130	Hindustan Unilever Ltd	FMCG
131	Godrej Consumer Products Ltd	FMCG
132	Marico Ltd	FMCG
133	Colgate-Palmolive (India) Ltd	FMCG
134	GlaxoSmithkline Consumer Healthcare Ltd	FMCG
135	Nestle India Ltd	FMCG
136	Dabur India Ltd	FMCG
137	Kwality Dairy (India) Ltd	FMCG
138	Gujarat Gas Company Ltd	Gas Distribution
139	GAIL (India) Ltd	Gas Distribution
140	GAIL (India) Ltd	Gas Distribution
141	Petronet LNG Ltd	Gas Distribution
142	Indraprastha Gas Ltd	Gas Distribution
143	Hindusthan National Glass & Industries Ltd	Glass & Glass Products
144	Asahi India Glass Ltd	Glass & Glass Products
145	Apollo Hospitals Enterprise Ltd	Healthcare
146	Adani Ports & Special Economic Zone Ltd	Infrastructure Developers & Operators
147	IVRCL Ltd	Infrastructure Developers & Operators
148	IL&FS Engineering & Construction Co Ltd	Infrastructure Developers & Operators
149	Larsen & Toubro Ltd	Infrastructure Developers & Operators
150	Gammon India Ltd	Infrastructure Developers & Operators
151	IL&FS Transportation Networks Ltd	Infrastructure Developers & Operators
152	IRB Infrastructure Developers Ltd	Infrastructure Developers & Operators
153	BGR Energy Systems Ltd	Infrastructure Developers & Operators
154	Ircon International Ltd	Infrastructure Developers & Operators
155	Engineers India Ltd	Infrastructure Developers & Operators
156	Jaypee Infratech Ltd	Infrastructure Developers & Operators
157	Redington India Ltd	IT - Hardware
158	HCL Infosystems Ltd	IT - Hardware
159	Moser Baer (India) Ltd	IT - Hardware
160	Infosys Ltd	IT - Software

161	Wipro Ltd	IT - Software
162	MphasiS Ltd	IT - Software
163	Mindtree Ltd	IT - Software
164	Satyam Computer Services Ltd	IT - Software
165	Tata Consultancy Services Ltd	IT - Software
166	Tech Mahindra Ltd	IT - Software
167	Oracle Financial Services Software Ltd	IT - Software
168	HCL Technologies Ltd	IT - Software
169	IGate Computer Systems Ltd	IT - Software
170	Blue Dart Express Ltd	Logistics
171	Container Corporation Of India Ltd	Logistics
172	Shirpur Gold Refinery Ltd	Mining & Mineral products
173	NMDC Ltd	Mining & Mineral products
174	Sesa Goa Ltd	Mining & Mineral products
175	Tube Investments of India Ltd	Miscellaneous
176	Greenply Industries Ltd	Miscellaneous
177	National Aluminium Company Ltd	Non Ferrous Metals
178	Hindalco Industries Ltd	Non Ferrous Metals
179	Sterlite Industries (India) Ltd	Non Ferrous Metals
180	Hindustan Zinc Ltd	Non Ferrous Metals
181	Jindal Poly Films Ltd	Packaging
182	Uflex Ltd	Packaging
183	Berger Paints India Ltd	Paints/Varnish
184	Akzo Nobel India Ltd	Paints/Varnish
185	Asian Paints Ltd	Paints/Varnish
186	Kansai Nerolac Paints Ltd	Paints/Varnish
187	Tamil Nadu Newsprint & Papers Ltd	Paper
188	Chemplast Sanmar Ltd	Petrochemicals
189	Dhunseri Petrochem & Tea Ltd	Petrochemicals
190	Savita Oil Technologies Ltd	Petrochemicals
191	Cadila Healthcare Ltd	Pharmaceuticals
192	Torrent Pharmaceuticals Ltd	Pharmaceuticals
193	Jubilant Life Sciences Ltd	Pharmaceuticals
194	Dr Reddys Laboratories Ltd	Pharmaceuticals
195	Aurobindo Pharma Ltd	Pharmaceuticals
196	Divis Laboratories Ltd	Pharmaceuticals
197	Ranbaxy Laboratories Ltd	Pharmaceuticals
198	Cipla Ltd	Pharmaceuticals
199	Lupin Ltd	Pharmaceuticals
200	Ipca Laboratories Ltd	Pharmaceuticals
201	Glaxosmithkline Pharma Ltd	Pharmaceuticals
202	Wockhardt Ltd	Pharmaceuticals
203	Glenmark Pharmaceuticals Ltd	Pharmaceuticals
204	Sun Pharmaceuticals Industries Ltd	Pharmaceuticals
205	Tata Global Beverages Ltd	Plantation & Plantation Products
206	Sintex Industries Ltd	Plastic products
207	Jain Irrigation Systems Ltd	Plastic products
208	Supreme Industries Ltd	Plastic products
209	Finolex Industries Ltd	Plastic products
210	Torrent Power Ltd	Power Generation & Distribution
211	Adani Power Ltd	Power Generation & Distribution
212	Neyveli Lignite Corporation Ltd	Power Generation & Distribution
213	NHPC Ltd	Power Generation & Distribution

214	Lanco Infratech Ltd	Power Generation & Distribution
215	Jaiprakash Power Ventures Ltd	Power Generation & Distribution
216	CESC Ltd	Power Generation & Distribution
217	Tata Power Company Ltd	Power Generation & Distribution
218	JSW Energy Ltd	Power Generation & Distribution
219	Reliance Infrastructure Ltd	Power Generation & Distribution
220	NTPC Ltd	Power Generation & Distribution
221	Power Grid Corporation of India Ltd	Power Generation & Distribution
222	JMC Projects (India) Ltd	Realty
223	DLF Ltd	Realty
224	National Buildings Construction Corporation L	Realty
225	Chennai Petroleum Corporation Ltd	Refineries
226	Essar Oil Ltd	Refineries
227	Mangalore Refinery And Petrochemicals Ltd	Refineries
228	Indian Oil Corporation Ltd	Refineries
229	Reliance Industries Ltd	Refineries
230	Bharat Petroleum Corporation Ltd	Refineries
231	Hindustan Petroleum Corporation Ltd	Refineries
232	Future Retail Ltd	Retail
233	Shoppers Stop Ltd	Retail
234	ABG Shipyard Ltd	Ship Building
235	Shipping Corporation of India Ltd	Shipping
236	Surya Roshni Ltd	Steel
237	PSL Ltd	Steel
238	Jindal Steel & Power Ltd	Steel
239	Jindal Stainless Ltd	Steel
240	Prakash Industries Ltd	Steel
241	Usha Martin Ltd	Steel
242	Welspun Corp Ltd	Steel
243	Jindal Saw Ltd	Steel
244	Tata Steel Ltd	Steel
245	JSW Steel Ltd	Steel
246	JSW ISPAT Steel Ltd	Steel
247	Uttam Value Steels Ltd	Steel
248	Uttam Galva Steels Ltd	Steel
249	National Steel & Agro Industries Ltd	Steel
250	Mukand Ltd	Steel
251	Steel Authority of India Ltd	Steel
252	Bhushan Steel Ltd	Steel
253	Maharashtra Seamless Ltd	Steel
254	Monnet Ispat & Energy Ltd	Steel
255	Shree Renuka Sugars Ltd	Sugar
256	EID Parry (India) Ltd	Sugar
257	Balrampur Chini Mills Ltd	Sugar
258	Bajaj Hindusthan Ltd	Sugar
259	Bharti Infratel Ltd	Telecomm Equipment & Infra Services
260	Idea Cellular Ltd	Telecomm-Service
261	Tata Communications Ltd	Telecomm-Service
262	Tata Teleservices (Maharashtra) Ltd	Telecomm-Service
263	Reliance Communications Ltd	Telecomm-Service
264	Bharti Airtel Ltd	Telecomm-Service
265	Tulip Telecom Ltd	Telecomm-Service
266	Mahanagar Telephone Nigam Ltd	Telecomm-Service
267	Arvind Ltd	Textiles
268	RSWM Ltd	Textiles

269	Lakshmi Machine Works Ltd	Textiles
270	Shri Lakshmi Cotsyn Ltd	Textiles
271	Welspun India Ltd	Textiles
272	Vardhman Textiles Ltd	Textiles
273	SEL Manufacturing Company Ltd	Textiles
274	S.Kumars Nationwide Ltd	Textiles
275	Bombay Rayon Fashions Ltd	Textiles
276	Bombay Dyeing & Manufacturing Company Lt	Textiles
277	Grasim Industries Ltd	Textiles
278	Indo Rama Synthetics (India) Ltd	Textiles
279	SRF Ltd	Textiles
280	Raymond Ltd	Textiles
281	Trident Ltd	Textiles
282	Alok Industries Ltd	Textiles
283	JBF Industries Ltd	Textiles
284	Garden Silk Mills Ltd	Textiles
285	Nakoda Ltd	Textiles
286	Aditya Birla Nuvo Ltd	Textiles
287	ITC Ltd	Tobacco Products
288	Godfrey Phillips India Ltd	Tobacco Products
289	Adani Enterprises Ltd	Trading
290	Amrapali Industries Ltd	Trading
291	Surana Corporation Ltd	Trading
292	Kothari Products Ltd	Trading
293	Ushdev International Ltd	Trading
294	MMTC Ltd	Trading
295	State Trading Corporation of India Ltd	Trading
296	PTC India Ltd	Trading
297	MRF Ltd	Tyres
298	Apollo Tyres Ltd	Tyres
299	JK Tyre & Industries Ltd	Tyres
300	CEAT Ltd	Tyres
301	Balkrishna Industries Ltd	Tyres

Annexure E

List of Associations, Regulators / Boards invited for the Workshops

S No.	Name of the Associations
1.	Associated Chambers of Commerce & Industry (ASSOCHAM)
2.	Federation of Indian Chambers of Commerce & Industry (FICCI)
3.	Confederation of Indian Industries (CII)
4.	The Standing Conference of Public Enterprises (SCOPE)
5.	NASSCOM
6.	PHD Chamber of Commerce and Industry
7.	Indian Sugar Mills Association (ISMA)
8.	Association of Power Producers
9.	Confederation of Real Estate Developers' Associations of India (CREDAI)
10.	Automotive Component Manufacturers Association of India
11.	Indian Paper Manufacturers Association
12.	Indian Stainless Steel Development Association,
13.	Society of Indian Automobile Manufacturers
14.	Alkali Manufacturers' Association of India
15.	All India Biotech Association
16.	All India Glass Manufacturers' Federation
17.	Automotive Tyre Manufacturers' Association (ATMA)
18.	Federation of Indian Export Organisations (FIEO)
19.	Confederation of Indian Textiles Industry (CITI)
20.	Federation of Indian Mineral Industries (FIMI)
21.	Telecom Equipment Manufacturers Association of India

22.	The Fertiliser Association of India
23.	Manufacturers Association For Information Technology,
24.	Cement Manufacturers Association
25.	All India Plastics Manufacturers Association
26.	Pharmaceutical Association (IPA)
27.	All India Association of Industries
28.	Builders' Association of India
29.	The Textile Association (India)
30.	Indian National Shipowners' Association
31.	All India Rubber Industries Association
32.	Indian Chemicals Manufacturers Association
33.	Organisation of Pharmaceutical Producers of India
34.	Indian Merchants' Chambers
35.	Indian Chamber of Commerce
36.	Association of Indian Forging Industry
37.	The United Planters' Association of Southern India
38.	Indian Tea Association

List of Regulators/Boards

S No.	**Name of the Regulator/Board**
1	The Telecom Regulatory Authority of India
2	Central Electricity Regulatory Commission
3	Tea Board
4	Coffee Board
5	Rubber Board

Annexure F

List of Participantants at Workshops

S. No.	Participants Name	Organisation Name	Sector
1	CA. Inderjit Pathak	Hindalco Industries Ltd.	Aluminium
2	CA. Uday Phadke	Mahindra & Mahindra Ltd	Automobile
3	CA. Vilas Paranjape		
4	Shri P Y Gurav	Tata Motors Ltd.	Automobile
5	CA Rishabh Jain	Maruti Suzuki India Ltd	Automobile
6	CA Sanjay Mathur		
7	CA. Neelakantan C	Ashok Leyland Ltd	Automobile
8	CA. Shivshankaran S G		
9	CA. Anuj Agarwal	Bharat Heavy Electricals Ltd	Capital Goods - Electrical Equipment
10	CA. Dhiraj Mehta		
11	CA. Janmejay Sharma		
12	Ms. Anju Bahl		
13	CA. Anoop Kumar Shukla	J K Cements Ltd	Cement
14	CA. Madhav H. Kale	IRB Infra Developers Ltd.	Construction
15	CA. Anil D. Yadav		
16	CA. Vikash Baingani	Larsen & Toubro Ltd	Construction
17	CA. Vaishali Koparkar		
18	CA. Gurmeet Singh	Oil & Natural Gas Corpn Ltd	Crude Oil & Natural Gas
19	CA. Sanjay Bharti		
20	CA. Niraj Nayan Kumar		
21	Shri Alok Shah		
22	CA. Parag Chavda	Atul Ltd.	Dyes And Pigments - Large
23	CA. Bharat Joshi		
24	CA. Rakhi Jain	Hindustan Unilever Ltd.	FMCG
25	CA. C P Toshniwal	Future Group	FMCG
26	Shri Rahul Irani		
27	CA. A. Boopathy	Hatsun Agro Product Ltd	FMCG
28	CA. Ashok Kumar Verma	National Fertilizer Ltd.	Fertilizer
29	CA. Pratibha Natani		
30	CA. Aparajita Sarkar	Tata Consultancy Services Ltd	IT - Software
31	CA. R Hemalatha		
32	Shri Ganapathay P	Mindtree Ltd	IT - Software
33	Shri Tharun J		
34	CA. S. Narasimaan	S & S Technology	IT - Software
35	CA. Pydipaty SreenivAsulu	NMDC Ltd	Mining & Mineral products
36	CA. Rakesh Agarwal	Reliance Industries Ltd,	Oil Exploration / Allied Services
37	CA. Kapil Sachdev	Kansai Nerolac Paints Ltd	Paints/Varnish
38	CA. Naga Durga Sudhakar G V	Dr Reddys Laboratories Ltd	Pharmaceuticals
39	CA. Shraddha Agrawal	JSW Energy Ltd.	Power Generation & Distribution
40	CA. Amar Sharma		
41	CA. H. Sudarsan		
42	CA. N. V. Aunachalam	Reliance Power Ltd	Power Generation & Distribution
43	CA. Ritesh Suneja	Essar Energy PLC	Power Generation & Distribution
44	CA. Akshay Deshkar		

45	Shri K. Sreekant	NTPC Ltd	Power Generation & Distribution
46	Shri Arvind Batra		
47	CA. Sohan Lal Sharma	National Hydroelectric Power Corporation	Power Generation & Distribution
48	Shri R. P. Goyal		
49	CA. ABL Srivastava		
50	Shri Ajay Singhal	Hindustan Petroleum Corporation Ltd	Refineries
51	CA. S. Balachandar		
52	CA. Ashish Goyal	Bharat Petroleum Corporation Ltd	Refineries
53	CA. Virendra Kasliwal	Essar Oil Ltd	Refineries
54	CA. P R Ashok		
55	CA. Sreevidhya S M	Chennai Petroleum Corporation Limited	Refineries
56	CA. Pradeep Pagariya		
57	CA. Naga Rama Rao		
58	CA. M. B. Singhal	National Buldings Construction Corporation Ltd.	Realty
59	CA. N Giridhar	Gujarat Ambuja Exports Ltd	Solvent Extraction - Large
60	CA. D. K. Miglani	Steel Authority of India Ltd.	Steel
61	CA. Pawan Agarwal		
62	CA. Tajender Khurana	Tata Teleservices (Maharashtra) Ltd	Telecomm-Service
63	CA. Manoj Garg		
64	CA. Mahendra Bhandari	Aditya Birla Nuvo Ltd	Textiles
65	CA. Nilay Rathi	Century Textiles & Industries Ltd	Textiles
66	CA. Vaibhav Chauhan	SRF LTD	Textiles
67	Shri Sandeep Gupta		
68	CA. Joydeb Chatterjee		
69	CA. Saradindu Dutta	ITC LTD	Tobacco Products
70	Dr. Sanjeev Singhal	Confederation of Indian Industries	Association
71	CA. Vijay Kumar MP		
72	CA. Ashish Taksali		
73	CA. Sridhar A	United Planters' Association of Southern India (UPASI)	Association
74	Shri Queenie Naire	All India Association of Industries	Association
75	Shri S. K. Srinivasan	Alkali Manufacturers' Association of India	Association

Annexure 'G'

	List of Amendments and Changes required in Ind AS 39 based on IFRS for SMEs		
	Topic & Areas requiring changes	**Category of change**	**For Rationale we can refer to Basis for Conclusions in IFRS SMEs.**
1	Recognition and Measurement Simplifications		BC 98
2	**Scope -** Text and Terminologies have to be changed to align those with type of entities within SME (e.g. exception relating to Insurance contracts) or to exemptions/different prescriptions for SMEs (e.g. measurement of investments in Subsidiaries, Associates and Joint Ventures). This would also requires changes to paragraphs in Application Guidance e.g. AG3A, AG3, AG4, AG4A		
3	**Classifications of FA and FL:** There will be elimination of categories like Loans and Receivables, HTM, Fair Value Option for Liabilities. This will require changes in many paragraphs, e.g, 9, AG14-15 (Definitions), 43-47 (Measurement), 48 (Fair Vaue Measurements), 50 (Reclassifications), 55-57 (Gains and Losses), 58,63, 66, 67 (Impairment), 79 (Hedging), AG53, AG 56 (Regular way Purchase or Sale). Further, the classifications norms and criteria are simpler than proposed IFRS 9 as Basic Financial Instruments measured at Amortized Cost do not require to be tested for 'Business Model (Trading versus collection of contractual cash flows) condition.	Divergence from Measurement Principles and reducing complexity	BC 100-101
4	**Derecognition Principles:** SME does not have to undertake passthrough test, Continuing involvement tests. This simplification would require changes in many paragraphs, e.g., 17, 18, 19, 20, 23, 30, 31, AG35, AG36-38	Reducing complexity - align to SME type transactions	BC 101

5	**Initial Measurement Principles - Fair Value:** Initial measurement will be at transaction price and not at fair value. This will require changes in Paragraph 43-48, AG64 to suit SME's measurement approach.	Divergence from Measurement Principles	
6	**Subsequent Measurement Principles - Amortised Cost and EIR:** EIR concept in some situations like Floating Rate interest or determination of Expected Life etc will be complex and burdensome for SME. Therefore, simplification to amortise transaction costs/fees on straightline basis instead of EIR would be required. Providing such relief in Ind AS itself will entail changes in paragraphs 9, AG6-7 and examples in Implementation Guidance would be needed.		
7	**Subsequent Measurement Principles - Fair Value:** In view of the nature of transactions undertaken, many paragraphs (AG74-82) relating to computation of fair values using 'Valuation Techniques' require rewriting.		
8	**Hedge Accounting:** In view of the nature of transactions undertaken and the hedging practices, entire section on hedging i.e. paragraphs 71-102 and AG94-132 and Section F of Implementation Guidance require rewriting.	Divergence from Measurement Principles	
9	**Simple disclosures have to be added:** Since there will be no separate disclosure standard like Ind AS 107 for SMEs, few minimum and basic disclosure requirements have to be added in main recognition and measurement standard itself		
	Areas making many & large parts of Standard Redundant to SMEs		
10	**Classification of Financial Assets and Financial Liabilities :** Paragraphs 9, AG 4B-4K, AG9-12, AG14,15,AG1625, AG26 and Section B of Implementation of Implementation Guidance		

11	**Recognition Principles:** SME would not have option to adopt Settlement Date accounting for Regular Way Purchase/Sale of FA. This exemption renders large part of Ind AS 39 (paragraphs 38 and AG53-56) redundant to SMEs.	Divergence from Recognition Principles and Reducing complexity	
12	**Embedded Derivatives:** SME do not have to evaluate and separate embedded derivative from host contracts. This exemption renders large part of Ind AS 39 (paragraphs 10-13 and AG27-33B) redundant to SMEs.	Divergence from Measurement principles and Reducing complexity	BC 101

Annexure H

Marked Copy of Ind AS 8 formulated as Exposure Draft

Accounting Standard (AS) 5 (revised)

Accounting Policies, Changes in Accounting Estimates and Errors

(Last date for Comments: ____________)

Issued by

Accounting Standards Board

The Institute of Chartered Accountants of India

~~Indian~~ Accounting Standard (~~Ind~~ AS) ~~8~~ 5 (revised)[1]

Accounting Policies, Changes in Accounting Estimates and Errors

Following is the Exposure Draft of the revised Accounting Standard (AS) 5, Accounting Policies, Changes in Accounting Estimates and Errors, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments. The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than ___________,2013. Comments can also be sent by e-mail at asb@icai.in.

*(This Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in **bold** type indicate the main principles. This Standard should be read in the context of the Preface to the Statements of Accounting Standards issued by the Institute of Chartered Accountants of India).*

~~*(This Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.)*~~

Objective

1 The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an ~~entity~~enterprise's financial statements, and the comparability of those financial statements over time and with the financial statements of other ~~entities~~enterprises.

2 Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in ~~Ind~~ AS 1 (Revised) *Presentation of Financial Statements*[G1].

Scope

[1] Appendix I to this revised AS 5 contains the ~~purpose~~objective of the revision of and comparison with the existing AS 5.

3 **This Standard ~~shall~~ should be applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors.**

4 The tax effects of corrections of prior period errors and of retrospective adjustments made to apply changes in accounting policies are accounted for and disclosed in accordance with ~~Ind~~ AS ~~12~~ 22. ~~*Income Taxes*~~.

Definitions

5 The following terms are used in this Standard with the meanings specified:

Accounting policies **are the specific principles, bases, conventions, rules and practices applied by an ~~entity~~ enterprise in preparing and presenting financial statements.**

A *change in accounting estimate* **is an adjustment of the carrying amount of an asset or a liability, ~~or the amount of the periodic consumption of an asset,~~ that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.**

~~*Indian*~~ *Accounting Standards(~~Ind~~ ASs)* **are Standards prescribed under ~~Section 211(3C) of~~ the Companies Act, ~~1956~~ or the Accounting Standards issued by the Institute of Chartered Accountants of India, whichever are applicable to the enterprise.**

Material **Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**

Prior period errors **are omissions from, and misstatements in, the ~~entity's~~ financial statements of an enterprise for one or more prior periods arising from a failure to use, or misuse of, reliable information that:**

(a) was available when financial statements for those periods were approved for issue; and

(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Retrospective application **is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.**

~~*Retrospective restatement* **is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.**~~

Impracticable **Applying a requirement is impracticable when the ~~entity~~ enterprise cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively ~~or to make a retrospective restatement to correct an error~~ if:**

(a) the effects of the retrospective application ~~or retrospective restatement~~ are not determinable;

(b) the retrospective application ~~or retrospective restatement~~ requires assumptions about what management's intent would have been in that period; or

(c) the retrospective application ~~or retrospective restatement~~ requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:

(i) provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and

(ii) would have been available when the financial statements for that prior period were approved for issue from other information.

Prospective application **of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are:**

(a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and

(b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.

6 Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* issued by the Institute of Chartered Accountants of India states in paragraph 26 that 'It is assumed that users have a reasonable knowledge of business and economic activities and accounting and study the information with reasonable diligence.' Therefore, the assessment

needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

Accounting policies

Selection and application of accounting policies

7 **When an ~~Ind~~ AS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item ~~shall~~ should be determined by applying the ~~Ind~~ AS.**

8 ~~Ind~~ ASs set out accounting policies that result in financial statements containing relevant and reliable information about the transactions, other events and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from ~~Ind~~ ASs to achieve a particular presentation of an ~~entity's~~ enterprise's financial position, financial performance or cash flows.

9 Some ~~Ind~~ ASs ~~are~~ may be accompanied by guidance to assist ~~entities~~ enterprises in applying their requirements. ~~All~~ Where such guidance states ~~whether it is an integral part of Ind ASs. Guidance~~ that it is an integral part of the ~~Ind~~ ASs, that guidance is mandatory. Guidance that is not an integral part of the ~~Ind~~ ASs does not contain requirements for financial statements.

10 In the absence of an ~~Ind~~ AS that specifically applies to a transaction, other event or condition, management should~~shall~~ use its judgement in developing and applying an accounting policy that results in information that is~~:~~

~~**relevant to the economic decision-making needs of users; and**~~

~~**(a)**~~ **reliable, in that the financial statements:**

(i) are prudent, i.e., in view of the uncertainty attached to future events, profits are not anticipated but recognised only when realised though not necessarily in cash. Provision is made for all known liabilities and losses even though the amount cannot be determined with certainty and represents only a best estimate in the light of available information~~.~~;

(ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;

(iii) are complete in all material respects~~,~~;

~~(i)~~(iv) **represent faithfully the financial position, financial performance and cash flows of the ~~entity~~enterprise;**

~~(ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;~~

~~(iii)~~(v) **are neutral, i~~.~~e., free from bias;**

~~(iv) are prudent; and~~

~~(v) are complete in all material respects.~~

While reliability is a factor for using judgement in developing and applying an accounting policy, the management should also consider that the resulting information should be relevant to the economic decision-making needs of users.

11 In making the judgement described in paragraph 10, management ~~shall~~ should refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements in ~~Ind~~ ASs dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Framework*.

12 In making the judgement described in paragraph 10, management may also first consider the other pronouncements of the Institute of Chartered Accountants of India, and then the most recent pronouncements of International Accounting Standards Board and in absence thereof those of the other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources in paragraph 11.

Consistency of accounting policies

13 An ~~entity~~ enterprise ~~shall~~ should select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an ~~Ind~~ AS specifically requires or permits categorisation of items for which different policies may be appropriate. If an ~~Ind~~ AS requires or permits such categorisation, an appropriate accounting policy ~~shall~~ should be selected and applied consistently to each category.

Changes in accounting policies

14 An ~~entity~~ enterprise ~~shall~~ should change an accounting policy only if the change:

(a) is required by an ~~Ind~~ AS; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the ~~entity's~~ enterprises's financial position, financial performance or cash flows.

(c) if the adoption of the different accounting policy is required by a statute[G2]

15 Users of financial statements need to be able to compare the financial statements of an ~~entity~~ enterprise over time to identify trends in its financial position, financial performance and cash flows. Therefore, the same accounting policies are applied within each period and from one period to the next unless a change in accounting policy meets one of the criteria in paragraph 14.

16 The following are not changes in accounting policies:

(a) the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring; and

(b) the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were immaterial.

~~17~~ [Deleted]~~The initial application of a policy to revalue assets in accordance with Ind AS 16 *Property, Plant and Equipment* or Ind AS 38 *Intangible Assets* is a change in an accounting policy to be dealt with as a revaluation in accordance with Ind AS 16 or Ind AS 38, rather than in accordance with this Standard.~~

~~Paragraphs 19–31 do not apply to the change in accounting policy described in paragraph 17.~~

Applying changes in accounting policies

17~~9~~ Subject to paragraph 21~~3~~:

(a) an ~~entity~~ enterprise should~~shall~~ account for a change in accounting policy resulting from the initial application of an ~~Ind~~ AS in accordance with the specific transitional provisions, if any, in that ~~Ind~~ AS; and

(b) when an enterprise~~entity~~ changes an accounting policy upon initial application of an ~~Ind~~ AS that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it ~~shall~~ should apply the change retrospectively.

18 For the purpose of this Standard, early application of an ~~Ind~~ AS, where permitted, is not a voluntary change in accounting policy.

19~~21~~ In the absence of an ~~Ind~~ AS that specifically applies to a transaction, other event or condition, management may, in accordance with paragraph 12, apply an accounting policy from the other pronouncements of the Institute of Chartered Accountants of India and then most recent pronouncements of International

Accounting Standards Board and in absence thereof those of the other standard-setting bodies that use a similar conceptual framework to develop accounting standards. If, following an amendment of such a pronouncement, the ~~entity~~ enterprise chooses to change an accounting policy, that change is accounted for and disclosed as a voluntary change in accounting policy.

Retrospective application

20~~22~~ **Subject to paragraph 21~~3~~, when a change in accounting policy is applied retrospectively in accordance with paragraph 17~~9~~(a) or (b), the ~~entity~~ enterprise ~~shall~~should adjust the opening balance of each affected component of equity for the current period. Usually, the adjustment is made to reserves. However, the adjustment may be made to another component of equity (for example, to comply with an AS).~~the earliest prior period presented and the other comparative amounts disclosed for each prior period presented~~ as if the new accounting policy had always been applied.**

Limitations on retrospective application

21 ~~23~~ When retrospective application is required by paragraph 17~~9~~(a) or (b), a change in accounting policy ~~shall~~ should be applied retrospectively except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

22~~24~~ When it is impracticable to determine the period-specific effects of changing an accounting policy~~ on comparative information for one or more prior periods presented~~, the ~~entity shall~~enterprise should apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and ~~shall~~ should make a corresponding adjustment to the opening balance of each affected component of equity for ~~that~~the current period.

23~~25~~ When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the ~~entity~~ enterprise ~~shall~~ should ~~adjust the comparative information to~~ apply the new accounting policy prospectively from the earliest date practicable.

~~26~~ [Deleted]~~When an entity applies a new accounting policy retrospectively, it applies the new accounting policy to comparative information for prior periods as far back as is practicable. Retrospective application to a prior period is not practicable unless it is practicable to determine the cumulative effect on the amounts in both the opening and closing balance sheets for that period. The amount of the resulting adjustment relating to periods before those presented in the financial statements is made to the opening balance of each affected component of equity of the earliest prior period presented. Usually the adjustment is made to retained earnings. However, the adjustment may be made to another component of equity (for example, to comply with an Ind AS). Any other information about prior periods,~~

~~such as historical summaries of financial data, is also adjusted as far back as is practicable.~~

24~~27~~ When it is impracticable for an ~~entity~~ enterprise to apply a new accounting policy retrospectively, because it cannot determine the cumulative effect of applying the policy to all prior periods, the ~~entity~~enterprise, in accordance with paragraph 23~~5~~, applies the new policy prospectively from the start of the earliest period practicable. It therefore disregards the portion of the cumulative adjustment to assets, liabilities and equity arising before that date. Changing an accounting policy is permitted even if it is impracticable to apply the policy prospectively for any prior period. Paragraphs 50–53 provide guidance on when it is impracticable to apply a new accounting policy to one or more prior periods.

Disclosure

25~~28~~ **When initial application of an ~~Ind~~ AS or initial application of a new accounting policy required by a statute has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an ~~entity shall~~enterprise should disclose:**

(a) the title of the ~~Ind~~ AS or the relevant requirement of the ~~ststute~~statute;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period ~~and each prior period presented~~, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if ~~Ind AS 33~~AS 20 *Earnings per Share* applies to the ~~entity~~enterprise, for basic and diluted earnings per share;

(g) the amount of the adjustment relating to prior periods ~~before those presented~~, to the extent practicable; and

(h) if retrospective application required by paragraph 17~~9~~(a) or (b) is impracticable for a particular prior period, or ~~for~~ periods ~~before those presented~~, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

26 ~~29~~ When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an ~~entity shall~~enterprise should disclose:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period ~~and each prior period presented~~, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if ~~Ind AS 33~~AS 20 applies to the ~~entity~~enterprise, for basic and diluted earnings per share as well as for each prior period presented;

(d) the amount of the adjustment relating to prior periods ~~before those presented~~, to the extent practicable; and

(e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

~~30~~ 31[Deleted] ~~When an entity has not applied a new Ind AS that has been issued but is not yet effective, the entity shall disclose:~~

~~(a) this fact; and~~

~~(b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Ind AS will have on the entity's financial statements in the period of initial application.~~

~~31 In complying with paragraph 30, an entity considers disclosing:~~

~~(a) the title of the new Ind AS;~~

~~(b) the nature of the impending change or changes in accounting policy;~~

~~(c) the date by which application of the Ind AS is required;~~

~~(d) the date as at which it plans to apply the Ind AS initially; and~~

~~(e) either:~~

~~(i) a discussion of the impact that initial application of the Ind AS is expected to have on the entity's financial statements; or~~

~~(ii) if that impact is not known or reasonably estimable, a statement to that effect~~.

Changes in accounting estimates

~~32~~27 As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest available, reliable information. For example, estimates may be required of:

(a) bad debts;

(b) inventory obsolescence;

~~(c) the fair value of financial assets or financial liabilities;~~

~~(d)~~(c) the useful lives of, ~~or expected pattern of consumption of the future economic benefits embodied in,~~ depreciable assets; and

~~(e)~~(d) warranty obligations.

28 The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

~~34~~29 An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error.

~~35~~30 A change in the measurement basis applied is a change in an accounting policy, and is not a change in an accounting estimate. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.

31 The effect of change in an accounting estimate, other than a change to which paragraph ~~37~~ 32 applies, ~~shall~~ should be recognised prospectively by including it in the statement of profit ~~or~~ and loss in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

~~37~~32 To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it ~~shall~~ should be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

3833 Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to transactions, other events and conditions from the date of the change in estimate. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. For example, a change in the estimate of the amount of bad debts affects only the current period's profit or loss and therefore is recognised in the current period. However, a change in the estimated useful life of, or the expected pattern of consumption of the future economic benefits embodied in, a depreciable asset affects depreciation expense for the current period and for each future period during the asset's remaining useful life. In both this cases, the effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods

Disclosure

3934 An entity enterprise shall should disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

3540 If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity enterprise shallshould disclose that fact.

Errors

3641 Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Ind ASs if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity's enterprise's financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are approved for issue. However, material errors are sometimes not discovered until a subsequent period., and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period (see paragraphs 42–47).

4237 Subject to paragraph 43, aAn entity enterprise shall should correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by:

restating the comparative amounts for the prior period(s) presented in which the error occurred;

(a) or

~~(b)~~ ~~if the error occurred before the earliest prior period presented, restating~~ adjusting the opening balances of assets, liabilities and equity for the ~~earliest prior~~current period ~~presented~~.

Limitations on correcting errors retrospectively ~~restatement~~

43-44 [Deleted] ~~A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.~~

~~44 When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).~~

38 When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the ~~entity shall~~enterprise should ~~restate the comparative information to~~ correct the error prospectively from the earliest date practicable.

~~46~~39 The correction of a prior period error is excluded from profit or loss for the period in which the error is discovered. ~~Any information presented about prior periods, including any historical summaries of financial data, is restated as far back as is practicable.~~

~~47~~40 When it is impracticable to determine the amount of an error (eg a mistake in applying an accounting policy) for all prior periods, the ~~entity~~enterprise~~, in accordance with paragraph 45,~~ ~~restates the comparative information prospectively from the earliest date practicable. It therefore~~ disregards the portion of the cumulative restatement of assets, liabilities and equity arising before that date. Paragraphs ~~50–53~~43-46 provide guidance on when it is impracticable to correct an error for one or more prior periods.

41~~48~~ Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.

Disclosure of prior period errors

~~49~~42 In applying paragraph ~~42~~37, an ~~entity~~enterprise ~~shall~~ should disclose the following:

(a) the nature of the prior period error;

(b) for ~~each prior period presented~~the current period, to the extent practicable, the amount of the correction:

(i) for each financial statement line item affected; and

(ii) **if ~~Ind AS 33~~AS 20 applies to the ~~entity~~enterprise, for basic and diluted earnings per share ~~as well as for each prior period presented~~;**

(c) **the amount of the correction at the beginning of the ~~earliest prior~~ current period ~~presented~~; and**

(d) **~~if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and~~ a description of how and from when the error has been corrected.**

Financial statements of subsequent periods need not repeat these disclosures.

Impracticability in respect of retrospective application ~~and retrospective restatement~~

~~50~~43 In some circumstances, it is impracticable to ~~adjust comparative~~apply retrospectively a change in accounting policy or correct a prior period error. ~~information for one or more prior periods to achieve comparability with the current period~~. For example, data may not have been collected in the prior period(s) in a way that allows either retrospective application of a new accounting policy (including, for the purpose of paragraphs ~~51–53~~44-46, its prospective application to prior periods) or ~~retrospective restatement~~ to correct a prior period error, and it may be impracticable to recreate the information.

~~51~~44 It is frequently necessary to make estimates in applying an accounting policy to elements of financial statements recognised or disclosed in respect of transactions, other events or conditions. Estimation is inherently subjective, and estimates may be developed after the reporting period. Developing estimates is potentially more difficult when retrospectively applying an accounting policy or ~~making a retrospective restatement~~ to correct a prior period error, because of the longer period of time that might have passed since the affected transaction, other event or condition occurred. However, the objective of estimates related to prior periods remains the same as for estimates made in the current period, namely, for the estimate to reflect the circumstances that existed when the transaction, other event or condition occurred.

~~52~~45 Therefore, retrospectively applying a new accounting policy or correcting a prior period error requires distinguishing information that

(a) provides evidence of circumstances that existed on the date(s) as at which the transaction, other event or condition occurred, and

(b) would have been available when the financial statements for that prior period were approved for issue

from other information. For some types of estimates (eg an estimate of fair value not based on an observable price~~ or observable inputs~~), it is impracticable to distinguish these types of information. When retrospective application ~~or retrospective restatement~~ would require making a significant estimate for which it is impossible to distinguish these two types of information, it is impracticable to apply the new accounting policy or correct the prior period error retrospectively.

~~53~~46 Hindsight should not be used when applying a new accounting policy to, or correcting amounts for, a prior period, either in making assumptions about what management's intentions would have been in a prior period or estimating the amounts recognised, measured or disclosed in a prior period. For example, when an ~~entity~~ enterprise ~~corrects a prior period error in measuring financial assets previously classified as held-to-maturity investments in accordance with Ind AS 39 *Financial Instruments: Recognition and Measurement*, it does not change their basis of measurement for that period if management decided later not to hold them to maturity. In addition, when an entity~~ corrects a prior period error in calculating its liability for employees' accumulated sick leave in accordance with ~~Ind~~ AS ~~19~~ 15 *Employee Benefits*, it disregards information about an unusually severe influenza season during the next period that became available after the financial statements for the prior period were approved for issue. The fact that significant estimates are frequently required ~~when amending comparative information presented for prior periods~~ does not prevent reliable adjustment or correction of the ~~comparative information~~error in the current period.

~~Appendix A~~

~~References to matters contained in other Indian Accounting Standards~~

~~This Appendix is an integral part of Indian Accounting Standard (Ind AS) 8.~~

~~Appendix B, Liabilities arising from Participating in a Specific Market— Waste Electrical and Electronic Equipment contained in Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets makes reference to (Ind AS) 8~~

Appendix B

Guidance on implementing

Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

(This guidance accompanies, but is not part of, Ind AS 8.)

Example 1 – Retrospective restatement of errors

1.1 During 20X2, Beta Co discovered that some products that had been sold during 20X1 were incorrectly included in inventory at 31 December 20X1 at Rs. 6,500.

1.2 Beta's accounting records for 20X2 show sales of Rs.104,000, cost of goods sold of Rs. 86,500 (including Rs. 6,500 for the error in opening inventory), and income taxes of Rs. 5,250.

1.3 In 20X1, Beta reported:

	Rs.
Sales	73,500
Cost of goods sold	(53,500)
Profit before income taxes	20,000
Income taxes	(6,000)
Profit	14,000

1.4 20X1 opening retained earnings was Rs. 20,000 and closing retained earnings was Rs. 34,000.

1.5 Beta's income tax rate was 30 per cent for 20X2 and 20X1. It had no other income or expenses.

1.6 Beta had Rs.5,000 of share capital throughout, and no other components of equity except for retained earnings. Its shares are not publicly traded and it does not disclose earnings per share.

Beta Co Extract from the statement of profit and loss

	20X2 Rs.	(restated) 20X1 Rs.
Sales	104,000	73,500
Cost of goods sold	(80,000)	(60,000)
Profit before income taxes	24,000	13,500
Income taxes	(7,200)	(4,050)
Profit	16,800	9,450

Beta Co Statement of changes in equity

	Share capital Rs.	Retained earnings Rs.	Total Rs.
Balance at 31 December 20X0	5,000	20,000	25,000
Profit for the year ended 31 December 20X1 as restated		9,450	9,450
Balance at 31 December 20X1	5,000	29,450	34,450
Profit for the year ended 31 December 20X2		16,800	16,800
Balance at 31 December 20X2	5,000	46,250	51,250

Extracts from the notes

1 Some products that had been sold in 20X1 were incorrectly included in inventory at 31 December 20X1 at Rs. 6,500. The financial statements of 20X1 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below. There is no effect in 20X2.

Example 2 – Prospective application of a change in accounting policy when retrospective application is not practicable

2.1. During 20X2, Delta Co changed its accounting policy for depreciating property, plant and equipment, so as to apply much more fully a components approach, whilst at the same time adopting the revaluation model.

2.2. In years before 20X2, Delta's asset records were not sufficiently detailed to apply a components approach fully. At the end of 20X1, management commissioned an engineering survey, which provided information on the components held and their fair values, useful lives, estimated residual values and depreciable amounts at the beginning of 20X2. However, the survey did not provide a sufficient basis for reliably estimating the cost of those components that had not previously been accounted for separately, and the existing records before the survey did not permit this information to be reconstructed.

3.3 Delta's management considered how to account for each of the two aspects of the accounting change. They determined that it was not practicable to account for the change to a fuller components approach retrospectively, or to account for that change prospectively from any earlier date than the start of 20X2. Also, the change from a cost model to a revaluation model is required to be accounted for prospectively. Therefore, management concluded that it should apply Delta's new policy prospectively from the start of 20X2.

2.3. Additional information:

Delta's tax rate is 30 per cent

	Rs.
Property, plant and equipment at the end of 20X1:	
Cost	25,000
Depreciation	(14,000)
Net book value	11,000
Prospective depreciation expense for 20X2 (old basis)	1,500
Some results of the engineering survey:	
Valuation	17,000
Estimated residual value	3,000
Average remaining asset life (years)	7
Depreciation expense on existing property, plant and equipment for 20X2 (new basis)	2,000

Extract from the notes

a. From the start of 20X2, Delta changed its accounting policy for depreciating property, plant and equipment, so as to apply much more fully a components approach, whilst at the same time adopting the revaluation model. Management takes the view that this policy provides reliable and more relevant information because it deals more accurately with the components of property, plant and equipment and is based on up-to-date values. The policy has been applied prospectively from the start of 20X2 because it was not practicable to estimate the effects of applying the policy either retrospectively, or prospectively from any earlier date. Accordingly, the adoption of the new policy has no effect on prior years. The effect on the current year is to increase the carrying amount of property, plant and equipment at the start of the year by Rs. 6,000; increase the opening deferred tax provision by Rs. 1,800; create a revaluation surplus at the start of the year of Rs. 4,200; increase depreciation expense by Rs. 500; and reduce tax expense by Rs.150.

~~Appendix 1~~

~~**Note: This Appendix is not a part of the Indian Accounting Standard. The purpose of this Appendix is only to bring out the differences, if any, between Indian Accounting Standard (Ind AS) 8 and the corresponding International Accounting Standard (IAS) 8*, Accounting Policies, Changes in Accounting Estimates and Errors*.**~~

~~Comparison with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors~~

~~1. Different terminology is used in this standard, e.g., the term 'balance sheet' is used instead of 'Statement of financial position' and 'Statement of profit and loss' is used instead of 'Statement of comprehensive income'. The words 'approval of the financial statements for issue have been used instead of 'authorisation of the financial statements for issue ' in the context of financial statements considered for the purpose of events after the reporting period.~~

~~. 2 In paragraph 12 of Ind AS 8, it is mentioned that in absence of an Ind AS, management may first consider the most recent pronouncements of International Accounting Standards Board .~~

Appendix I

The objective of revision of and comparison with the existing *AS 5 (Revised 1997)* Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

The objective of revision of the existing AS 5

The Institute of Chartered Accountants of India had revised Accounting Standard (AS) 5, *Net Profit or Loss for the Period, Prior Items and Changes in Accounting Policies,* in 1997. Since then significant developments in accounting have taken place including the revisions in the International Accounting Standard (IAS) 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Recognising the aforesaid developments, the objective of the revision of the existing AS 5 is to bring about changes in the Standard commensurate with the requirements of the existing law and the existing notified Accounting Standards. Thus, while the Indian Accounting Standard (Ind AS) 8*, Accounting Policies, Changes in Accounting Estimates and Errors*, on the lines of IAS 8, which was placed by the Ministry of Corporate Affairs on its website in 2011, is based on the framework of the Indian Accounting Standards and the expected changes in the relevant provisions of law, revisions to the existing AS 5 do not contain various requirements included in Ind AS 8 such as the restatement of comparative information in respect of changes in accounting policies and correction of errors.

Comparison with the existing AS 5

(i) The objective of the existing AS 5 is to prescribe the classification and disclosure of certain items in the statement of profit and loss for uniform preparation and presentation of financial statements. The objective of AS 5 (Revised) is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

(ii) Keeping in view that AS 1, *Presentation of Financial Statements (Revised)*, is silent about the presentation of any items of income or expense as extraordinary items, this standard does not deal with the same, which at present is dealt with by the existing AS 5.

(iii) The existing AS 5 restricts the definition of accounting policies to specific accounting principles and the methods of applying those principles while AS 5 (Revised) broadens the definition to include bases, conventions, rules and practices (in addition

to principles) applied by an entity in the preparation and presentation of financial statements.

(iv) AS 5 (revised) specifically states that an entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an AS specifically requires or permits categorisation of items for which different policies may be appropriate. Neither existing AS 5 nor any other existing Standard specifically requires accounting policies to be consistent for similar transactions, other events and conditions.

(v) AS 5 (Revised) requires that changes in accounting policies should be accounted for with retrospective effect subject to limited exceptions, viz., where it is impracticable to determine the period specific effects or the cumulative effect of applying a new accounting policy. On the other hand, the existing AS 5 does not specify how change in accounting policy should be accounted for.

(vi) The existing AS 5 defines prior period items as incomes or expenses which arise in the current period as a result of errors or omissions in the preparation of financial statements of one or more prior periods. AS 5 (Revised) uses the term prior period errors and relates it to errors or omissions arising from a failure to use or misuse of reliable information (in addition to mathematical mistakes, mistakes in application of accounting policies etc.) that was available when the financial statements of the prior periods were approved for issuance and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. AS 5 (Revised) specifically states that errors include frauds, which is not covered in existing AS 5.

(vii) AS 5(Revised) requires rectification of material prior period errors with retrospective effect subject to limited exceptions viz., where it is impracticable to determine the period specific effects or the cumulative effect of applying a new accounting policy. On the other hand, existing AS 5 requires the rectification of prior period items with prospective effect.

(viii) Disclosure requirements given in AS 5 (Revised) are more detailed as compared to the disclosure requirements given in the existing AS 5.

Annexure I

Table showing major differences between existing Accounting Standards (AS) and Indian Accounting Standards (Ind AS)			
Sr. No.	**Existing Accounting Standard**	**Ind AS**	**Issue**
1	AS 1	Ind AS 1	Existing AS 1 deals only with the disclosure of accounting policies whereas Ind AS 1 deals with presentation of financial statements. The scope of Ind AS 1 is thus much wider and line by line comparison of the difference with the present standard is not practicable.
2	AS 1	Ind AS 1	Ind AS 1 requires an explicit statement of compliance with all the Accounting Standards in the notes to the financial statements whereas under existing AS, there is no such requirement
3	AS 1	Ind AS 1	Ind AS 1 requires presentation and provides criteria for classification of current / non-current assets / liabilities wheras AS 1 does not contain these requirements.
4	AS 1	Ind AS 1	Ind AS 1 requires disclosure of judgements made by management while framing of accounting policies. Also it requires disclosure of key assumptions about the future and other sources of measurement uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year whereas AS 1 does not contain these requirements
5	AS 1	Ind AS 1	Ind AS 1 requires classification of expenses to be presented in the statement of profit and loss based on nature of expenses whereas AS 1 does not contain these requirements
6	AS 1	Ind AS 1	In respect of reclassification of items, Ind AS 1 besides requiring disclosure of reclassification adjustments in the statement of profit and loss also requires disclosure of nature, amount and reason for reclassification in the notes to financial statements whereas Ind AS 1 does not contain these requirements
7	AS 1	Ind AS 1	Ind AS 1 requires the financial statements to include movements in equity to be shown as a part of the balance sheet which, inter alia, includes reconciliation between opening and closing balance for each component of equity wheres AS 1 does not contain these requirements
8	AS 2	Ind AS 2	Ind AS 2 provides explanation with regard to inventories of service providers. AS 2 does not contain such an explanation.

9	AS 2	Ind AS 2	Ind AS 2 provides detailed guidance in case of subsequent assessment of net realisable value. It also deals with the reversal of the write-down of inventories to net realisable value to the extent of the amount of original write-down, and the recognition and disclosure thereof in the financial statements. No specific guidance is available in AS 2
10	AS 2	Ind AS 2	Ind AS 2 does not apply to measurement of inventories held by commodity broker-traders, who measure their inventories at fair value less costs to sell. AS 2 does not contain the definition of fair value and such explanation.
11	AS 2	Ind AS 2	Ind AS 2 excludes from its scope only the measurement of inventories held by producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products though it provides guidance on measurement of such inventories. AS 2 excludes from its scope such types of inventories.
12	AS 2	Ind AS 2	The existing AS 2 specifically provides that the formula used in determining the cost of an item of inventory should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition whereas Ind AS 2 does not specifically state so and requires the use of consistent cost formulas for all inventories having a similar nature and use to the entity.
13	AS 2	Ind AS 2	Ind AS 2 does not contain specific explanation in respect of machinery spares as this aspect is covered under Ind AS 16. AS 2 explains that inventories does not include machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular; such machinery spares are accounted for in accordance with AS 10, Accounting for Fixed Assets.
14	AS 4	Ind AS 10	If after the reporting date, it is determined that the fundamental accounting assumption of going concern is no longer appropriate, Ind AS 10 requires a fundamental change in the basis of accounting. Whereas existing AS 4 requires assets and liabilities to be adjusted for events occurring after the balance sheet date that indicate that the fundamental accounting assumption of going concern is not appropriate
15	AS 5	Ind AS 8	The objective of the existing AS 5 is to prescribe the classification and disclosure of certain items in the statement of profit and loss for uniform preparation and presentation of financial statements. The objective of Ind AS 8 is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors
16	AS 5	Ind AS 8	AS 5 deals with presentation of items of income and expenses as extraordinary items whereas Ind AS 8 does not

17	AS 5	Ind AS 8	AS 5 restricts the definition of accounting policies to specific accounting principles and the methods of applying those principles while Ind AS 5 broadens the definition to include bases, conventions, rules and practices (in addition to princriples) applied by an entity in the preparation and presentation of financial statements.
18	AS 5	Ind AS 8	Ind AS 8 specifically states that an entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an AS specifically requires or permits categorisation of items for which different policies may be appropriate. neither existing AS 5 nor any other existing Standard specifically requires accounting policies to be consistent for similar transactions, other events and conditions.
19	AS 5	Ind AS 8	Ind AS 8 requires the changes in accounting policies should be accounted for retrospectively with restatement of comparatives subject to the limited exception where it is impracticable to determine the period-specific effects or the cumulative effect of applying an new accounting policy. On the other hand, the existing AS 5 does not specify how change in accounting policy should be accounted for
20	AS 5	Ind AS 8	The existing AS 5 defines prior period items as incomes or expense which arise in the current period as a result of errors or omissions in the preparation of financial statements of one or more prior periods. Ind AS 8 uses the term prior period errors and relates it to errors or omissions arising from a failure to use or misuse of reliable informations (in addition to mathematical mistakes, mistakes in application of accounting policies, etc.) that was available when the financial statements of the prior periods were approved for issuance and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Ind AS 8 specifically states tha errors include frauds, which is not covered in existing AS 5
21	AS 5	Ind AS 8	Ind AS 8 requires rectification of material prior period errors with retrospective effect and restatement of comparatives subject to limited exceptions viz., where it is impracticable to determine the period specific effect or the cumulative effect. On the other hand, the existing AS 5 requires the rectification of prior period items with prospective effect
22	AS 6	Ind AS 16	Ind AS 16 requires that change in depreciation method should be considered as a change in accounting estimate and treated accordingly. As per AS 6, it is considered as a change in accounting policy and treated accordingly.

23	AS 6	Ind AS 16	As per AS 6, periodic review of useful life is not mandatory. Ind AS 16 requires that the residual value and useful life of an asset be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with Ind AS 8.
24	AS 6	Ind AS 16	As per AS 6, change in depreciation method can be made only if the adoption of the new method is required by statute or for compliance with an accounting standard or if it is considered that the change would result in a more appropriate preparation or presentation of the financial statements. Ind AS 16 requires that the depreciation method applied to an asset should be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method should be changed to reflect the changed pattern.
25	AS 7	Ind AS 11	Existing AS 7 does not recognise fair value concept as contract revenue is measured at consideration received / receivable, whereas Ind AS 11 requires that contract revenue shall be measured at fair value of consideration received / receivable
26	AS 9	Ind AS 18	As per existing AS 9, revenue is measured at the charges made to customer whereas Ind AS 18 requires to the revenue to be measured at fair value of the consideration received or receivable
27	AS 10	Ind As 16	Ind AS 16 requires that major spare parts qualify as PPE when an entity expects to use them during more than one period and when they can be used only in connection with an item of PPE. As per AS 10, only those spares are required to be capitalised which can be used only in connection with a fixed asset and whose use is expected to be irregular.
28	AS 10	Ind AS 16	AS 10 does not lay down any specific recognition criteria for recognition of a fixed asset. As per the standard, any item which meets the definition of a fixed asset should be recognised as a fixed asset. Ind AS 16, apart from defining the term property, plant and equipment, also lays down the following additional criteria which should be satisfied for recognition of items of property, plant and equipment: (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.

29	AS 10	Ind AS 16	AS 10 does not provide guidance on recognition of asset purchased on deferred payment basis. Ind AS 16 provides that the cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with Ind AS 23.
30	AS 11	Ind AS 21	Ind AS 21 excludes from its scope forward exchange contracts and other similar financial instruments, which are treated in accordance with Ind AS 39, "Financial Instruments: Recognition and Measurement". The existing AS 11 does not exclude accounting for such contracts
31	AS 11	Ind AS 21	Ind AS 21 is based on functional currency approach whereas existing AS 11 is based on integral and non-integral foreign operations approach
32	AS 12	Ind AS 20	There are two broad options under Ind AS 20: the capital approach and the income approach. Accounting and presentation could therefore be different. Revenue is not recognised until there is a reasonable assurance that: • The entity complies with the conditions attached to the grants; and • The grants are receivable. Government grants are recognised in the statement of comprehensive income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. They are not credited directly to shareholder's interest.
33	AS 13	Ind AS 32, Ind AS 39 and Ind	There is no standard on financial instruments. AS 13 deals only with accounting for investments and not all financial instruments
34	AS 14	Ind AS 103	No standard on business combinations under existing AS. Ind AS 103 captures accounting at the time of acquisition which is the first step whereas AS 14 captures accounting at the time of merger which is the second step.
35	AS 15	Ind AS 19	Ind AS 19 requires recognition of the actuarial gains and losses in other comprehensive income, both for post-employment defined benefit plans and other long-term employment benefit plans. The actuarial gains and losses 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. Existing AS 15 requires recognition of the actuarial gains and losses immediately in the statement of profit and loss as income or expense

36	AS 17	Ind AS 108	Identification of segments under Ind AS 108 is based on 'management approach' i.e. operating segments are identified based on the internal reports regularly reviewed by the entity's chief operating decision maker. Existing AS 17 requires identification of two set of segment - one based on related products and services and the other on geographical areas based on the risks and returns approach. one set is regarded as primary segments and the other as secondary segments.
37	AS 17	Ind AS 108	Ind AS 108 requires that the amounts reported for each operating segment shall be measured on the same basis as used by the chief operating decision makes for the purposes of allocation resources to the segment and assessing its performance. Existing AS 17 requires segment information to be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements
38	AS 18	Ind AS 24	Ind AS 24 defines relative of Key Management Personnel as close members of the family and does not specify any boundaries whereas AS 18 provides specifies the boundaries
39	AS 19	Ind AS 17	The existing standard AS 19 excludes leases of land from its scope. Ind AS 17 does not have such scope exclusion. It has specific provisions dealing with lease of land and building applicable. Further Ind AS 17 is not applicable as the basis of measurement for property held by lessees / provided by lessors under operating leases but treated as investment property and biological assets held by lessees / provided by lessors under operating leases within the standard on Agriculture. The existing standard does not contain such provisions.
40	AS 19	Ind AS 17	In case of finance leases in the books of the lessor who is not a manufacturer or dealer lessor, under the existing AS 19, initial direct costs are either recognised as expense immediately or allocated against the finance income over the lease term. Under Ind AS 17, interest rate implicit in the lease is defined in such a way that the initial direct costs gets included automatically in the finance lease receivable; there is no need to add them separately.
41	AS 19	Ind AS 17	In case of operating lease, in the books of the lessor, under existing AS 19, initial direct costs are either deferred and allocated to income over the lease term in proportion to the recognition of rent income, or recognised as expense in the period in which incurred. Under Ind AS 17, initial direct costs are added to the carrying amount of the leased asset and recognised as expense over the lease term on the same basis as lease income in the books of the lessor in case of operating lease

42	AS 21	Ind AS 110	Ind AS 110 provides principle based definition of 'control' whereas AS 21 provides rule based definition
43	AS 22	Ind AS 12	Ind AS 12 is based on balance sheet approach. It requires recognition of tax consequences of differences between the carrying amounts of assets and liabilities and their tax base. Existing AS 22 is based on income statement approach. It requires recognition of tax consequences of differences between taxable income and accounting income. For this purpose, differences between taxable income and accounting income are classified into permanent and timing differences
44	AS 22	Ind AS 12	As per Ind AS 12, subject to limited exceptions, deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, the criteria for recognising deferred tax assets arising from the carry forward of unused tax losses and tax credits are the same that for recognising deferred tax assets arising from deductible temporary differences. however, the existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity As per existing AS 22, deferred tax assets are recognised and carried forwards only to the extent that there is a resonable certainty that sufficient future taxable income will be available against which such deferred tax asets can be realised. Where deferred tax asset is recognised against unabsorbed depreciation or carry forward of lossed under tax laws, it is recognised 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 realised.
45	AS 24	Ind AS 105	As per Ind AS 105, a discontinued operation is a component of an entity that represents a separate major line of business or geographical area, or is a subsidiary acquired exclusively with a view to resale. Under the existing AS 24, a discontinuing operation is a component of an entity that represents the major line of business or geographical area of operations and that can be distinguished operationally and for financial reporting purposes

46	AS 26	Ind AS 38	AS 26, refers only to intangible assets acquired in an amalgamation in the nature of purchase and does not refer to business combinations as a whole. The existing standard is silent regarding the treatment of subsequent expenditure on an in-process research and development project acquired in a business combination. Ind AS 38 deals in detail in respect of intangible assets acquired in a business combination. Further it also provides detailed guidance on treatment of expenditure on an in-process research and development project acquired in a business combination.
47	AS 26	Ind AS 38	AS 26 defines an intangible asset as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. Ind AS 38 defines Intangible assets as an identifiable non-monetary asset without physical substance. It does not include the requirement for the asset to be held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.
48	AS 26	Ind AS 38	As per AS 26, intangible assets acquired free of charge or for nominal consideration by way of government grant is recognised at nominal value or at acquisition cost, as appropriate plus any expenditure that is attributable to making the asset ready for intended use. As per Ind AS 38, when intangible assets are acquired free of charge or for nominal consideration by way of government grant, an entity should, in accordance with Ind AS 20, record both the grant and the intangible asset at fair value.
49	AS 26	Ind AS 38	AS 26 is based on the assumption that the useful life of an intangible asset is always finite, and includes a rebuttable presumption that the useful life cannot exceed ten years from the date the asset is available for use. Ind AS 38 recognizes that the useful life of an intangible asset can even be indefinite subject to fulfillment of certain conditions, in which case it should not be amortised but should be tested for impairment.
50	AS 26	Ind AS 38	AS 26 specifically requires that the residual value is not subsequently increased for changes in prices or value. Under Ind AS 38, Residual value is reviewed at least at each financial year-end. If it increases to an amount equal to or greater than the asset's carrying amount, amortisation charge is zero unless the residual value subsequently decreases to an amount below the asset's carrying amount.
51	AS 26	Ind AS 38	Ind AS 38 permits an entity to choose either the cost model or the revaluation model as its accounting policy. AS 26 does not permit revaluation model.

52	AS 27	Ind AS 31	Ind AS 31 provides both equity method and proportionate consolidation method as option for jointly controlled entities whereas AS 27 provides only proportionate consolidation method
53	AS 28	Ind AS 38	AS 28 does not require the annual impairment testing for the goodwill unless there is an indication of impairment. Ind AS 38 requires annual impairment testing for an intangible asset with an indefinite useful life or not yet available for use and goodwill acquired in a business combination.
54	AS 28	Ind AS 36	Under AS 28, when all or a portion of goodwill cannot be allocated reasonably and consistently to the CGU being tested for impairment, two levels of impairment tests are carried out, viz., bottom-up test and top-down test. In Ind AS 36, goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. There is no bottom-up or top down approach for allocation of goodwill.
55	AS 28	Ind AS 36	AS 28 requires that the impairment loss recognised for goodwill should be reversed in a subsequent period when it was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events that have occurred that reverse the effect of that event. Ind AS 28 prohibits the recognition of reversals of impairment loss for goodwill.
56	AS 29	Ind AS 37	Ind AS 37 requires long term provisions to be discounted whereas AS 29 does not require discounting of long-term provisions
57		Ind AS 101	No standard under existing AS

Annexure J

Summary of Accounting Standards Frameworks for Private Sector – September 30, 2013					
		Standards for Public Interest Entities		**Standards for Non-PIEs**	**Source of information**
	Country	***Title of Standards and the basis***	***IFRS Transition date***	***Title of Standards and the basis***	
1	Argentina	All companies (except Banks and Insurance Companies) whose securities are publicly traded that are regulated by the CNV, the National Securities Commission, must prepare their financial statements using IFRSs as issued by the IASB	January 1, 2012	IFRS for SMEs (permitted subject to individual provincial governments) OR Argentinian Standards OR Full IFRSs	***Note1*** http://www.facpce.org.ar/web2011/
2	Australia	Tier 1 Entities (PIEs and Governments): Australian equivalent of IFRSs titled 'AASB.123'	January 1, 2005	Tier 2 : Non-PIEs, all not-for-profit private sector follow Reduced Disclosure Requirement (RDR) versions of Australian Standards ('AASB 123'). These are not based on IFRS for SMEs	http://www.aasb.gov.au
3	Brazil	a)Listed companies- IFRS for CFS mandatory and Brazilian GAAP fully converged with IFRS) – for Separate F/S b)Banks (Listed & with Audit Committee)- IFRS based CFS as supplemental information. Statutory accounts required as per Central Bank rules c)Insurance – IFRS for Listed ones	December 31, 2010	SMEs can apply Brazilian equivalent of IFRS for SMEs or Full IFRSs for CFS or Brazilian GAAP	***Note 1*** http://www.cpc.org.br/index.php http://www.cvm.gov.br/

Summary of Accounting Standards Frameworks for Private Sector – September 30, 2013

		Standards for Public Interest Entities		Standards for Non-PIEs	Source of information
	Country	***Title of Standards and the basis***	***IFRS Transition date***	***Title of Standards and the basis***	
		and Brazilian GAAP for others			
4	Canada	IFRSs included as Canadian GAAP in CICA Handbook Part I	January 1, 2011	Private Enterprises & Not-for Profit entities: Standards laid down in CICA Handbook Part II and Part III, respectively.	http://www.frascanada.ca/
5	China	The Chinese Accounting Standards for Business Enterprises (ASBEs) issued in February 2006 were substantially converged with IFRSs		The Chinese Accounting Standard for Small Entities was published by the Ministry of Finance in October 2011	Note 1 http://kjs.mof.gov.cn/zhuantilanmu/kuaijizhuanzeshishi/
6	Denmark	1)Companies listed on EU Regulated Market- IFRS as adopted by EU for CFS 2)Separate F/S – IFRS Permitted except for Banks	January 1, 2005	Adoption of Full IFRS permitted	Note 1 & EU Commission Report September 2011 www.fsr.dk
7	France	1)Companies listed on EU Regulated Market -IFRS as adopted by EU for CFS. 2)Separate/Statutory F/S- French GAAP mandatory	January 1, 2005	No separate standards. General French GAAP (as applicable for Separate/Statutory F/S) applies which has some presentation simplification to Small Entities	Note 1 & EU Commission Report o September 2011
8	Germany	1)Companies listed on EU Regulated Market -IFRS as adopted by EU for CFS. 2)Separate F/S- German GAAP (German Commercial Code) mandatory	January 1, 2005	German GAAP (German Commercial Code) IFRS permitted for CFS of SMEs	Note 1 & EU Commission Report September 2011 http://www.drsc.de/service/index_en.php

		Summary of Accounting Standards Frameworks for Private Sector – September 30, 2013			
		Standards for Public Interest Entities		**Standards for Non-PIEs**	**Source of information**
	Country	***Title of Standards and the basis***	***IFRS Transition date***	***Title of Standards and the basis***	
9	Hong Kong	HK equivalent of IFRSs titled 'HKFRS' Required for both CFS and Separate F/S	January 1, 2005	1) HKFRS for Private Entities *(similar to IFRS for SMEs)* 2)SME Financial Reporting Framework and Financial Reporting Standard ("SME-FRF & FRS") *(toned down version of #1 above)*	http://www.hkicpa.org.hk/en/
10	Israel	IFRSs issued by the IASB are immediately effective as and when issued. *(There are some variations for Banks)*	January 1, 2008	1)IFRS for SMEs or 2)Full IFRSs or 3)Israeli GAAP or 4)US GAAP	Note 1 http://www.iasb.org.il/
11	Japan	Japanese Standards issued by ASB Japan (a private sector organization). However, IFRSs are allowed for CFS of some domestic companies and foreign issuers	Not Applicable	Japanese Standards. ASB Japan has established in 2010 a Council to consider accounting standards for Unlisted Companies	https://www.asb.or.jp/asb/top_e.do
12	Korea	Korean equivalent of IFRSs titled 'K-IFRS'. Required for both CFS and Separate F/S	January 1, 2011	K-GAAP	http://www.kasb.or.kr
13	Malaysia	Malaysian equivalent of IFRSs titled ''MFRS'	January 1, 2012	*ED of 'Malaysian Private Entities Financial Reporting Standard* (*MPERS*)' issued in August 2013. MPERS will be applicable from Jan 1, 2016 and are closely aligned to IFRS for SMEs	http://www.masb.org.my/
14	Mexico	1)Listed entities – IFRSs as/when issued by IASB.	January 1, 2012	SMEs can use IFRS for SMEs or Full IFRSs or US GAAP	***Note 1***

Summary of Accounting Standards Frameworks for Private Sector – September 30, 2013					
		Standards for Public Interest Entities		**Standards for Non-PIEs**	**Source of information**
	Country	***Title of Standards and the basis***	***IFRS Transition date***	***Title of Standards and the basis***	
		2)Banks & Insurance Entities- Mexican Financial Reporting Standards (MFRS) plus Sectoral Regulations			
15	Netherlands	1)Companies listed on EU Regulated Market -IFRS as adopted by EU for CFS mandatory 2)Separate F/S- IFRS permitted	January 1, 2005	Dutch Accounting Standards for (1)Small entities (2)Medium & Large entities Above entities are permitted to use (a) IFRS as adopted by EU combined with a part of Dutch GAAP (b)IFRS for SMEs	Note 1 & EU Commission Report September 2011 http://www.rjnet.nl/Site/English/
16	New Zealand	Tier 1 Entities: New Zealand equivalent of IFRSs titled 'NZ-IFRS'. Required for both CFS and Separate F/S	January 1, 2007	1)Tier 2 entities- Reduced Disclosure Regime (NZ IFRS RDR) 2)Tier 3 entities- Differential Reporting concessions (NZ IFRS Diff Rep) 3) Tier 4 entities- Old GAAP	Approved Accounting Standards Standards Framework (March 2012) http://www.xrb.govt.nz/
17	Norway	1)Companies listed on EU Regulated Market -IFRS as adopted by EU for CFS mandatory. 2)Separate F/S- IFRS premitted	January 1, 2005	Norwegian GAAP	Note 1 & EU Commission Report September 2011 http://www.regnskapsstiftelsen.no/a9084301/english
18	Russia	IFRS mandatory for all CFSs. Russian GAAP mandatory for	January 1, 2012	Russian GAAP	***Note 1*** http://minfin.ru

Summary of Accounting Standards Frameworks for Private Sector – September 30, 2013					
		Standards for Public Interest Entities		**Standards for Non-PIEs**	**Source of information**
	Country	***Title of Standards and the basis***	***IFRS Transition date***	***Title of Standards and the basis***	
		separate F/S			
19	Saudi Arabia	1)Banks & Insurance Companies-IFRS mandatory 2)Other companies-Standards issued by Saudi Organization for Certified Public Accountants (SOCPA)		Standards issued by SOCPA	***Note 1***
20	Singapore	Singapore equivalent of IFRSs titled ''SFRS'. There are number of deviations from IFRSs and timelines for full convergence not yet publihsed	Not Applicable	SFRS for SME from January 1, 2011 which is based on IFRS for SME	http://www.asc.gov.sg/
21	South Africa	IFRSs are immediately effective as and when issued by the IASB	January 1, 2005	IFRS for SMEs	https://www.saica.co.za/Default.aspx
22	Sri Lanka	Sri Lankan equivalent of IFRSs titled 'SLFRS' and 'SLAS'	January 1, 2012	Sri Lanka Accounting Standards for SMEs (SLFRS for SMEs) based on IFRS for SMEs	http://www.casrilanka.com
23	Sweden	1)Companies listed on EU Regulated Market -IFRS as adopted by EU for CFS. 2)Separate F/S (Tier K4)- Standards approved by BFN (The Swedish Accounting Standards Board) & for Financial companies-Standards approved by The Swedish Financial Supervisory Authority	January 1, 2005	Tiers set by BFN 1)K3- BFN standards based on IFRS for SME 2)K2-BFN special standards 3)K1-BFN special standards	Note 1 & EU Commission Report September 2011

Summary of Accounting Standards Frameworks for Private Sector – September 30, 2013

		Standards for Public Interest Entities		Standards for Non-PIEs	Source of information
	Country	***Title of Standards and the basis***	***IFRS Transition date***	***Title of Standards and the basis***	
24	Switzerland	1)General Purpose F/S: IFRS as issued by IASB or US GAAP IPSASs and Swiss GAAP FER are accepted 2)Statutory Separate F/S: SWISS GAAP	Not Applicable	Same norms as PIEs	Note 1
25	Turkey	IFRSs as issued by IASB for CFS. (Norms will change once Turkey becomes member of EU)		1)IFRS for SMEs or 2)Turkish National GAAP	Note 1 http://www.kgk.gov.tr/en/
26	UK	1)Companies listed on EU Regulated Market -IFRS as adopted by EU for CFS. 2)Separate F/S – IFRS permitted	January 1, 2005	Effective January 1, 2015 1)FRS 102- Financial Reporting Standard for Smaller Entities (FRSSE) OR 2)FRS 101 – Reduced Disclosure Framework OR 3)EU adopted IFRS	www.frc.org.uk
27	US	US GAAP i.e. standards issued by FASB		There is no central authority to prescribe such requirements	

Note 1: Primary source of Information is http://www.ifrs.org/Use-around-the-world/Pages/Jurisdiction-profiles.aspx

Note 2: Public Interest Entities (PIEs) = Listed entities, Banks & Insurance entities; Non-PIEs i.e. SMEs, NFPs: CFS = Consolidated Financial Statements; SME=Small and Medium-sized Entity; NFP=Not-for-Profit Entity

Annex IV: Roadmap proposed by the ICAI in March 2014

New Roadmap for the implementation of Indian Accounting Standards converged with IFRS

For convergence of Indian Accounting Standards with International Financial Reporting Standards (IFRSs), a Press Release (No.2/2010) laying down roadmap for application of converged Indian Accounting Standards (Ind-AS) by companies (other than Banking companies, Insurance companies and Non-Banking Finance Companies) was issued on 22nd January, 2010. Further, a Press Release (No.3/2010) related to the roadmap for the application of the converged Indian Accounting Standards (Ind-AS) by the Banking Companies, Insurance companies and Non- Banking Finance Companies was issued on 31st March, 2010. Subsequently, in response to the requests seeking clarifications on the roadmaps, a Press Release (No. 4/2010) containing a consolidated statement on clarification of roadmap was issued on May 04, 2010. However, the Ind-AS placed on the website of the MCA could not be implemented due to various reasons from 1st April, 2011 as per the aforesaid roadmaps issued.

A revised roadmap for implementation of Indian Accounting Standards (Ind-AS) finalised by the Council of the ICAI, at its last meeting, held on March 20-22, 2014, as follows, has been submitted to the Ministry of Corporate Affairs for its consideration:

1. As stated in earlier roadmaps for achieving convergence, there shall be two separate sets of Accounting Standards notified under the Companies Act, 1956. First set would comprise the Indian Accounting Standards (Ind-AS) converged with the IFRSs which shall be applicable for preparation of consolidated financial statements as defined in the Companies Act, 2013, of the specified class of companies. The second set would comprise the existing notified Accounting Standards (AS) and shall be applicable for preparation of individual financial statements of the companies preparing consolidated financial statements as per Ind-AS and for financial statements of other companies.

2. The first set of Accounting Standards i.e. converged Indian Accounting Standards (Ind-AS) shall be applied to the following specified class of companies for preparing their first Indian Accounting Standards (Ind-AS) consolidated financial statements for the accounting period beginning on or after April 1, 2016, with comparatives for the year ending 31st March 2016 or thereafter:

(a) Whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India; or (b) Companies other than those covered in (a) above, having net worth of Rs. 500 crore or more (c) Holding, subsidiary, joint venture or associate companies of companies covered under (a) or (b) above.

3. Companies to which Indian Accounting Standards (Ind-AS) are applicable shall prepare their first set of consolidated financial statements in accordance with the Indian Accounting Standards (Ind-AS) effective at the end of its first Ind-AS reporting period unless otherwise specified, i.e., companies preparing consolidated financial statements for the accounting period beginning on or after April 1, 2016 shall be required to apply the Ind-AS effective for financial year ending on 31st March 2017.

4. Calculation of net worth

For the purpose of calculation of qualifying net worth of companies, the following rules shall apply:

(a) The net worth shall be calculated as per the stand alone audited balance sheet of the company falling under any of the categories covered under 2 above as at 31st March 2014 or the first balance sheet for accounting periods which end after that date.

(b) The net worth shall be calculated as the paid-up Share Capital plus Reserves and Surplus less Revaluation Reserve.

(c) For companies which are not in existence on 31st March 2014 or an existing company meets the criteria for the first time after 31st March, 2014, the net worth shall be calculated on the basis of the first balance sheet ending after that date.

5. Voluntary Adoption

(a) Companies not mandatorily required to follow Indian Accounting Standards (Ind-AS) shall have the option to apply the Indian Accounting Standards (Ind-AS) voluntarily for their consolidated financial statements provided they prepare consolidated financial statements under the Indian Accounting Standards (Ind-AS) consistently thereafter.

(b) The option to apply the Indian Accounting Standards (Ind-AS) voluntarily, once exercised, therefore, shall be irrevocable. Such companies would not be required to prepare another consolidated financial statements in accordance with existing Accounting Standards (AS).

6. Discontinuing use of the first set of Accounting Standards (i.e. the Indian Accounting Standards)

Once a company starts following the first set of Accounting Standards for consolidated financial statements, i.e., the Indian Accounting Standards (Ind-AS) on the basis of the eligibility criteria, it shall be required to follow such Accounting standards for all the subsequent Consolidated Financial Statements even if any of the eligibility criteria does not subsequently apply to it.

7. The roadmap for banks, NBFCs and Insurance Companies will be decided in consultation with RBI and IRDA.

IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: India

Disclaimer: The information in this Profile is for general guidance only and may change from time to time. You should not act on the information in this Profile, and you should obtain specific professional advice to help you in making any decisions or in taking any action. If you believe that the information has changed or is incorrect, please contact us at ifrsapplication@ifrs.org.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to a survey that the Foundation conducted on the application of IFRSs around the world between August and December 2012. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

Profile last updated	5 June 2013

PARTICIPANT IN THE IFRS FOUNDATION SURVEY ON APPLICATION OF IFRSs

Organisation	The Institute Of Chartered Accountants of India (ICAI)
Role of the organisation	In India, Accounting Standards are formulated by the Council of the ICAI through its Accounting Standards Board. Thereafter, those Accounting Standards are considered by the National Advisory Committee on Accounting Standards (NACAS) of the Ministry of Corporate Affairs constituted under the Indian Companies Act, 1956, which recommends the Standards to the Central Government for notifying under the Act. The Government, on accepting the recommendation of the Committee, notifies the Standards under the Act by publishing them in the *Official Gazette*. At present, 28 Accounting Standards, which are based on old IASs, with certain differences therefrom, have been notified under the Companies Act, 1956. In a move towards convergence with IFRSs, in 2007 the ICAI commenced the process of developing a complete set of Accounting Standards that are 'converged with' IFRSs – to be known as Indian Accounting Standards or Ind ASs. India has decided to converge its accounting standards with IFRSs issued by IASB instead of adoption of IFRSs. Thirty-five Ind ASs corresponding to IFRS in force on 1 April, 2011 (with the exception of IFRS 9 *Financial Instruments*, IAS 26 *Accounting and Reporting by Retirement Benefit Plans*, and IAS 41 *Agriculture*) were placed on the website of the Ministry of Corporate Affairs. However, they have not been notified under the Companies Act, 1956. Ind ASs have certain modifications to IFRSs to reflect 'Indian conditions'. The ICAI and the Government had initially decided to implement the converged Ind ASs from 1 April 2011. However, that date has been deferred pending resolution of certain issues including tax issues. In the meantime, the ICAI has continued its endeavours to formulate/revise Ind ASs based on IFRSs issued or revised after 1 April, 2011. Those standards will be required to be followed by all listed and large unlisted companies. The Government is expected to announce the revised roadmap for implementation of Ind ASs shortly. The existing Accounting Standards would continue to be followed by small and

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	medium-sized entities that are not required to follow the Ind ASs. Those entities will be permitted to follow the Ind ASs if they wish.
Website	www.icai.org
Email contact	president@icai.in asb@icai.in

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRSs as that single set of high quality global accounting standards?	Yes.
What is the jurisdiction's status of adoption?	India has not adopted IFRSs.
Additional comments provided on the adoption status?	The existing Companies Act, 1956, requires all companies to prepare separate company financial statements in conformity with Accounting Standards approved by the Central Government. It does not require consolidated financial statements. The separate company financial statements are filed with the Ministry of Corporate Affairs. The Securities and Exchange Board of India (SEBI) requires all companies with subsidiaries whose securities trade in a public market to file consolidated financial statements with stock exchanges. SEBI requires those financial statements to be prepared in conformity with the Accounting Standards approved by the Central Government. However, SEBI has given the option to listed entities to prepare and file consolidated financial statements in conformity with IFRSs issued by IASB. Approximately 11 companies (mainly ones with foreign listings) have taken advantage of the IFRS option. The SEBI option to prepare consolidated financial statements in accordance with IFRSs issued by IASB is generally regarded as a temporary measure until a comprehensive revision of the Companies Act is completed and new Indian Accounting Standards converged with IFRSs (Ind ASs) are officially adopted. The Indian Parliament is currently considering a comprehensive revision to the Companies Act. That revision passed the House of the People (*Lok Sabha,* the lower house of Parliament) in December 2012 and is currently being debated by the *Rajya Sabha* (the upper house of Parliament). The revised Companies Act will require consolidated financial statements and will establish a two-tier system of accounting standards, Ind ASs converged with IFRSs for listed and large companies and the existing Accounting Standards for smaller companies.
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRSs as that set of standards, explainthe jurisdiction's general position towards the adoption of IFRSs in your jurisdiction.	Not applicable.

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EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRSs in their consolidated financial statements?	Yes, but very few do so. Click for details.
If YES, are IFRSs REQUIRED or PERMITTED?	Permitted.
Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?	All domestic companies with subsidiaries. However, very few companies use the option to prepare consolidated financial statements in conformity with IFRSs. Most companies use the existing Accounting Standards notified under the Indian Companies Act.
Are IFRSs also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?	No.
For instance, are IFRSs required or permitted in separate company financial statements of companies whose securities trade in a public market?	No. Separate company financial statements must be prepared using the existing Accounting Standards notified under the Indian Companies Act, 1956.
For instance, are IFRSs required or permitted for companies whose securities do not trade in a public market?	No.
If the jurisdiction currently does NOT require or permit the use of IFRSs for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRSs for such companies in the future?	Please see the discussion under 'Commitment to Global Financial Reporting Standards' regarding revisions to the Companies Act currently under consideration.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRSs in their consolidated financial statements?	Yes.
If YES, are IFRSs REQUIRED or PERMITTED in such cases?	Permitted.
Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	All.

IFRS ENDORSEMENT

Which IFRSs are required or permitted for domestic companies?	As explained above under the discussion on Adoption Status, the Securities and Exchange Board of India (SEBI) currently permits consolidated financial statements filed with stock exchanges to be prepared in conformity with either the existing Accounting Standards or IFRSs. Only a few companies have taken advantage of the IFRS option, and the option is generally regarded as temporary.

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The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	The existing Accounting Standards notified under the Indian Companies Act, except for the few companies that use the IFRS option, in which case their consolidated financial statements refer to IFRSs.
Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRSs and thejurisdiction's GAAP)?	No.
Are IFRSs incorporated into law or regulations?	No.
If yes, how does that process work?	Not applicable.
If no, how do IFRSs become a requirement in the jurisdiction?	While the IFRSs are not incorporated into law or regulations, SEBI has given an option to listed entities to prepare consolidated financial statements in conformity with IFRSs as issued by IASB.
Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRSs (including Interpretations) in place	As indicated earlier, in India, the process is neither endorsement nor adoption of IFRSs. The IFRSs are used as the base for issuing corresponding Ind ASs with changes in IFRSs wherever necessary. The Ind ASs will become part of the law.
If yes, what is the process?	The drafts of the Ind ASs prepared on the basis of IFRSs are exposed for public comments and discussed with the necessary interest groups wherever necessary. Thereafter, considering the comments the Accounting Standards Board of the ICAI finalises the Ind AS, which is then approved by the Council of the ICAI. The Ind AS so approved by the Council is reviewed by NACAS which recommends the Ind AS to the Government. The Government thereafter notifies the Ind AS in the *Official Gazette* as part of law.
If no, how do new or amended IFRSs become a requirement in the jurisdiction?	Please see above.
Has the jurisdiction eliminated any accounting policy options permitted by IFRSs and/or made any modifications to any IFRSs?	In the formulation of Ind ASs, some IFRSs have been deferred, some modifications have been made, and certain options have been removed.
If yes, what are the changes?	The following IFRSs have been deferred in the current formulation of Ind ASs: • IFRS 6 *Exploration for and Evaluation of Mineral Resources* • IAS 26 *Accounting and Reporting by Retirement Benefit Plans* • SIC Interpretation 29 *Service Concession Arrangements: Disclosures* • IFRIC Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments* • IFRIC Interpretation 12 *Service Concession Arrangements* • IFRIC Interpretation 4 *Determining Whether an Arrangement contains a Lease* The following modifications have been made in the current formulation of Ind ASs: • Ind AS 21 (corresponding to IAS 21 *The Effects of Changes in Foreign Exchange Rates*) permits an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity. • IAS 28 *Investments in Associates* requires that difference between the reporting period of an associate and that of the investor should not be more than three months, in any case. The phrase 'unless it is

impracticable' has been added paragraph 25 of Ind AS 28.

- A proviso has been added to paragraph 48 of Ind AS 39 (corresponding to IAS 39 *Financial Instruments: Recognition and Measurement*) 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.

- An exception has been included to the definition of 'financial liability' in paragraph 11(b)(ii), Ind AS 32 (corresponding to IAS 32 *Financial Instruments: Presentation*) to consider the equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments as an equity instrument if the exercise price is fixed in any currency.

- IFRS 3 requires bargain purchase gain arising on business combination to be recognised in profit or loss. Ind AS 103 (corresponding to IFRS 3 *Business Combinations*) requires the same to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve.

- Ind AS 101 *First-time Adoption of Indian Accounting Standards* does not require presentation of comparative financial statements under Ind AS for the year preceding adoption. Presentation of comparatives under the former Accounting Standards 'on a memorandum basis' would be required, without the reconciliations required by IFRS 1 *First-time Adoption of International Financial Reporting Standards*. In addition, Ind AS reflects a number of other modifications to the corresponding IFRS 1.

- Ind AS 101 *First-time Adoption of Indian Accounting Standards*, provides an entity an option to use carrying values of all items of property, plant and equipment as on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS.

- IFRIC 15 *Agreements for Construction of Real Estate* has not been adopted in Ind ASs.

- IAS 41 *Agriculture* has not been adopted. ICAI expects to adopt a version of IAS 41 that reflects bearer biological assets using the cost method rather than fair value through profit or loss. This issue is the subject of a current IASB agenda project.

The following options have been removed in Ind ASs:

1. IAS 1 *Presentation of Financial Statements*
   - Option to follow different terminology for the titles of financial statements has been removed; only one terminology for the titles is required uniformly.
   - Option to present analysis of expenses function-wise is removed; only nature-wise classification of expenses permitted. Investments in Associates and Joint Ventures (2011).
2. IAS 7 *Statement of Cash Flows*
   - Option to classify interest paid and interest and dividends received as items of operating cash flows is removed for entities other than financial entities; these items are required to be classified as financing activity and investing activity, respectively.
   - Option to classify dividend paid as an item of operating activity removed; it has to be classified as financing activity only.
3. IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*
   - Option to measure non-monetary government grants at nominal

	value removed; such grants are required to be measured at fair value only. – Option to present the grants related to assets by deducting the amount of grants in arriving at the carrying amount of the asset is removed; such grants are only required to be presented by setting up the grants as deferred income. 4. IAS 38 *Intangible Assets* – The option to measure intangible asset acquired by way of government grant at nominal amount plus any expenditure that is directly attributable to prepare the asset has been removed; only fair value measure is required for recognising such intangible assets. 5. IAS 40 *Investment Property* – The option to measure investment at fair value has been removed; only cost model is permitted.
Other comments regarding the use of IFRSs in the jurisdiction?	Not applicable.

TRANSLATION OF IFRSs

Are IFRSs translated into the local language?	No. However, Ind ASs are translated into Hindi for the purpose of Notification in the *Official Gazette.*
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRSs?	Not applicable.

APPLICATION OF THE IFRS FOR SMEs

Has the jurisdiction adopted the IFRSs for SMEs for at least some SMEs?	No.
If no, is the adoption of the IFRS for SMEs under consideration?	No.
Did the jurisdiction make any modifications to the IFRS for SMEs?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the IFRS for SMEs in the jurisdiction, and are they required or permitted to do so?	Not applicable.
For those SMEs that are not required to use the IFRS for SMEs, what other accounting framework do they use?	The existing Accounting Standards notified under the Indian Companies Act, with certain exemptions/relaxations for SMEs. These will continue to be applicable to such entities even after Ind ASs come into force, or a new, separate set of standards for smaller companies will be developed.
Other comments regarding use of the IFRS for SMEs?	None.