

# Ind-AS 1: Presentation of Financial Statements

For Desai Shah & Associates , Chartered Accountants  
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# Who Issues IFRS ?

At present IFRS are Issued by International Accounting Standard Board ( IASB) .  
Previously issued by International Accounting Standard Committee ( IASC)

IASB is monitored by IASC Foundation a Delavar Corporation, Based in London.

Its based out of London , but does not belong to UK. Its an independent body.

# What Are IFRSs ? Definition of IFRSs :

IAS 1.11 defines IFRSs as comprising:

IFRS International Financial Reporting Standards;

IAS International Accounting Standards; and

IFRIC Interpretations originated  by the International Financial Reporting Interpretations Committee (IFRIC) or

SIC The former Standing Interpretations Committee (SIC).



IFRS 10 : CONSOLIDATION

IFRS 11 : JOINT ARRANGEMENTS

IFRS 12 : DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 13 : FAIR VALUE MEASUREMENT

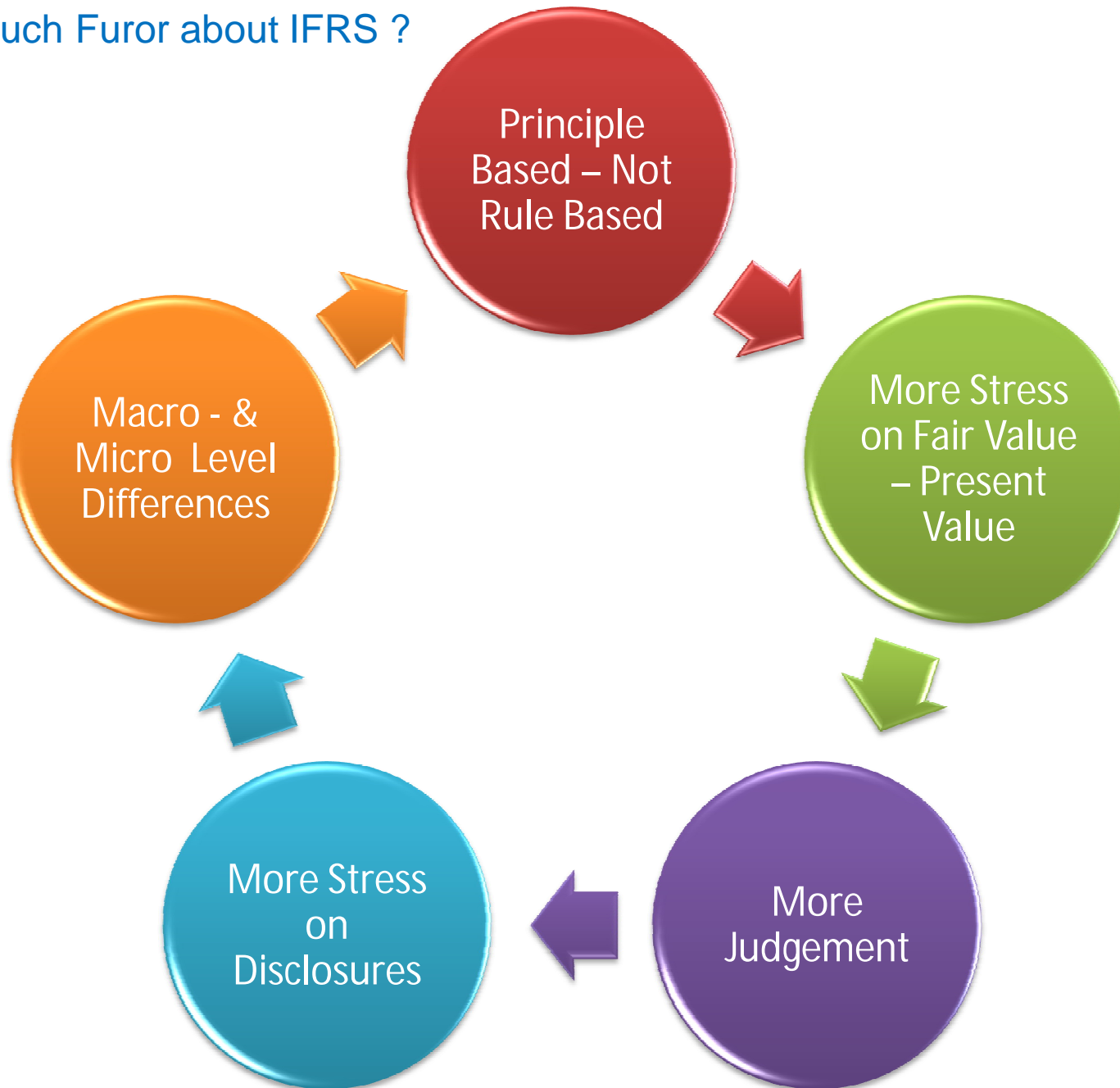
IFRS 10, 11 12 & 13 announced on 12<sup>th</sup> May 2011 – are effective from 1<sup>st</sup> January,2013

# IFRS – Just 64 Standards for Large Entities as of December 2012

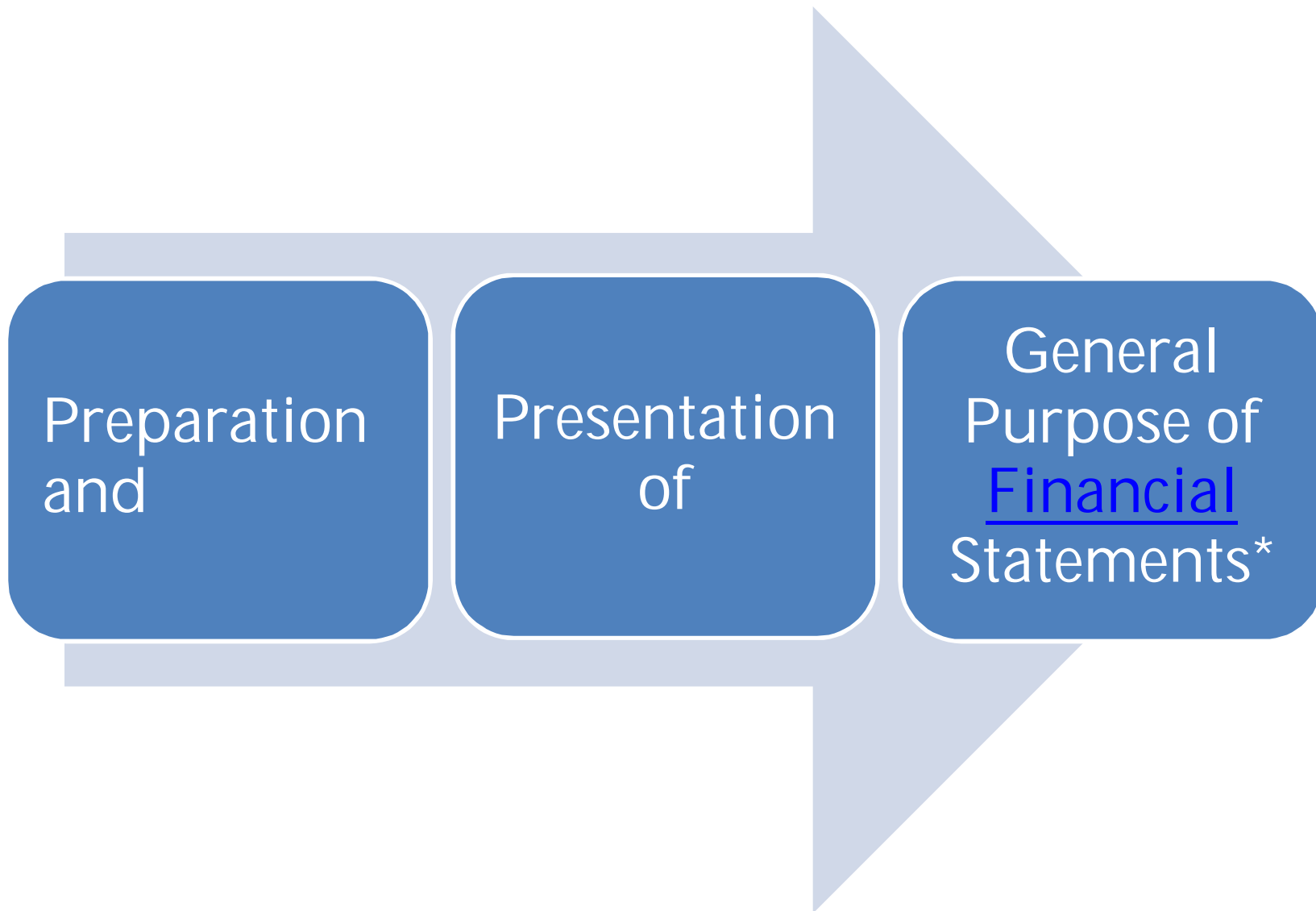
IFRS ... (IASB).....	13
IAS ... (IASC).....	29
IFRIC ... (IASB).....	16
SIC * ..... (IASC).....	10
<b>Total</b>	<b>68</b>

**\* In 2010 , SIC were 11.**

## Why So Much Furor about IFRS ?



# Ind-AS 1 Presentation Of Financial Statements – Deals with



Guidelines  
for Structure

Objective  
of Ind-AS 1

Basis & Overall  
requirement for  
Presentation of  
GPFS

And Minimum  
Requirements  
for Their  
Contents



# What is the Objective of the Financial Statements ?

**Objective is to provide information about :**

Financial Position – Balance Sheet

Performance and - Income Statement

Changes in Financial Position – Cash Flow Statement

**By Providing information about :**

Elements of Financial Statements – A-L-E-I-E

Contribution by & Distributions to Owners in their capacity as such.

What is General Purpose Financial Statement ?

General Purpose Financial Statements (GPFS) means Financial Statements intended to meet the need of users who are not in a position to demand reports tailored to specific information needs.

GPFS referred to as Financial Statements in this Standard.

# Applicability

Applies to all types of Business Entities

Full  
Applicability

Consolidated

Separate

Complete

Partial  
Applicability

Condensed  
Financial  
Statements

# What are Elements of Financial Statements.

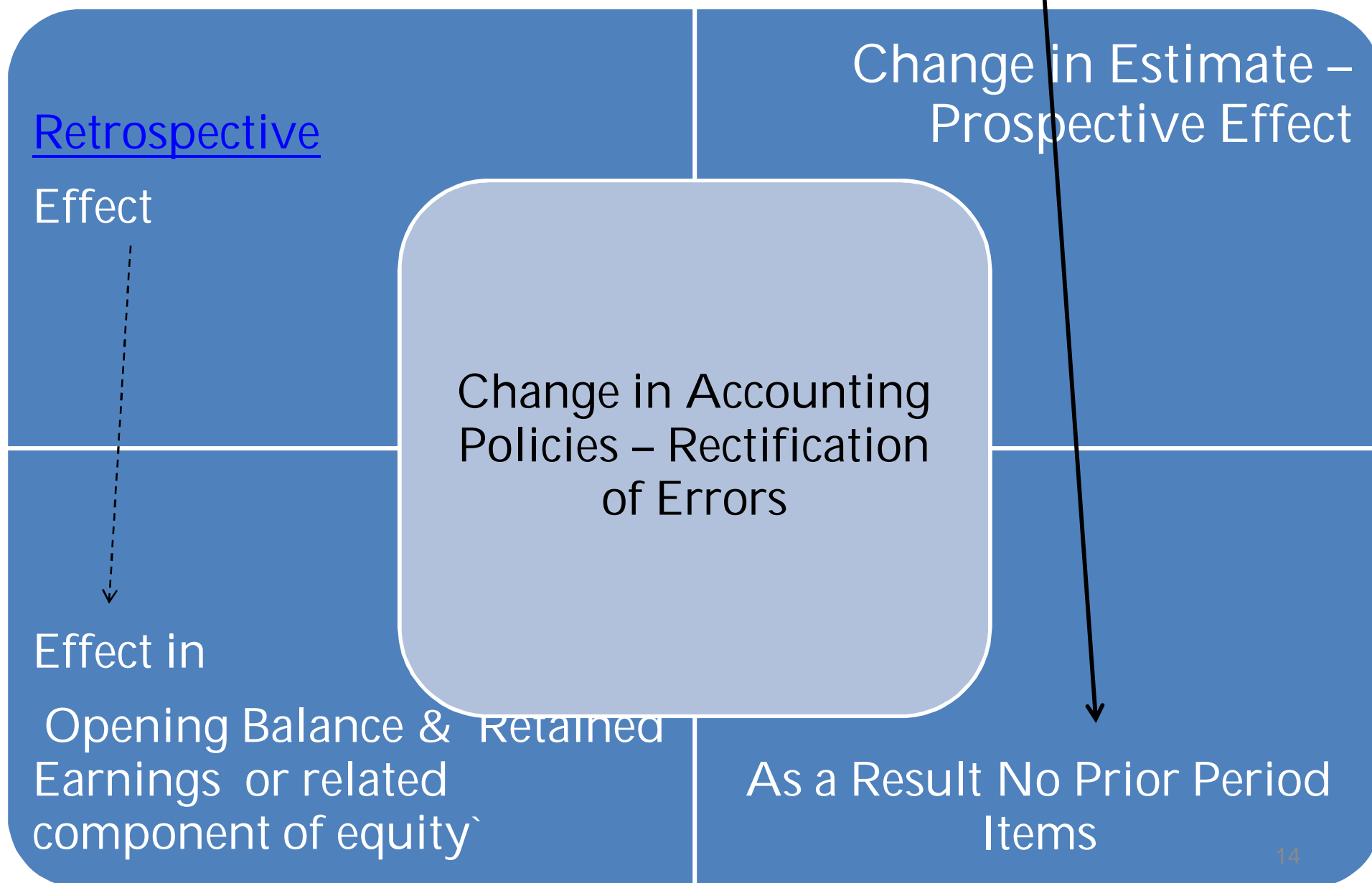
• Asset	- A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
• Liability	- A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of an entity's resource.
• Equity	- The Residual interest in an entity's assets after deducting all its liabilities.
• Income	• Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.
• Expenses	- Decreases in economic benefits not resulting from distributors to equity holders.

# Complete Set of Financial Statements is Made up of :

- A Balance Sheet (Statement of Financial Position) as at the end of the period.
- A Statement of Changes in Equity. – Part of Balance Sheet
- A Statement of Profit & Loss (Comprehensive Income)
- A Statement of Cash Flows for the period;
- Notes comprising of a summary of significant accounting policies and other explanatory information;
- A Balance Sheet(SOFP) as at the beginning of the earliest comparative period when an entity :
  - applies an accounting policy retrospectively or
  - makes a retrospective restatement of items in its financial statements, or
  - when it reclassifies items in its financial statements.

Statement of Profit or loss and Other Comprehensive Income , new name from June 2011.

Precisely for this reason – There is no Prior period Items



What are the fundamental assumptions of Financial Statements ?

Financial Statement should be prepared on the assumption of :

Going Concern

Accrual & Consistency – Missing..from 2011.

# ***The Conceptual Framework for Financial Reporting***

## **Underlying assumption**

### **Going concern**

4.1 The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.



Financial Statement should present fairly

- Financial Position
- Financial Performance and
- Cash Flows of an entity.

Application of IFRS , coupled with additional disclosure is presumed to result in Financial Statements that achieve a **FAIR PRESENTATION**

**Fair presentation override permitted.**

## What is required for Fair Presentation

Step 1 : Selection and application of accounting policies

Step 2 : Presentation of Information in a manner which provides relevant, reliable , comparable and understandable information

Step 3 : Additional disclosures when required

Fair Presentation (True & Fair) Override – In an Extremely Rare Circumstances – when compliance would be misleading. When Entity Departs it will disclose :

- ✓ Management has concluded FS present True & Fair View of Financial Position, Financial Performance & Cash Flow.
- ✓ It has complied with applicable Ind-As, except the departure.
- ✓ Title of Departure, Nature of Departure, the reason, the treatment adopted, and
- ✓ For each period presented the financial effect of departure that would have been reported in complying with the requirement.

# Compliance Requirements

No Partial Compliance .



Compliance has to be in FULL with All Applicable Ind-AS



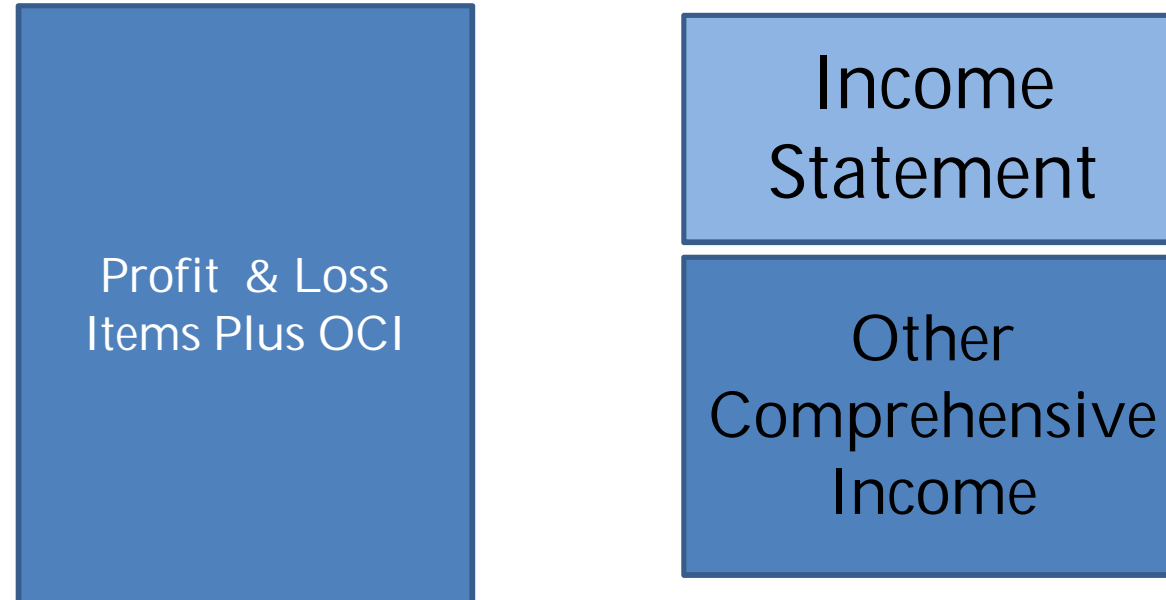
Explicit & Unreserved Statement of Compliance



Can **NOT** be described as complying with Ind-AS

# Statement of Comprehensive Income

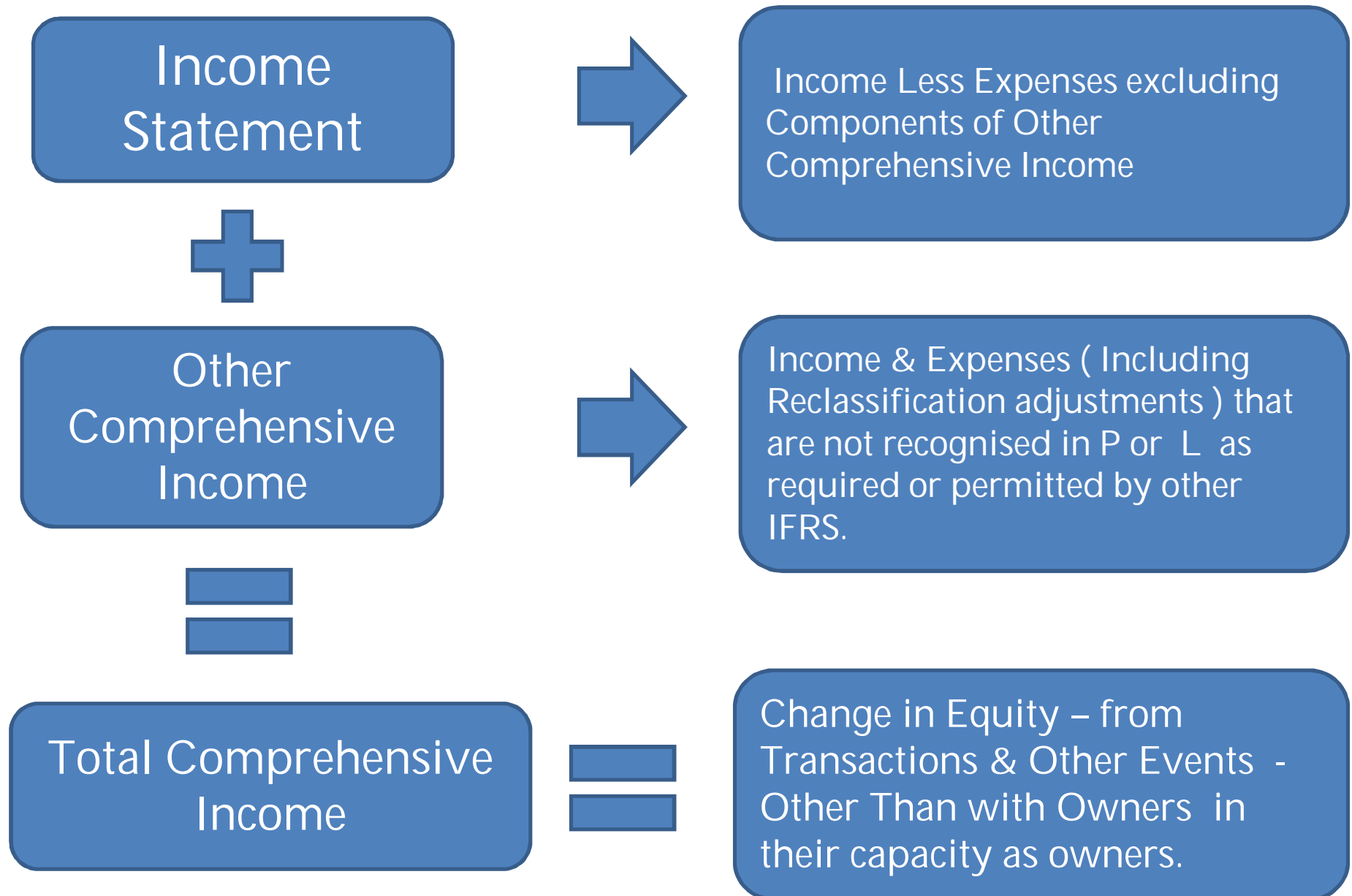
Presentation	One Statement	Two Statements
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# What is Other Comprehensive Income ?

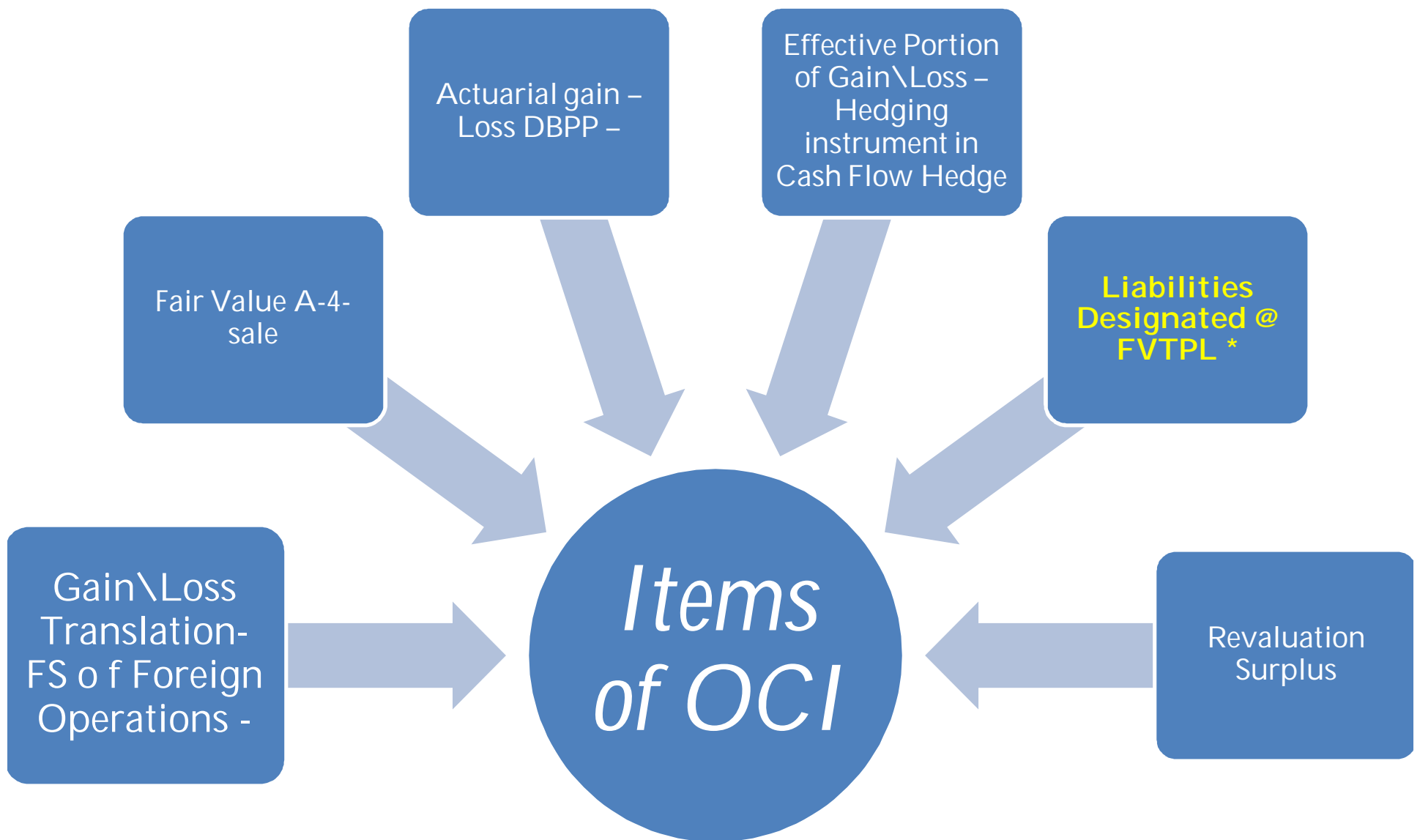
*Other comprehensive income comprises items of income and expense (**including reclassification adjustments**) that are not recognised in profit or loss as required or permitted by other Ind-AS.*

# Statement of Comprehensive Income



What are the Items(Components) of  
OCI ?





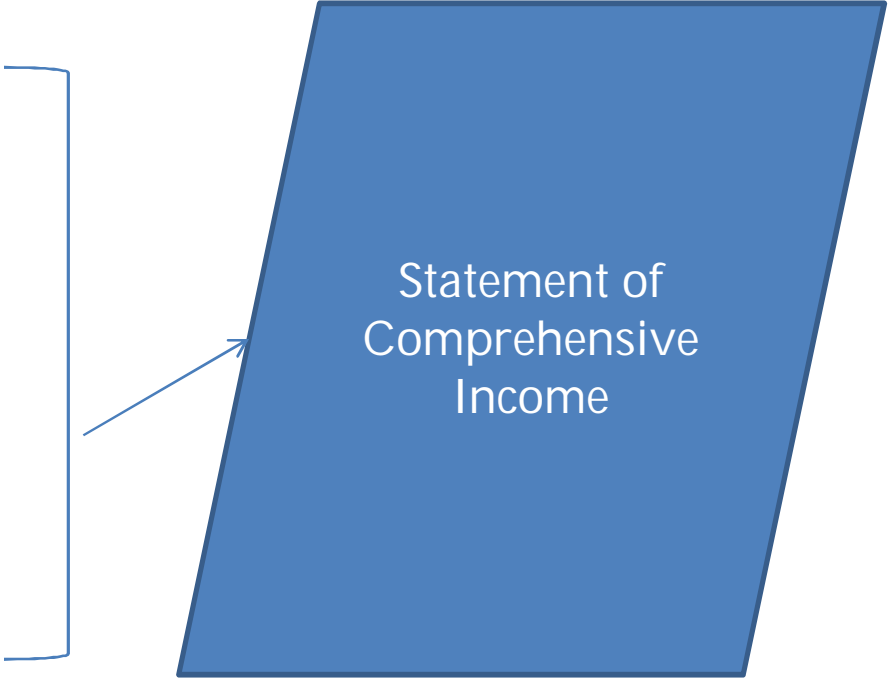
# STATEMENT OF COMPREHENSIVE INCOME

In the statement of comprehensive income (i.e. single statement approach), an entity is required to at least include following line items:

- For example, the following amounts should be presented:

1. Revenue
2. Finance costs
3. Share of profit/loss of associate or joint venture.
4. Tax expense
5. Profit or loss
6. Each component (net of tax) of other comprehensive income classified by nature
7. Total comprehensive income

## Single Statement Approach



The diagram illustrates the 'Single Statement Approach' for the Statement of Comprehensive Income. It features a large blue parallelogram representing the statement. To the left of the parallelogram is a vertical blue bracket that groups the seven line items listed in the adjacent text block. A blue arrow points from the middle of this bracket to the left side of the parallelogram, indicating that all seven items are included within the single statement.

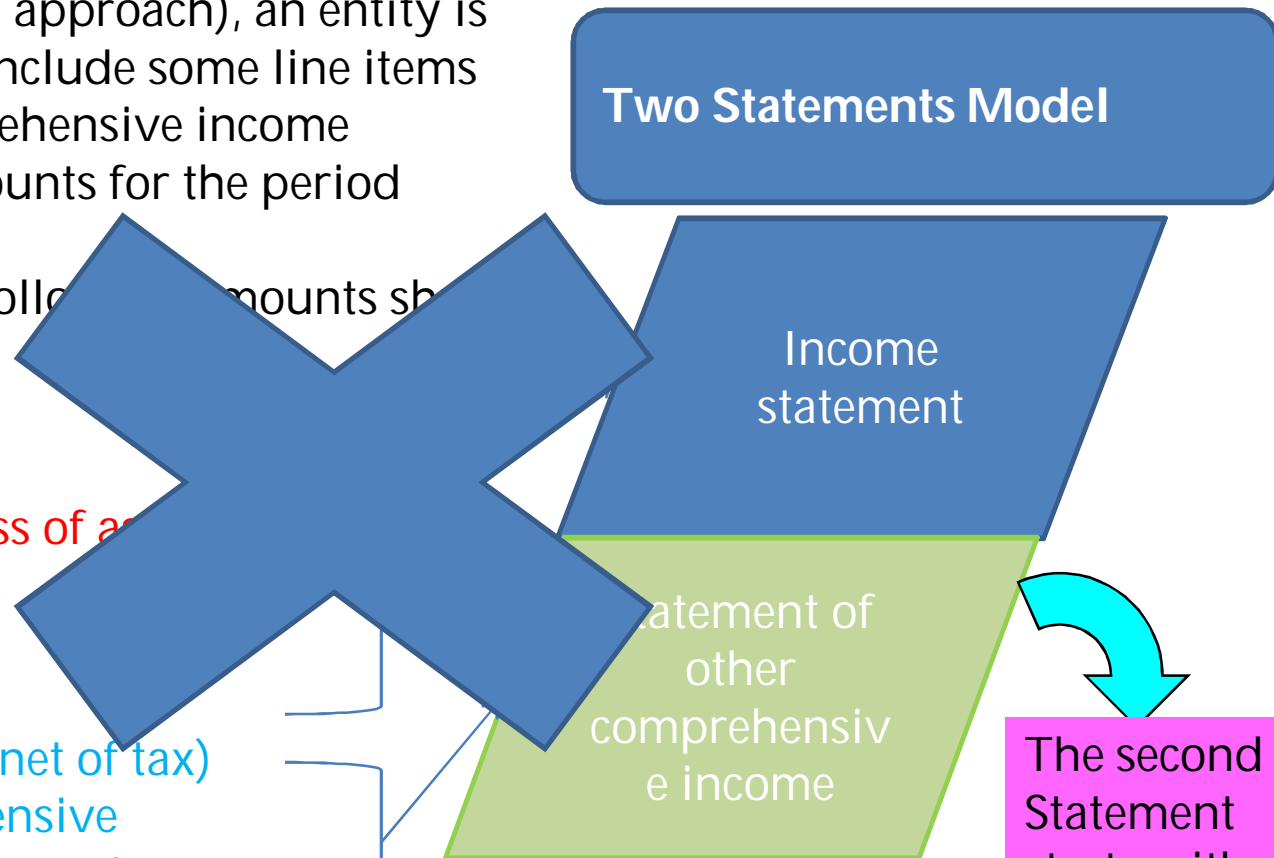
Statement of Comprehensive Income

# STATEMENT OF COMPREHENSIVE INCOME

In the statement of comprehensive income (i.e. single statement approach), an entity is required to at least include some line items Statement of Comprehensive income that present the amounts for the period

- For example, the following amounts should be presented:

1. Revenue
2. Finance costs
3. Share of profit/loss of an associate or joint venture.
4. Tax expense
5. Profit or loss
4. Each component (net of tax) of other comprehensive income classified by nature
5. Total comprehensive income



The second Statement starts with Profit or Loss for the year.

## Since June 2011 – Only IFRS not in Ind-AS

Information to be presented in the other comprehensive income section

82A The other comprehensive income section shall present line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other IFRSs:

(a) will not be reclassified subsequently to profit or loss; and

(b) will be reclassified subsequently to profit or loss when specific conditions are met.

# Statement of Comprehensive Income

Following should be disclosed in the statement of comprehensive income:

(a) profit or loss for the period attributable to:

- (i) non-controlling interests, and
- (ii) owners of the parent.

(b) total comprehensive income for the period attributable to:

- (i) non-controlling interests, and
- (ii) owners of the parent.

# Two Options of Presentation



## Natural

- Revenue
- Other income
- Changes in inventories of finished goods and WIP
- Raw materials & consumables used
- Employee benefits expense
- Depreciation and amortisation expense
- Other expenses
- Total expenses
- Profit before tax

## Functional

- Revenue
- Cost of sales
- Gross profit
- Other income
- Distribution costs
- Administrative expenses
- Other expenses
- Profit before tax



## Other Comprehensive Income

❖ Disclose the amount of income tax relating to each component of other comprehensive income, **including reclassification adjustments**, either in the statement of comprehensive income or in the notes.

❖ An entity may present components of other Comprehensive income either:

[Example](#)

(a) net of related tax effects, or

(b) before related tax effects with one amount shown for the aggregate amount of income tax relating to those components.

# Reclassification Adjustments

- ❖ amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.
- ❖ An entity shall disclose reclassification adjustments relating to components of other comprehensive income.
- ❖ Other Ind-AS specify whether and when amounts previously recognised in other comprehensive income are reclassified to profit or loss, they are referred to as the reclassification adjustments.



Reclassification Adjustments arises	Reclassification Adjustments do not Arise
On disposal of a foreign operation – Ind-AS 21	On changes in revaluation surplus (Ind-AS 16; Ind-AS 38)
❖ On de-recognition of available-for-sale financial assets Ind-AS 39 <a href="#">Reclassifications.xlsx</a> and	On changes in actuarial gains or losses on defined benefit plans (Ind-AS 19)
❖ When a hedged forecast transaction affects profit or loss – Ind-AS 39.100 in relation to cash flow hedges.	
<b>Liabilities Designated @ FVTPL</b>	

## Changing the Presentation or Classification.

When the entity reclassifies comparative amounts, the entity shall disclose:

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- (a) the reason for not reclassifying the amounts, and
- (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

## Statements of Changes in Equity ( Net Assets) Presented

- ❖ “The Statement of Changes in Equity” reflects the increases and decreases in the net assets of an entity during the period.
- ❖ In accordance with Ind-AS 1, all changes in equity from transactions with **“Owners”( in their capacity as Owners)** are to be presented separately from non-owner changes in equity.

# Statements of Changes in Equity

Includes following components on the face of the statement:

- 1.Total comprehensive income for the period, segregating amounts attributable to owners and to non-controlling interest ;
- 2.The effects of retrospective application or retrospective restatement separately for each component of equity;
- 3.Contributions from and distributions to owners; and
- 4.A reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change, for each component of equity.

# Statement of Changes in Equity

The following should be disclosed, either in the statement of financial position or the statement of changes in equity, or in the notes:

1. For each class of share capital
  - Number of shares authorized;
  - Number of shares issued and fully paid, and issued but not fully paid;
  - Par value per share, or that the shares have no par value;
  - Recognition of the number of shares outstanding at the beginning and at the end of the periods;
  - Any rights, preferences and restrictions attached;
  - Shares in the entity held by the entity or its subsidiaries; and
  - Shares reserved for issue under options and contracts for the sale of shares, including terms and amounts.
2. A description of the nature and purpose of each reserve within equity

# How Dividend is presented ?

in the statement of changes in equity or  
in the notes,

the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.

## How Dividend is Disclosed ?

An entity shall disclose in the notes:( also in SOCIE)

(a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share; and

(b) the amount of any cumulative preference dividends not recognised.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

Sample

DKK million	Share capital	Reserves	Retained earnings	Proposed dividends	Equity attributable to equity holders of DONG Energy A/S	Hybrid capital	Minority interests
Equity at 1 January 2009	2,937	9,950	23,242	1,926	38,055	8,088	
Comprehensive income for the year, see page 69	-	(694)	794	-	100	451	
Coupon payments, hybrid capital	-	-	-	-	-	(451)	
Proposed dividends	-	-	(481)	481	0	-	
Dividends paid	-	-	-	(1,926)	(1,926)	-	
Addition on acquisition of enterprises	-	-	-	-	-	-	
Addition of minority interests	-	-	(43)	-	(43)	-	
Disposal of minority interests	-	-	432	-	432	-	
<b>Total changes in equity in 2009</b>	<b>-</b>	<b>(694)</b>	<b>702</b>	<b>(1,445)</b>	<b>(1,437)</b>	<b>0</b>	
<b>Equity at 31 December 2009</b>	<b>2,937</b>	<b>9,256</b>	<b>23,944</b>	<b>481</b>	<b>36,618</b>	<b>8,088</b>	



# Comparatives

At least one year's Comparatives of

Amounts ,and Narrative and Descriptive Information.

Thus, as a minimum, two statements of financial position, two of each of the other statements, and related notes.

*And when an additional SOFP need to be given ?*

# Identification of Financial statements

An Entity shall identify each statements prominently and also disclose following Information distinctly

- (a) the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;
- (b) whether the financial statements are of an individual entity or a group of entities;
- (c) the date of the end of the reporting period or the period covered by the set of financial statements or notes;
- (d) the presentation currency, as defined in Ins-AS 21; and
- (e) the level of rounding used in presenting amounts in the financial statements.

Classification

EITHER

Current –  
Non Current

OR

Liquidated  
Presentation

An entity shall classify an asset as current when:

- (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) it holds the asset primarily for the purpose of trading;
- (c) it expects to realise the asset within twelve months after the reporting period; or
- (d) the asset is cash or a cash equivalent (as defined in Ind-AS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

- (a) it expects to settle the liability in its normal operating cycle;
- (b) it holds the liability primarily for the purpose of trading;
- (c) the liability is due to be settled within twelve months after the reporting period; or
- (d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

# Minimum Requirements

Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:

- (a) no more than twelve months after the reporting period, and
- (b) more than twelve months after the reporting period.

An entity classifies its financial liabilities as **current** when they are **due to be settled within twelve months after the reporting period**, even if:

(a) the original term was for a period longer than twelve months, and

(b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed **after the reporting period and before the financial statements are approved for issue.**

# Loans classified as current liabilities,

In accordance with Ind-AS 10 *Events after the Reporting Period*, followings are considered as “**NON-Adjusting Events**”.

- (a) refinancing on a long-term basis;
- (b) rectification of a breach of a long-term loan arrangement; and
- (c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement ending at least twelve months after the reporting period.



# Disclosure on the Face of the Balance Sheet

- Property, plant & equipment
- Investment property
- Intangible assets
- Financial assets
- Investments accounted for under the equity method
- Biological assets
- Inventories
- Trade & other receivables
- Cash & cash equivalents
- Provisions
- Financial liabilities
- Liabilities & assets for current tax
- Deferred tax liabilities & deferred tax assets
- Minority interest, within equity
- Issued capital & reserves attributable to equity holders of the parent
- Assets held for sale
- Trade & other payables
- Assets & liabilities included in disposal groups classified as held for sale

**Additional line items allowed when relevant to understanding  
Of an entity's financial position**

# Disclosure on the face of the Statement of Profit and Loss

- Revenue
  - Finance costs
  - Share of profit or loss of associates & joint ventures accounted for using the equity method
  - Tax expense
  - Profit or loss
- A single amount comprising the total of
  - Post-tax profit or loss on discontinued operations
    - Post-tax gain or loss recognised on measurement to fair value less costs to sell or disposal of such operations
  - Disclosed as allocations of profit or loss for the period
    - Profit or loss attributable to NCI - minority interest
    - Profit or loss attributable to equity holders of parent

**Additional Line items allowed when relevant to understanding of an entity's financial performance**

# The Quiz



- What are the Elements of Financial Statements ?

- What do you call the "Provisions For Doubtful Debts"

and

- "Accumulated Depreciation"

## Material

- Presentation of Material Items Separately

## Less Material

- Either Aggregation or
- In the Notes

## Offsetting

- No Offsetting Unless Required.

# Materiality

Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity.

Materiality is an entity-specific aspect of relevance based on the **nature or magnitude**, or both,

Of the items to which the information relates in the context of an individual entity's financial report.

# Offsetting

- ❖ Assets and liabilities or income and expenses may not be offset against each other, unless required or permitted by an Ind-AS.
- ❖ Measuring assets net of valuation allowances—for example, obsolescence allowances on inventories and doubtful debts allowances on receivables—is not offsetting.

## Offsetting

- ❖ Usually, losses and gains on disposal of noncurrent assets or foreign exchange gains and losses are seen reported on a net basis, due to the fact that they are not material individually (compared to other items on the income statement).
- ❖ If they were material individually, they would need to be disclosed separately according to the requirements of Ind-AS.

# Offsetting

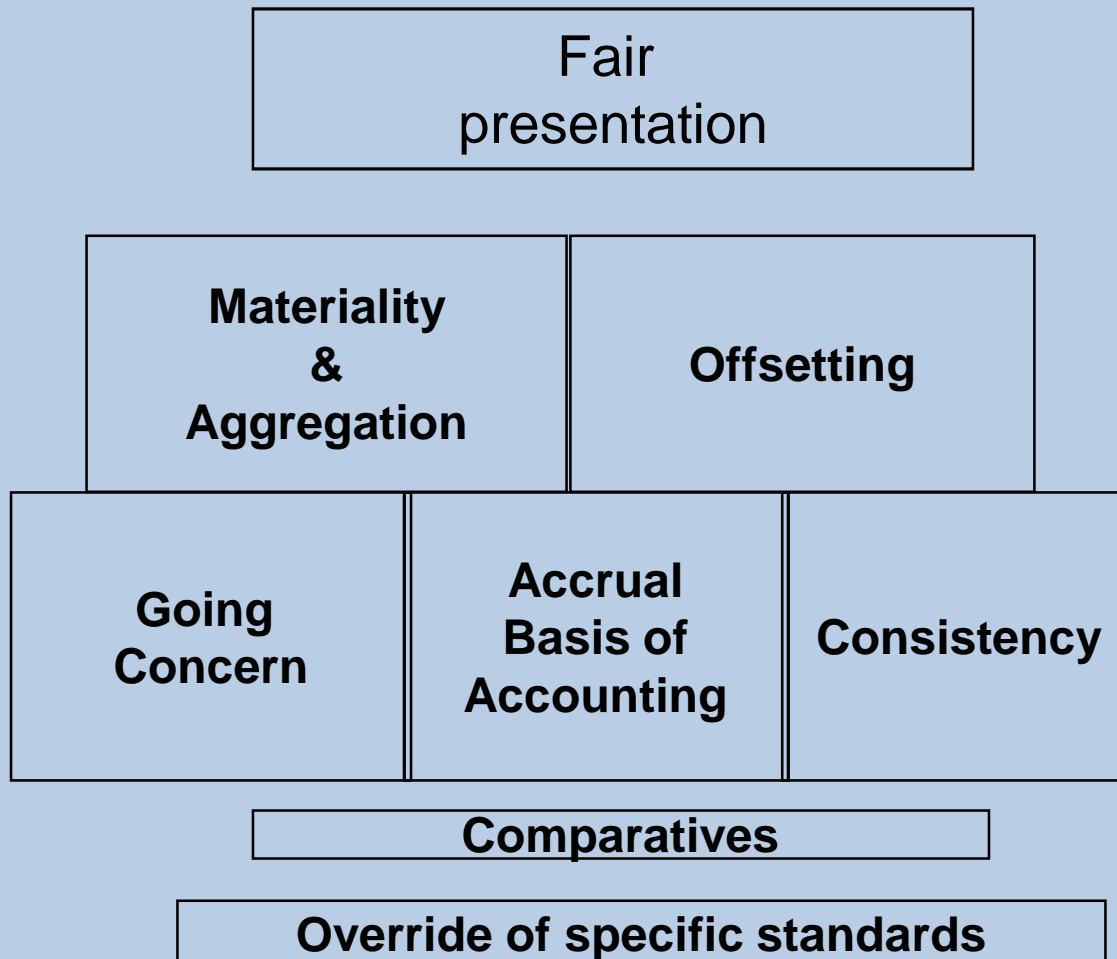
When items of income or expense are offset -Consider the need to disclose the gross amounts in the notes to the financial statements.

Following examples of transactions which can be netted

1. Gains or losses on the disposal of noncurrent assets, including investments and operating assets, are reported by deducting from the proceeds on disposal the carrying amounts of the asset and related selling expenses.
2. Expenditure related to a provision that is reimbursed under a contractual arrangement with a third party may be netted against the related reimbursement.



# Overall Considerations



# Extraordinary & Exceptional Items

- No Extraordinary Items.

***Now abolished as part of the “Improvements Projects”***

- Only Exceptional – Not Defined
- Additional line items, heading & subtotals presented on face where relevant to understanding;
- Separate disclosure of nature & amount of material items of income and expenditure on face or by way of note.
- Dividend to be reflected in Statement of Changes in Equity

# Notes

Entity Should Give Notes Concerning :

- (1) basis of preparation + the specific accounting policies used;
- (2) disclose the information required by Ind-AS that is not presented elsewhere.
- (3) Also provide information that is relevant to an understanding of any of them
- Notes in a systematic manner and
- should cross-reference each item in Financial Statements

# Notes.... Contd.

- To Help users to understand the :
  - financial statements and to compare them with financial statements of other entities.
- Statement of compliance with IAS
- Summary of significant accounting policies applied
- Supporting information for items presented in the financial statements
- Other disclosures, including contingent liabilities and unrecognized contractual commitments;
- and
- nonfinancial disclosures (e.g., the entity's financial risk management objectives and policies).

# Other Disclosures

If not disclosed elsewhere in information published with the financial statements, followings to be disclosed:

- (a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);
- (b) a description of the nature of the entity's operations and its principal activities;
- (c) the name of the parent and the ultimate parent of the group; and
- (d) if it is a limited life entity, information regarding the length of its life.

# Other Disclosure

1. **Explicit & unreserved statement of compliance with Ind-AS**
2. Any departures from Ind-ASs needed to ensure fair presentation of financial statements
3. **Judgment made in applying the entity's most significant accounting policies (Ind-AS 1.113)**
4. **Key sources of estimation uncertainty (Ind-AS 1. 116)**
5. Any item of income or expenses that are material in their nature should be disclosed separately, either on the face of the income statement or in the notes.
6. New standards & interpretations issued but not effective/adopted. Indicating impact (Ind-AS 8.30 & 31)

## **Mandatory Two Year's Comparatives – Consolidation**

Same Policies as at last date of the Latest Presented Statements – Comparability.

No Prior Period Items + No Extraordinary Items

OCI – Net of Tax Effect.

## **Explicit & Unreserved statement of compliance with Ind-AS**

New standards & interpretations issued but not effective/adopted. Indicating impact

No Fixed Format Like Schedule VI

Any Questions ?

Thank You Friends !!!!

CA Yagnesh Desai –

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