

UPDATE ON IND AS / IFRS

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COVERS

- Ind AS 116 Practical Points
- Other Practical Issues
- Amended IFRS Framework
- New BC (IFRS3)
- Questions and Answers

IND AS 116 – Lease -

- Definition
 - Control etc
 - Franchise , Revenue Sharing , Minimum Rent
 - Lock in Period
 - Lease Expired but continued occupation
- Termination – Termination Option (Economic Incentive to terminate?)
- Modification
- Lease and Non Lease Payments (CAM)
- Deposit
- Lease Period V/S Lease Improvisation Assets (PPE)
- Calculations – Complexities,

IND AS 116 – Lease -

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Elements : Identified Asset, Lessee Obtains Eco Benefits, Lessee directs the Use
- Specific Asset – Explicitly or implicitly mentioned, Not fleet of car / ships etc.
 - **Stall in a Mall at any place** : Does NOT contain a Lease
 - The space can be changed at the discretion of the Supplier. The Supplier has the substantive right to substitute the space Company A used because: (a) The Supplier has the practical ability to change the space used at any time without Company A's approval. . (b) The Supplier would benefit economically from substituting the space.
- Use of Server ?

Other Practical Issues

- Tax Laws Tax @ 22% or 15% How to Account
- Interest waived – How to disclose
- Gifts distributed by the Pharma cos – whether Ind AS 115 applicable
- Ind AS 116 – Lease Renewed for 12 months many many times . Whether applicable

Amendments

EFFECT ON STANDARDS

- The Framework is not a standard and does not override any standard,
- No changes in current standards
- **nothing will change in the short term.**
- The revised Framework will be used in future standard-setting decisions,
- To be used in Future standard settings

EFFECTIVE

For annual periods beginning on or after **1 January 2020**

The IASB webcasts on 18 April that will summarise the key changes

Amendments to IFRS Framework

Chapter 1 – The objective of financial reporting

- ✓ User Potential
- ✓ Stress on to assess management's stewardship
- ✓ to provide information that is useful in making resource allocation decisions.

Chapter 2 – Qualitative characteristics of useful financial information

- ✓ Explicit reference to Prudence and faithful representation. defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality

➤ Chapter 3 – Financial statements and the reporting entity and boundry of the same

- ✓ which might be a legal entity or a portion of a legal entity.
- ✓ More emphasis on Consolidated Financial Statements

Chapter 4 – The elements of financial statements

Asset. A *present economic* resource controlled by the entity as a result of past events. An economic resource is a right that *has the potential to produce* economic benefits.

- Resource V/S Economic Resource (Not only Physical but also Rights)
- No Expectations but Economic Resource
- the definition of an economic resource refers to the potential of an asset/liability to produce/to require a transfer of economic benefits.

Liability. A present obligation of the entity *to transfer* an economic resource as a result of past events.

Equity. The residual interest in the assets of the entity after deducting all its liabilities.

Income. Increases in assets or decreases in liabilities that result in increases in equity, other than those relating to contributions from holders of equity claims.

Expenses. Decreases in assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to holders of equity claims

Amendments to IFRS Framework

- Chapter 5 – Recognition and derecognition
 - ✓ Removing the probability threshold for recognition, and adding guidance on derecognition
- Chapter 6 – Measurement
 - ✓ Adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis.
- Chapter 7 – Presentation and disclosure
 - ✓ Stated P&L is the primary performance indicator and that, in principle, I&E in OCI should be recycled where the relevance or faithful representation of the FS would be enhanced.
- Chapter 8 – Concepts of capital and capital maintenance
 - ✓ Discussion deferred

Other Amendments to IFRS

- Materiality – *that can influence*
- Insurance Contracts
- *Prepayment Features with negative Compensation*
IFRS 9
- *Plan Amendment , Curtailment or Settlement* IAS19
- *Long Term Interest in Associates and JV* IAS 28
wef 1-1-19

Business Combination – New Look

- Whether an acquired set of activities and assets is a business or not.
 - ‘the ability to contribute to the creation of outputs’ rather than ‘the ability to create outputs’.
 - the assessment on what has been acquired in its current state and condition. THUS NO integrating the business with their own inputs and processes required
 - Assessing whether an acquired process is substantive
 - Narrowed definition of Business (Invst Income)

Business Combination – New Look

- **Recog. and measuring A&L**
 - As of Acquisition Date
 - Costs the acquirer expects but is not obliged to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree's employees are not liabilities at the acquisition date. Thus, Post Combination Costs
 - The acquirer shall recognise as of the acquisition date a contingent liability assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably

– QUESTIONS ???

BY

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