



IND-AS

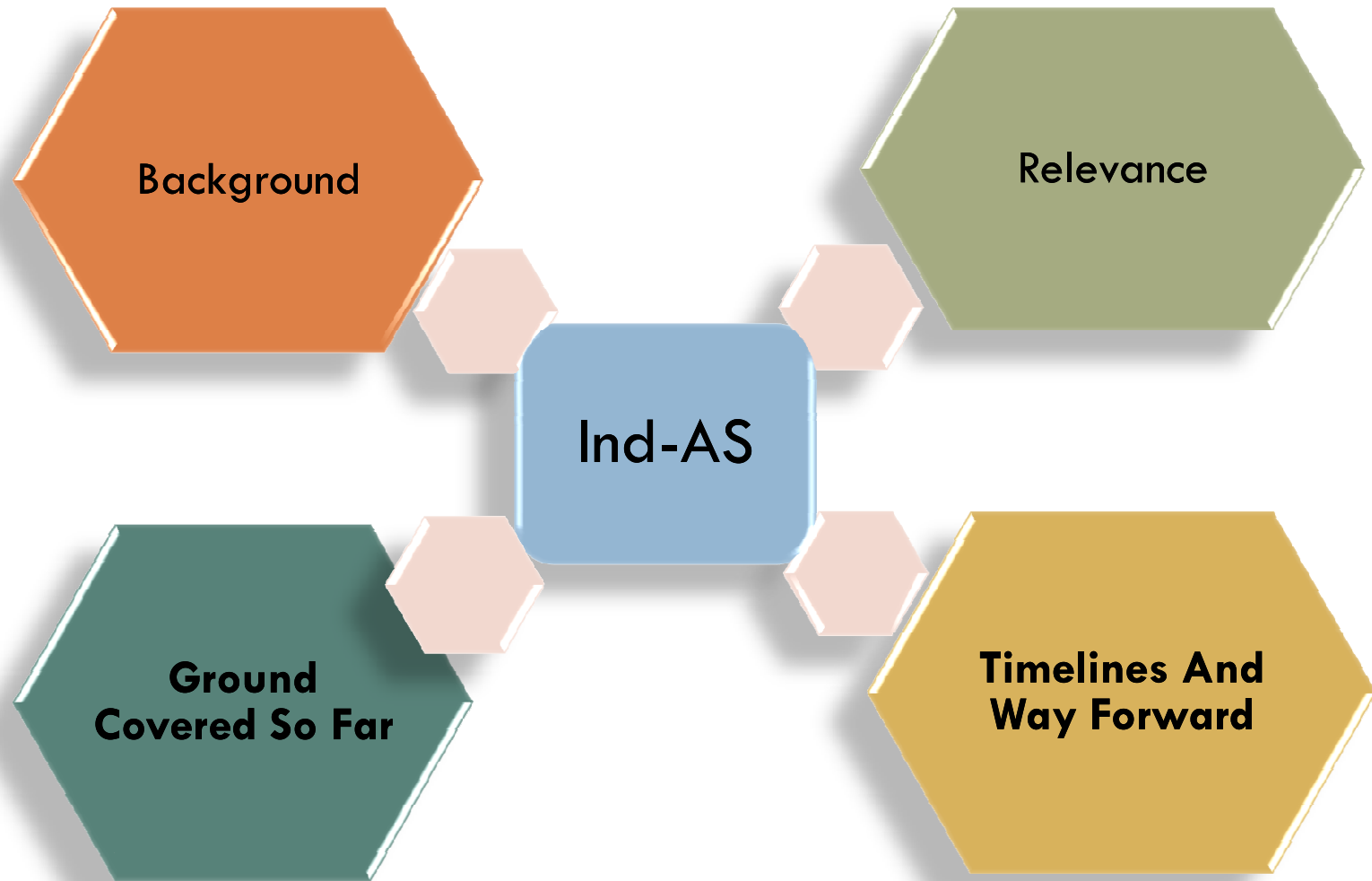
Relevance in Current Context

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Session content





Background

FM revives the Ind-AS initiative

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FM's Budget Speech :

- *“There is an urgent need to converge the current Indian accounting standards with the IFRS*
- *I propose for adoption of Ind ASfrom fy 2015-16 voluntarily and from fy 2016-17 on a mandatory basis*
- *..... the regulators will notify the date of implementation of Ind AS for Banks, Insurance companies etc.*
- *Standards for the computation of tax would be notified separately”.*

IFRS evolution from IAS

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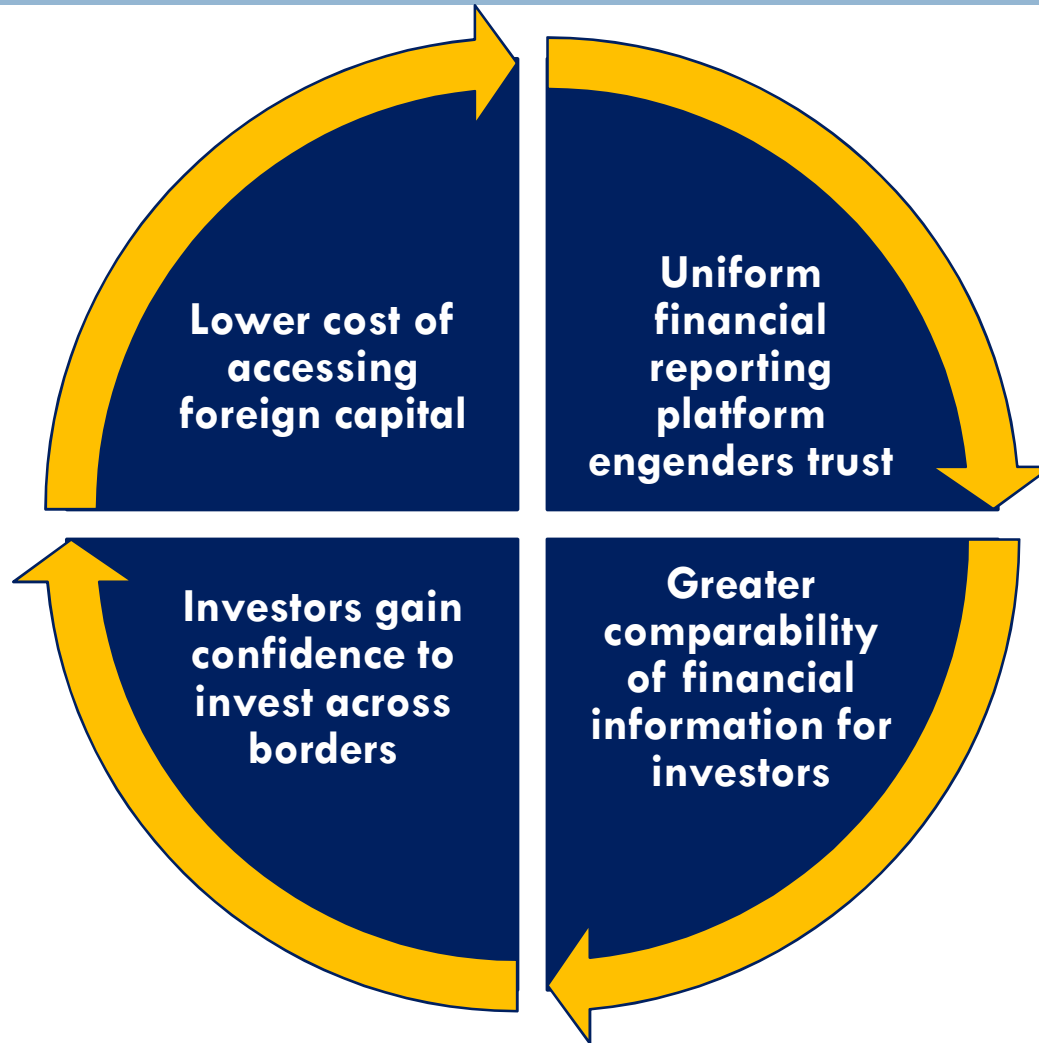
- IASB was founded on April 1, 2001 as a successor to IASC
- IAS was principle-based, while US GAAP was rule-based
- IFRS predominantly adopted by European countries
- IAS and IFRS 
 - More comprehensive standards are being introduced

Sl. No.	IFRS / IAS	No. of standards
1	IFRS	15
2	IAS	25
Total		40

- IFRS supplemented by interpretations of :
 - International Financial Reporting Interpretations Committee (IFRICs)
 - Standing Interpretations Committee (SICs)
- IFRS received further fillip from financial meltdown in 2008

Benefits of the global financial reporting framework

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IFRS Adoption / Convergence in G-20*

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India, Japan, United States permit IFRSs on a limited voluntary basis for domestic and/or foreign issuers

Saudi Arabia requires IFRSs on a limited basis (banks and insurance companies only)

14 of the G20 jurisdictions adopted IFRSs for all or most companies in their public capital markets

China substantially converged its national standards to IFRSs

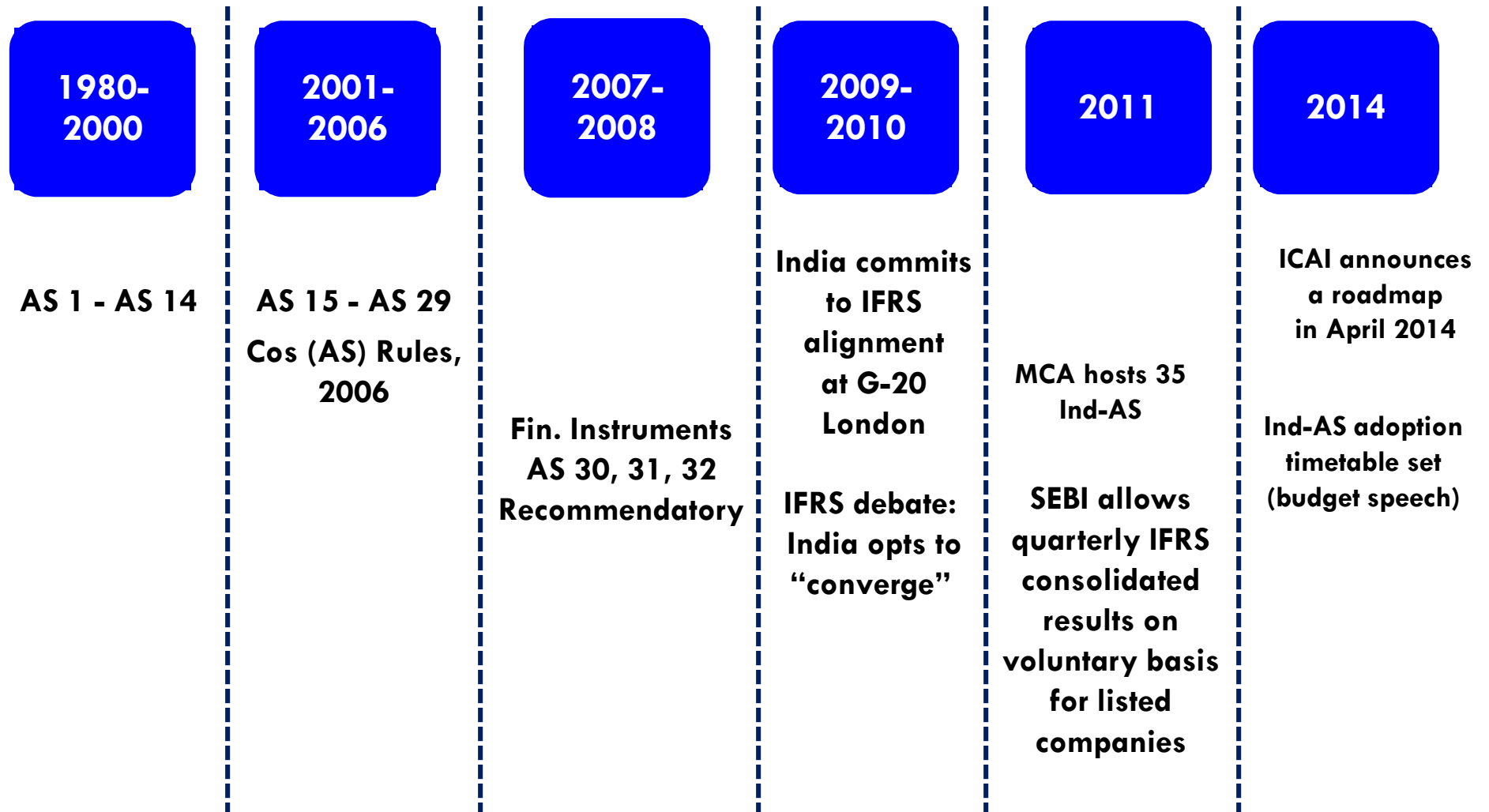
Indonesia adopted national standards that are substantially in line with 2 IASs/IFRSs but has not announced any plan or timetable for full adoption

G 20 economies account for 85% of the Gross World Product

* As per IASB website

Indian GAAP - Journey

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Indian Financial Reporting – Regulatory push

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Regulatory intervention bridged the gap

- ▣ Listing Agreement (Reference to IAS 33 before issuance of AS 20 “Earnings per share”)

- ▣ SEBI (ESOP) Guidelines on Accounting (which was later followed by issue of Guidance note on Share based Payments by ICAI)

- ▣ Publication of quarterly consolidated results as per IFRS on voluntary basis permitted by SEBI for listed companies

- ▣ RBI Guidelines on accounting matters to Banks





Are we ready?

Ground covered so far

Legal Framework in place

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- ▣ Ind AS to be notified under section 133 of the Companies Act, 2013 
 - Existing Standards to prevail till such notification 

- ▣ Revised Schedule VI (Schedule III* under new Co. Act)
 - Provided format in line with IFRS (Current & Non-current classification)
 - Overriding status given to accounting standards in case of conflict

- ▣ Adoption of component accounting and useful life for depreciation (Schedule II)

** Sch-III of Companies Act 2013 contains General Instructions for preparation of BALANCE SHEET and STATEMENT OF PROFIT AND LOSS*

ICAI effort towards IFRS

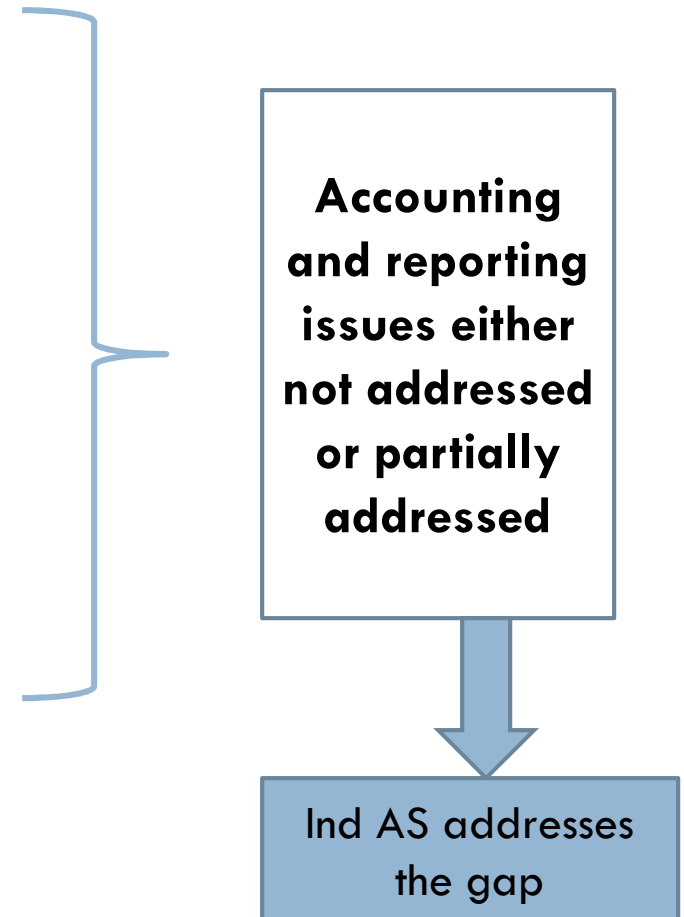
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- IFRS oriented guidance notes and pronouncements by ICAI
 - ▣ Employee Share based payments (2005)
 - ▣ Recommendatory AS 30, 31 & 32 (2007)
 - ▣ Press release on derivatives (2008)
 - ▣ Exposure draft on service concessions (2013)

Indian GAAP – the gap

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- ❑ Financial Instruments
- ❑ Business Combinations
- ❑ Special purpose entities
- ❑ Share based payments
- ❑ Fair value measurements
- ❑ Service Concessions
- ❑ Embedded leases and derivatives
- ❑ Hedge Accounting



Framing the Ind-AS

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**35 Ind-AS
issued in 2011**

- MCA placed 35 Ind-AS on its website in 2011 based on the IFRS existing then

**Changes in
IFRS**

- Since then, IFRS underwent changes (issuance of new standards/interpretations and revision of existing ones)

**Consequential
Changes in
Ind-AS**

- Ind-ASs being revised to incorporate the changes in IFRS

Changes in IFRS.....

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Existing IFRSs revised

IFRS 9 Financial Instruments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 15 Revenue from Contracts with Customers

New IFRSs introduced

IFRS 13 Fair Value Measurement

IFRS 14 Regulatory Deferral Accounts

.... Corresponding new Ind-AS to be notified

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IFRS	Ind AS	Particular	IFRS – Effective date	Ind AS Likely Effective date
9	109	Financial Instruments	January 1, 2018	Mandatory : April 1, 2016 Voluntary : April 1, 2015
10	110	Consolidated Financial Statements	January 1, 2013	
11	111	Joint Arrangements		
12	112	Disclosure of Interests in Other Entities		
13	113	Fair Value Measurement	January 1, 2016	
14	114	Regulatory Deferral Accounts	January 1, 2017	
15	115	Revenue from Contracts with Customers		



Ind AS Vs IFRS

Bridging the gap

Ind-AS : the effects

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Enhanced disclosures

- Financial instruments 
- Operating segments 

Neutrality Vs Conservatism

- Profit on sale vs gain on fair valuation of current investments
- Reasonable vis-à-vis virtual certainty while recognising Deferred tax assets

Principle based approach Vs Rule based

- Useful life of fixed assets
- Definition of “control”

Expected vs Historical model

- Fair valuation 
- Impairment of Financial Assets

No major paradigm shift : Indian Accounting Standards were basically principle -based



Relevance of Ind-AS

Ind AS : Relevance in Current Context

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Need for large amounts of Foreign Capital

Existing AS found wanting

Infra sector : Concession business, Joint arrangements

Real Estate thrust – Need to professionalize the sector

Business Combinations

IPR – valuation and disclosures



Timelines and way forward

Ind AS : India vis-à-vis G-20 countries

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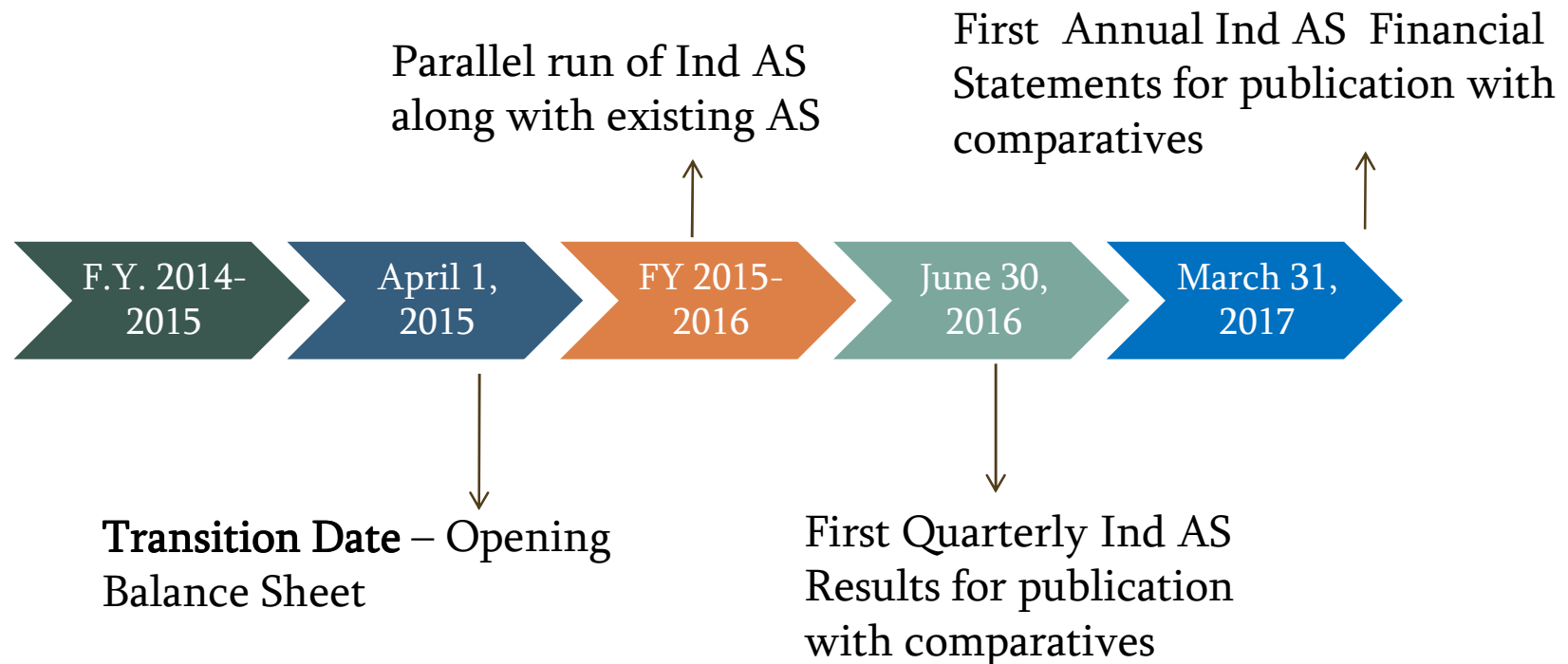


No case for India to lag

Unanimity on the need to adopt global standards

“Carve-out” option available to address peculiar issues

Road Ahead (Mandatory Scenario)



- ❑ Comparatives for previous year figures to be provided as per Ind AS and not as per the “Previous GAAP”
 - Transition date will be April 1, 2015 in case of mandatory adoption w.e.f. FY 2016-17
 - Convergence criteria (based on networth/turnover/listing) yet to be announced

Ind AS : Next steps

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- Issuance of notifications under section 133 of the Companies Act 2013
- Decisions on implementation of certain standards (IFRS 9 and IFRS 15) earlier than global adoption
- Banks, Insurance Cos, NBFCs etc. may be given extended time for compliance
 - Timing mismatch for NBFC's/Insurance Cos vis-à-vis Parent Co
 - Permit “as prepared financials” for consolidated financial statements of the Parent
- Tax Accounting Standards
 - Not a welcome move
 - Will entail maintenance of parallel records and memoranda calculations
 - Global investors may not view this positively
 - Early resolution will help avoid delays and confusion

Ind AS implementation – the dimensions





Thank you

List of IFRS

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Sl. No.	IFRS / IAS	Effective date
1.	IFRS 1 First-time Adoption of International Financial Reporting Standards	July 1, 2009
2.	IFRS 2 Share-based Payment	January 1, 2005
3.	IFRS 3 Business Combinations	July 1, 2009
4.	IFRS 4 Insurance Contracts	January 1, 2005
5.	IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	January 1, 2005
6.	IFRS 6 Exploration for and evaluation of Mineral Resource	January 1, 2006
7.	IFRS 7 Financial Instruments: Disclosures	January 1, 2007

List of IFRS

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Sl. No.	IFRS / IAS	Effective date
8.	IFRS 8 Operating Segments	January 1, 2009
9.	IFRS 9 Financial Instruments	January 1, 2018
10.	IFRS 10 Consolidated Financial Statements	January 1, 2013
11.	IFRS 11 Joint Arrangements	January 1, 2013
12.	IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
13.	IFRS 13 Fair Value Measurement	January 1, 2013
14.	IFRS 14 Regulatory Deferral Accounts	January 1, 2016
15.	IFRS 15 Revenue from Contracts with Customers	January 1, 2017

List of IFRS

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Sl. No.	IFRS / IAS	Effective date
16.	IAS 1 Presentation of Financial Statements	January 1, 2009
17.	IAS 2 Inventories	January 1, 2005
18.	IAS 7 Statement of Cash Flows	January 1, 1994
19.	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2005
20.	IAS 10 Events after the Reporting Period	January 1, 2005
21.	IAS 11 Construction Contracts *	January 1, 1995
22.	IAS 12 Income Taxes	January 1, 1998
23.	IAS 16 Property, Plant and Equipment	January 1, 2005

- * Superseded by IFRS 15

List of IFRS

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Sl. No.	IFRS / IAS	Effective date
24.	IAS 17 Leases	January 1, 2005
25.	IAS 18 Revenue *	January 1, 1995
26.	IAS 19 Employee Benefits	January 1, 2013
27.	IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	January 1, 1984
28.	IAS 21 The Effects of Changes in Foreign Exchange Rates	January 1, 2005
29.	IAS 23 Borrowing Costs	January 1, 2009
30.	IAS 24 Related Party Disclosures	January 1, 2011

- * Superseded by IFRS 15

List of IFRS

Sl. No.	IFRS / IAS	Effective date
31.	IAS 26 Accounting and Reporting by Retirement Benefit Plans	January 1, 1988
32.	IAS 27 Separate Financial Statements	January 1, 2013
33.	IAS 28 Investments in Associates and Joint Ventures	January 1, 2013
34.	IAS 29 Financial Reporting in Hyperinflationary Economies	January 1, 1990
35.	IAS 32 Financial Instruments: Presentation	January 1, 2005
36.	IAS 33 Earnings per Share	January 1, 2005

List of IFRS

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Sl. No.	IFRS / IAS	Effective date
37.	IAS 34 Interim Financial Reporting	January 1, 1999
38.	IAS 36 Impairment of Assets	March 31, 2004
39.	IAS 37 Provisions, Contingent Liabilities and Contingent Assets	July 1, 1999
40.	IAS 38 Intangible Assets	March 31, 2004
41.	IAS 39 Financial Instruments: Recognition and Measurement *	January 1, 2005
42.	IAS 40 Investment Property	January 1, 2005
43.	IAS 41 Agriculture	January 1, 2003

- * Superseded by IFRS 9



Ind AS vis-à-vis IFRS

Sl. No.	IFRS / IAS	Ind AS (2011)	Proposed Ind AS
1.	IFRS 1 First-time Adoption of International Financial Reporting Standards	Ind AS 101 First-time Adoption of Indian Accounting Standards	Ind AS 101 (as amended) First-time Adoption of Indian Accounting Standards
2.	IFRS 2 Share-based Payment	Ind AS 102 Share based Payment	
3.	IFRS 3 Business Combinations	Ind AS 103 Business Combinations	
4.	IFRS 4 Insurance Contracts	Ind AS 104 Insurance Contracts	
5.	IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Ind AS 105 Non current Assets Held for Sale and Discontinued Operations	
6.	IFRS 6 Exploration for and evaluation of Mineral Resource	Ind AS 106 Exploration for and Evaluation of Mineral Resources	
7.	IFRS 7 Financial Instruments: Disclosures	Ind AS 107 Financial Instruments: Disclosures	Ind AS 107 (as amended) Financial Instruments: Disclosures

Ind AS vis-à-vis IFRS (Contd.)

Sl. No.	IFRS / IAS	Ind AS (2011)	Proposed Ind AS
8.	IFRS 8 Operating Segments	Ind AS 108 Operating Segments	
9.	IFRS 9 Financial Instruments		Ind AS 109 Financial Instruments
10.	IFRS 10 Consolidated Financial Statements		Ind AS 110 Consolidated Financial Statements
11.	IFRS 11 Joint Arrangements	Ind AS 31 Interests in Joint Ventures	Ind AS 111 Joint Arrangements
12.	IFRS 12 Disclosure of Interests in Other Entities		Ind AS 112 Disclosure of Interests in Other Entities
13.	IFRS 13 Fair Value Measurement		Ind AS 113 Fair Value Measurement
14.	IFRS 14 Regulatory Deferral Accounts		
15.	IFRS 15 Revenue from Contracts with Customers		Ind AS 15 Revenue from Contracts with Customers

Ind AS vis-à-vis IFRS (Contd.)

Sl. No.	IFRS / IAS	Ind AS (2011)	Proposed Ind AS
16.	IAS 1 Presentation of Financial Statements	Ind AS 1 Presentation of Financial Statements	Ind AS 1 (as amended) Presentation of Financial Statements
17.	IAS 2 Inventories	Ind AS 2 Inventories	
18.	IAS 7 Statement of Cash Flows	Ind AS 7 Statement of Cash Flows	
19.	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors	
20.	IAS 10 Events after the Reporting Period	Ind AS 10 Events after the Reporting Period	
21.	IAS 11 Construction Contracts *	Ind AS 11 Construction Contracts **	
22.	IAS 12 Income Taxes	Ind AS 12 Income Taxes	Ind AS 12 (as amended) Income Taxes
23.	IAS 16 Property, Plant and Equipment	Ind AS 16 Property, Plant and Equipment	Ind AS 16 (as amended) Property, Plant and Equipment

- * Superseded by IFRS 15
- ** Superseded by Ind AS 115

Ind AS vis-à-vis IFRS (Contd.)

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Sl. No.	IFRS / IAS	Ind AS (2011)	Proposed Ind AS
24.	IAS 17 Leases	Ind AS 17 Leases	
25.	IAS 18 Revenue *	Ind AS 18 Revenue **	
26.	IAS 19 Employee Benefits	Ind AS 19 Employee Benefits	Ind AS 19 (as amended) Employee Benefits
27.	IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance	
28.	IAS 21 The Effects of Changes in Foreign Exchange Rates	Ind AS 21 The Effects of Changes in Foreign Exchange Rates	
29.	IAS 23 Borrowing Costs	Ind AS 23 Borrowing Costs	
30.	IAS 24 Related Party Disclosures	Ind AS 24 Related Party Disclosures	

- * Superseded by IFRS 15
- ** Superseded by Ind AS 115

Ind AS vis-à-vis IFRS (Contd.)

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Sl. No.	IFRS / IAS	Ind AS (2011)	Proposed Ind AS
31.	IAS 26 Accounting and Reporting by Retirement Benefit Plans		
32.	IAS 27 Separate Financial Statements	Ind AS 27 Consolidated and Separate Financial Statements	Ind AS 27 (as amended) Separate Financial Statements
33.	IAS 28 Investments in Associates and Joint Ventures	Ind AS 28 Investments in Associates	Ind AS 28 (as amended) Investments in Associates and Joint Ventures
34.	IAS 29 Financial Reporting in Hyperinflationary Economies	Ind AS 29 Financial Reporting in Hyperinflationary Economies	
35.	IAS 32 Financial Instruments: Presentation	Ind AS 32 Financial Instruments: Presentation	
36.	IAS 33 Earnings per Share	Ind AS 33 Earnings per Share	

Ind AS vis-à-vis IFRS (Contd.)

37

Sl. No.	IFRS / IAS	Ind AS (2011)	Proposed Ind AS
37.	IAS 34 Interim Financial Reporting	Ind AS 34 Interim Financial Reporting	
38.	IAS 36 Impairment of Assets	Ind AS 36 Impairment of Assets	
39.	IAS 37 Provisions, Contingent Liabilities and Contingent Assets	Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets	
40.	IAS 38 Intangible Assets	Ind AS 38 Intangible Assets	
41.	IAS 39 Financial Instruments: Recognition and Measurement *	Ind AS 39 Financial Instruments: Recognition and Measurement **	
42.	IAS 40 Investment Property	Ind AS 40 Investment Property	
43.	IAS 41 Agriculture		Ind AS 41 Agriculture

- * Superseded by IFRS 9
- ** Superseded by Ind AS 109



Expected Vs Historical Model

Sr.	Line Items in Financial Statements	Indian GAAP	Ind AS
1	Current Investments		
	(a) Initial Recognition	Fair Valuation	Fair Valuation
	(b) Subsequent measurement	Historical Cost*	Fair Valuation
2	Long term investments		
	(a) Initial Recognition	Fair Valuation	Fair Valuation
	(b) Subsequent measurement	Historical Cost**	Fair Valuation
2	Deferred payment liabilities		
	(a) Initial Recognition	Historical Cost	Fair Valuation
	(b) Subsequent measurement	Historical cost + Accrued Interest	Amortised cost
3	Receivables		
	(a) Initial Recognition	Historical Cost	Fair Valuation
	(b) Subsequent measurement	Historical cost + Accrued Interest	Amortised cost

*Except in case of a decline in market value

**Except in case of a decline other than temporary



Enhanced Disclosures – Financial Instruments

- Nature and extent of exposure to risks arising from financial instruments – Qualitative and Quantitative
- Credit risk
- Liquidity risk
- Market risk and sensitivity analysis



Enhanced Disclosures – Operating Segments

- If reported to CODM, then separate disclosure for
 - ▣ Interest expense,
 - ▣ Interest revenue,
 - ▣ Material items of income & expense,
 - ▣ Entity's interest in P/L of associates and joint ventures accounted for by the equity method and
 - ▣ income tax expense or income

- Disclosure required about entity's reliance on major customers



Section 133 of the Companies Act 2013

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- Central Government to prescribe accounting standards
 - ▣ The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.



Extract from The Companies (Accounts) Rules, 2014

7. Transitional provisions with respect to Accounting Standards.-

(1) The standards of accounting as specified under the Companies Act, 1956 (1 of 1956) shall be deemed to be the accounting standards until accounting standards are specified by the Central Government under section 133.

(2) Till the National Financial Reporting Authority is constituted under section 132 of the Act, the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India in consultation with and after examination of the recommendations made by the National Advisory Committee on Accounting Standards constituted under section 210A of the Companies Act, 1956 (1 of 1956).



Status of Convergence with US GAAP

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- 2002 : Norwalk Agreement
- 2006 : MoU between IASB and FASB (USA)
- 2008 : Updates to MoU
- 2010: Further updates to MoU
- 2014 : Converged standard on Revenue Recognition
- Expected developments
 - ▣ Standard on Insurance Contracts
 - ▣ Standard on Leases



Ind AS – Bridging the gap (Contd..)

Ind AS	Deals with	The essence
Ind AS 109 Financial Instruments	Establishing principles for reporting of financial assets and liabilities	<ul style="list-style-type: none"> ▪ Amendments to classification and measurement requirements ▪ New Impairment model based on expected losses
Ind AS 103 Business Combinations	Improving relevance, reliability and comparability of the information in financial statements about a business combination and its effects	<ul style="list-style-type: none"> ▪ Fair value measurement of identifiable assets and liabilities ▪ For each business combination, acquirer to measure components of non-controlling interest (NCI) either at fair value or NCI's proportionate share in identifiable net assets
Ind AS 112 Disclosure of Interests in Other Entities	Disclosing information that aids in evaluating nature and risks associated with interests in other entities	<ul style="list-style-type: none"> ▪ Significant judgment and assumptions in determining the type of joint arrangements ▪ Interests in Special purpose entities

Ind AS – Bridging the gap (Contd..)

Ind AS	Deals with	The essence
Ind AS 102 Share-based Payment	Specifies financial reporting of share-based payment transactions, including associated expenses	<ul style="list-style-type: none"> ▪ Equity-settled share-based payment transactions ▪ Cash-settled share-based payment transactions
Ind AS 113 Fair Value Measurement	Single Ind AS framework for measuring fair values	<ul style="list-style-type: none"> • Defines fair value (FV) • 3 tier – FV hierarchy
Ind AS 115 Revenue from contracts with customers	Establishing principles for reporting nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer	<ul style="list-style-type: none"> • Merger of AS 7, AS 9, IFRIC 12 and Guidance on Real Estate Accounting

Ind AS – Bridging the gap (Contd..)

Ind AS	Deals with	The essence
Ind AS 17 Leases	Prescribes accounting policies and disclosure in relation to leases	<ul style="list-style-type: none">• Provides guidance on determining whether an arrangement contains a Lease
Ind AS 21 The Effects of Changes in Foreign Exchange Rates	Prescribes ways to include foreign currency transactions and foreign operations in the financial statements and translation of financial statements into a presentation currency	<ul style="list-style-type: none">• Functional currency approach

