

Ind AS 19

Employee Benefits



Refresher Course on Ind AS

Organised by:
WIRC of ICAI

History of the Standards

IAS 19 (IFRS)

- Issued 1983 – Accounting for Retirement benefits in Financial Statements of Employers (issued by IASC)
- Revised 1993 – Retirement benefits costs (IASB)
- Revised 1998 – Employee benefits (IASB)
- Revised 2011 - Employee benefits (issued by IASB)

AS 15 (IGAAP)

- Issued 1995 – Accounting for Retirement benefits in the financial statements of Employers
- Revised 2005 – Employee benefits

Ind AS 19 (Ind AS)

- Notified on 16th February 2015

Why?

- Every company has employees who get some benefits
- A portion of gains or losses hit OCI and not Profit or Loss Account

Objective



To prescribe the accounting and disclosure for employee benefits. This standard required an entity to recognise:

- **a liability** when an employee has provided service in exchange for employee benefits to be paid in the future; and
- **an expense** when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits

Scope



- This Standard shall be applied by an employer in accounting for all employee benefits, except those to which Ind AS 102, *Share-based Payment*, applies.
- This Standard does not deal with reporting by employee benefit plans.

Definition of Employee

- Ind AS 19 silent
- Employee may provide services to an enterprise on a
 - Full time
 - Part time
 - Permanent
 - Casual
 - Temporary basis
- Employees also include directors and other management personnel

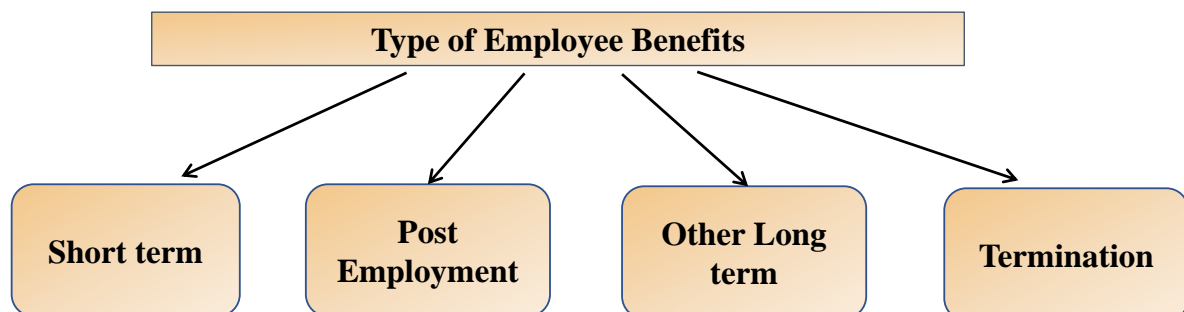
Benefits payable during & after Employment

- Wages, Salaries, Bonus
- Sick, Maternity, Paternity Leave
- Provident Fund Contribution
- Gratuity
- Perquisites
- Long term bonuses, Long service awards
- Loyalty awards
- VRS
- Pension etc.



Employee Benefits and Categories

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.



Employee Benefits and Categories

Short Term

- Expected to be settled wholly before 12 months
- Wages, Salaries & Bonus

Post Employment benefits

- After completion of employment
- Gratuity, Pension and PF

Other Long Term benefits

- Residual category (settled after 12 months)
- Sabbatical leave, Jubilee benefits & Loyalty bonus

Termination benefits

- On Termination
- VRS, Notice pay

Short Term Employee Benefits

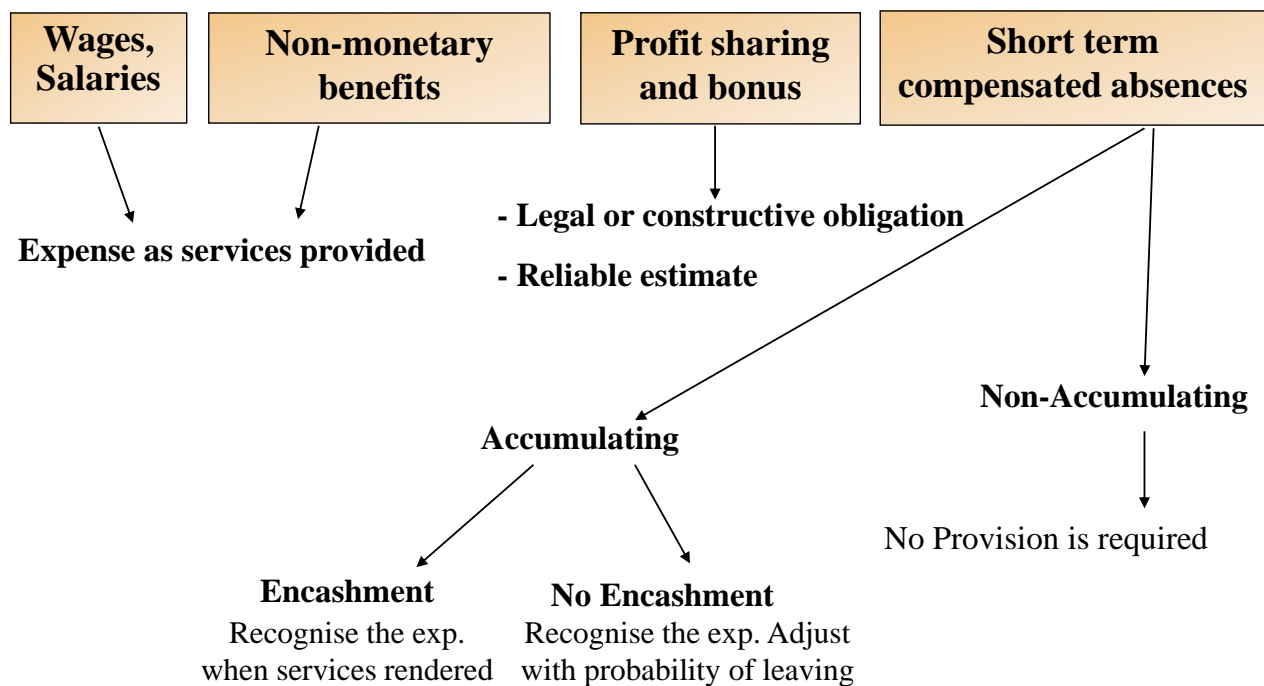
Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled *wholly before twelve months* after the end of the reporting period in which the employees render the related service.

- (a) wages, salaries and social security contributions;
- (b) paid annual leave and paid sick leave;
- (c) profit-sharing and bonuses; and
- (d) non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

Short Term Employee Benefits - Wages, Salaries, Bonus

- Recognition straight forward
- Capitalisation of employee benefits if allowed by other standards
- Bonus payable if employee remain in service

Short Term EB - Recognition summary



Case Study -1

ABC Ltd. has a practice of paying a performance bonus to its sales staff. Past evidence indicates that the staff who meet their sales targets received a bonus of 10% of their current salary package at the year end. Sales staff who were not in service throughout the whole year received a bonus in proportion to their service period. The bonus are paid in the first quarter of the following year, to the sales staff who are still employed by the entity at the year end.

At the year end, seven of the sales staff meet their sales targets. Two of the seven began their employment halfway through the year and one of them left the entity at the year end.

Discuss recognition in accordance with Ind AS 19.

Solution : Employee benefit exp. to be recognised : 4 to receive 10%, 2 to receive 5%

Case Study - 2

An entity has 100 employees, who are each entitled to five working days of paid sick leave for each year. Unused sick leave may be carried forward for one calendar year. Sick leave is taken first out of the current year's entitlement and then out of any balance brought forward from the previous year (a LIFO basis). At 31 Dec 20X1 the average unused entitlement is two days per employee.

The entity expects, on the basis of experience that is expected to continue, that 92 employees will take no more than five days of paid sick leave in 20X2 and that the remaining eight employees will take an average of six and a half days each.

Solution : The entity expects that it will pay an additional twelve days of sick pay as a result of the unused entitlement that has accumulated at 31 Dec 20X1 (one and a half days each, for eight employees). **Therefore, the entity recognises a liability equal to twelve days of sick pay.**

Post Employment Benefits

What are Post-employee benefits?

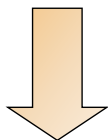
Benefits (other than termination benefits) **payable after the completion of employment** and include:

- a. retirement benefits, such as **pensions**; and
- b. other post-employment benefits, such as post-employment life insurance and **post-employment medical care**.

Post Employment Benefits

Defined contribution

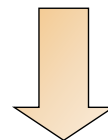
The entity pays agreed contributions into a plan and has no further liability



Accounted for on an accruals basis

Defined benefit

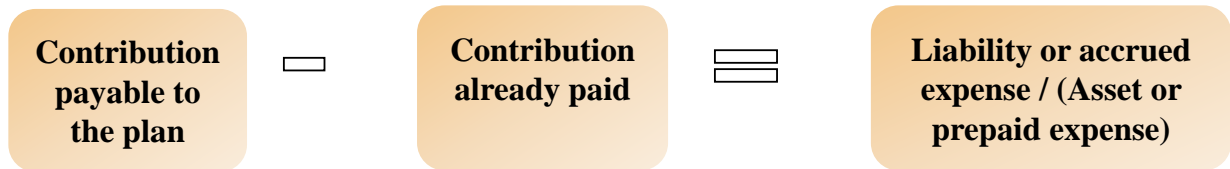
Benefit to be paid is certain and finance to be done accordingly



Accounted for using the projected unit credit method

Post-employee benefits - Defined Contribution plan

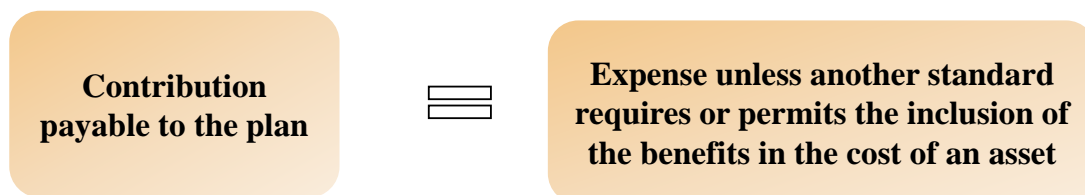
What to recognize in **Balance Sheet** under DC Plan?



- ▶ **No actuarial assumptions** are required to measure the obligation or the expense and there is no possibility of any actuarial gain or loss.
- ▶ Disclose the amount recognised as an expense.

Post-employee benefits - Defined Contribution plan

What to recognize in **Profit or loss** under DC Plan ?



- ▶ **If whole of the contributions are not due within 12 months after period end, same shall be discounted.**

Actuarial Valuation method

- An entity shall use the **projected unit credit method** to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.
- Actuarial assumptions shall be unbiased and mutually compatible.

Actuarial Valuation

- How many of you have read an Actuarial Valuation Report?
- How many of you have **seen** an Actuarial Valuation Report?
- Requirement of Ind AS 19 to get an actuarial reports

Post Employment Benefits –Defined Benefits plan

Steps to be followed for accounting of DB Plan	Make reliable estimate of the amount of benefit earned by employees in the current & prior periods & to make estimates (actuarial assumptions) about demographic and financial variables .
	Discount the benefit using Projected Unit Credit Method to determine the present value of defined benefit obligation & current service cost.
	Determine the fair value of plan assets (if funded).
	Determine the total amount of actuarial gains & losses , which shall all be recognised in OCI .
	Where a plan has been introduced or changed, determine the resulting past service cost .
	Where a plan has been curtailed or settled , determine the resulting gain or loss.

Post Employment Benefits –Defined Benefits plan

Plan Asset:

Fair value of any plan assets is deducted in determining the amount recognised in the balance sheet.

Determine Fair value by reference to:

- a. Market Price
- b. When no market price is available, estimated fair value for example, by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

Post Employment Benefits –Defined Benefits plan

Past Service Cost:

Past service cost arises when an entity introduces a defined benefit plan that attributes benefits to past service or changes the benefits payable for past service under an existing defined benefit plan.

Recognition of Past Service Cost:

Past service cost is to be measured and recognised immediately in the income statement (**including unvested amounts**) when any of the following occurs:

- ▶ When restructuring costs (i.e. costs related to restructuring **that result in past service costs**) are recognised
- ▶ When termination benefits related to amendments **that result in past service costs** are recognised
- ▶ When plan amendments **that result in past service costs** occur.

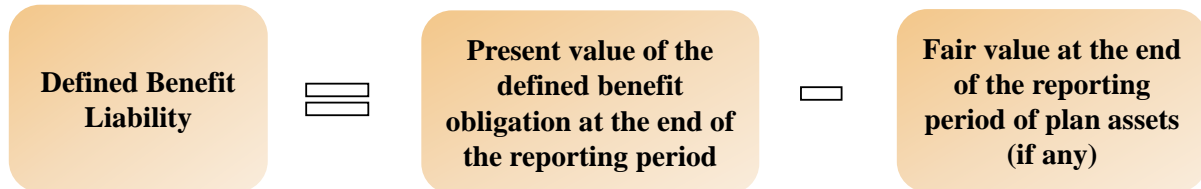
Post Employment Benefits –Defined Benefits plan

XYZ operates a pension plan that provides a pension of 1.5% of the final salary for each year of service. The benefits become vested after seven years of service. On 1 January 2006 the enterprise increases the pension to 2% of the final salary for each year of service starting from 1 January 1999. On the date of the improvement, the present value of the additional benefits for service from 1 January 1999 to 1 January 2006 is as follows: Employees with more than seven years' service on 1 January 2006: Rs. 275,000 and less than 7 years: Rs. 221,000 (average 4 years to go):

The enterprise shall recognise the total amount of Rs. 496,000 (275,000+221,000) immediately, as for the sake of recognition it **does not make any difference as to whether the benefits are already vested or not.**

Post Employment Benefits –Defined Benefits plan

What to recognize in Balance Sheet under DB Plan?

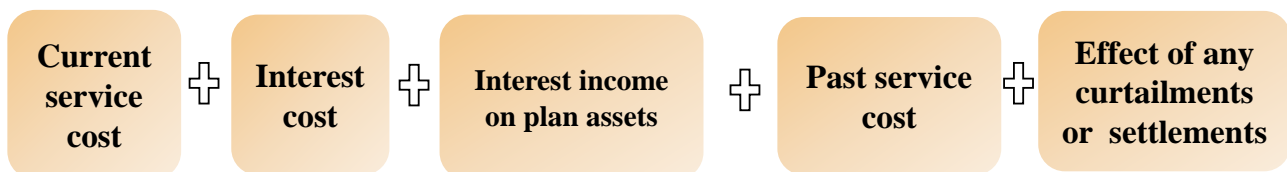


If the amount determined above is **negative**, then apply asset ceiling.

The asset ceiling is the present value of any economic benefits **available in the form of refunds from the plan or reductions in future contributions to the plan.**

Post Employment Benefits - Defined Benefits plan

What to recognize in Profit or loss under DB Plan?



Interest Cost = Present value of the defined benefit obligation throughout a period x Discount rate at the beginning of the period.

Case Study : Actuarial gains and losses

Plan Assets

At 1 April 2019, the fair value of plan assets was - Rs. 10,000.
Contribution to the plan assets done on 31 March 2020 - Rs. 3,000
Amount paid on 31 March 2020 - Rs. 300
At 31 March 2020, the fair value of plan assets - Rs. 14,700
Actual return on plan assets - Rs. 2,000

Defined Benefit Obligation

At 1 April 2019, present value of the defined benefit obligation – Rs. 12,000.
At 31 March 2020, present value of the defined benefit obligation – Rs. 15,500.
Actuarial losses on the obligation for 2014 - Rs. 100.
Current Service Cost - 2,500
Benefit paid - Rs 300
Discount rate used to calculate defined benefit liability 10%

Advise the disclosures to be made in financial statement and amount to be charged to P&L and OCI.

Other Long Term Benefits

Benefits (**other than post-employment benefits and termination benefits**) that are **not due to be settled wholly within 12 months** after end of the period and include:

▪ Examples

- (a) Long term compensated absences
- (b) long term disability benefits
- (c) Profit sharing and bonus payable 12 months or more
- (d) deferred compensation paid 12 months or more after the end of the period in which it is earned

▪ Recognition and Measurement

Same like post employment defined benefits except,

To recognise in Profit or Loss

- Service cost
- Net Interest Cost
- Remeasurements

Termination Benefits



What is meant by Termination Benefit?

Termination benefits are employee benefits payable as a result of either:

- an enterprise's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits (voluntary retirement)

Termination Benefits - Recognition

- An entity shall recognise a liability and expense for termination benefits at the earlier of the following dates:
 - (a) when the entity can no longer withdraw the offer of those benefits; and
 - (b) when the entity recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of termination benefits.
- An entity is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal



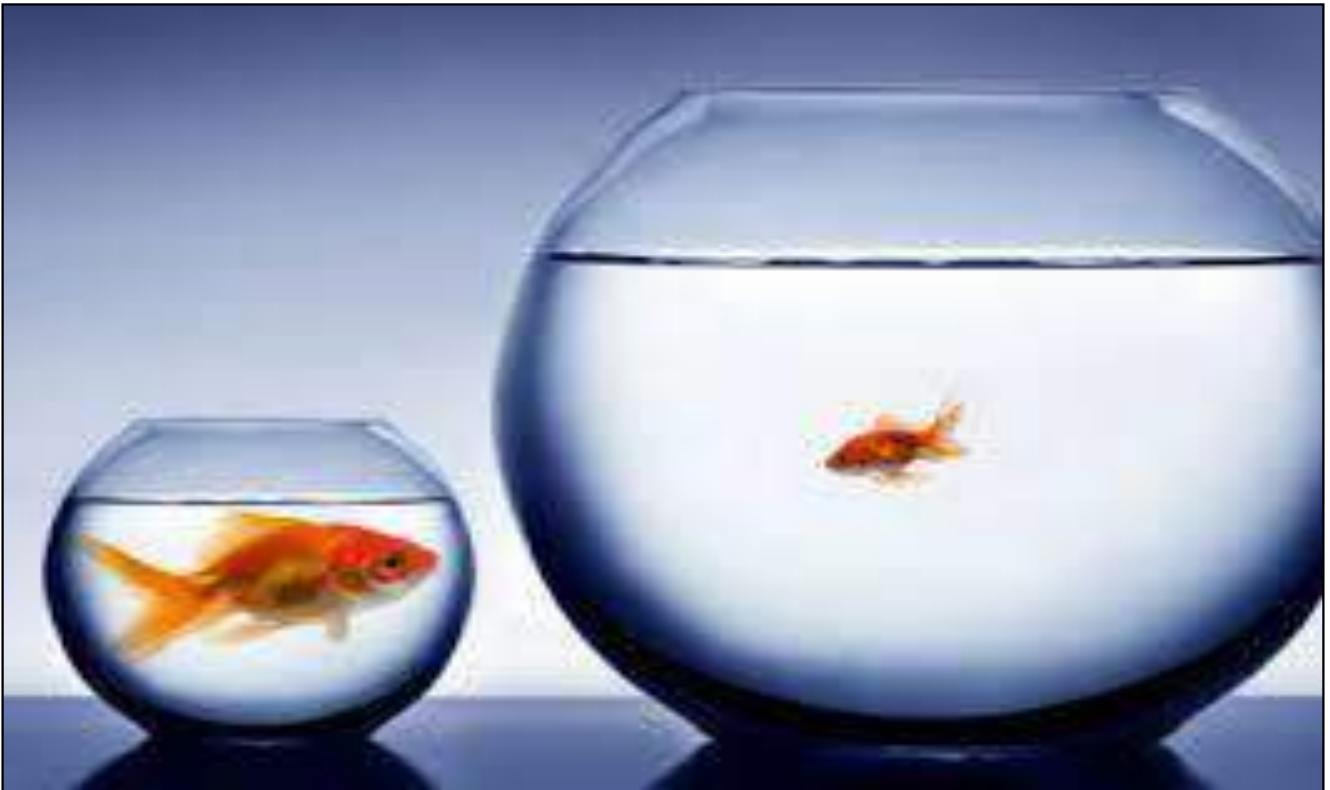
Disclosure Requirements

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Measurement and Disclosures with respect to Actuarial valuation - Summary

Benefits	Actuarial Valuation	Disclosures
Short Term	No	No
Post Employment	Yes	Yes
Other Long Term	Yes	No
Termination	No	No

*Termination benefits payable after 12 months needs to be discounted



Comparison

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Ind AS 19 Vs AS 15

Actuarial valuation is based on certain assumptions. Changes in these assumptions give rise to actuarial gains and losses, for example changes in estimates of salary or medical costs.

Existing AS 15 requires recognition of actuarial gains and losses immediately in the profit and loss but Ind AS 19 requires that the same shall be recognised in other comprehensive income and should not be recognised in profit or loss.

Use your brain...1



According to Ind AS 19 Employee benefits, which ONE of the following terms best describes benefits which are payable as a result of an entity's decision to end an employee's employment before the normal retirement date?

- (a) Defined benefit plans
- (b) Termination benefits
- (c) Defined contribution plans
- (d) Post-employment benefits

Use your brain...2



According to Ind AS 19 Employee benefits, which ONE of the following statements best describes 'other long-term employee benefits'?

- (a) Benefits which are payable after completion of employment
- (b) Benefits not falling due wholly within twelve months of the end of the period in which the service is rendered
- (c) Benefits payable as a result of an entity's decision to end an employee's employment before the normal retirement date
- (d) Benefits not expected to be settled wholly within twelve months of the end of the period in which the service is rendered



Thank you

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Authored three books:

“Treatise on Ind AS published by Bloomsbury India” (*Two Editions*)

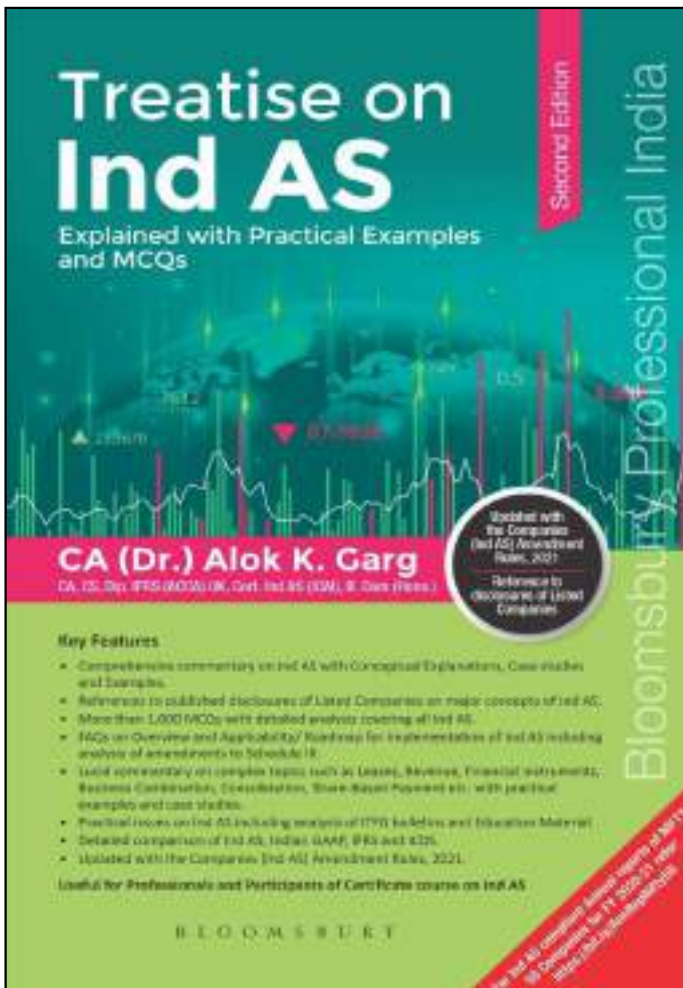
“Treatise on Leases” (*Two Editions*)

“An Insight in to Ind AS”

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Ind AS 24 Related Party Disclosures



Refresher Course on Ind AS

Organised by:
WIRC of ICAI

Objective

The objective of this Standard is to ensure that an entity's financial statements contain the **disclosures** with respect to :



The disclosures are necessary so that users' attention could be drawn to the possibility that financial statements may be affected by such related party relationships and other items as mentioned above.



Scope

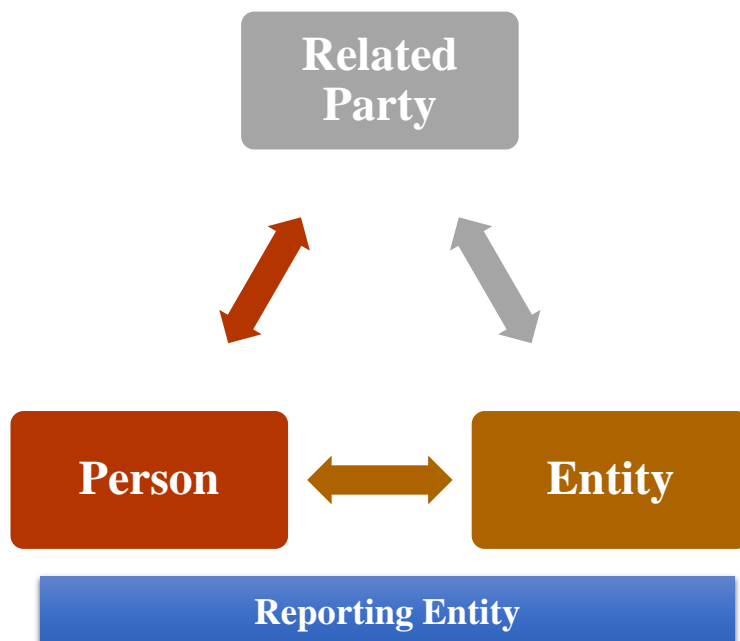
This standard shall be applied in :

- identifying related party relationships and transactions
- identifying outstanding balances, including commitments, between entity and its related parties
- identifying the circumstances in which disclosure is required
- determining the disclosures to be made



Key Definitions - Related Party

A **related party** is a person or entity that is related to the reporting entity (RE).



Key Definitions – Related Party Transaction

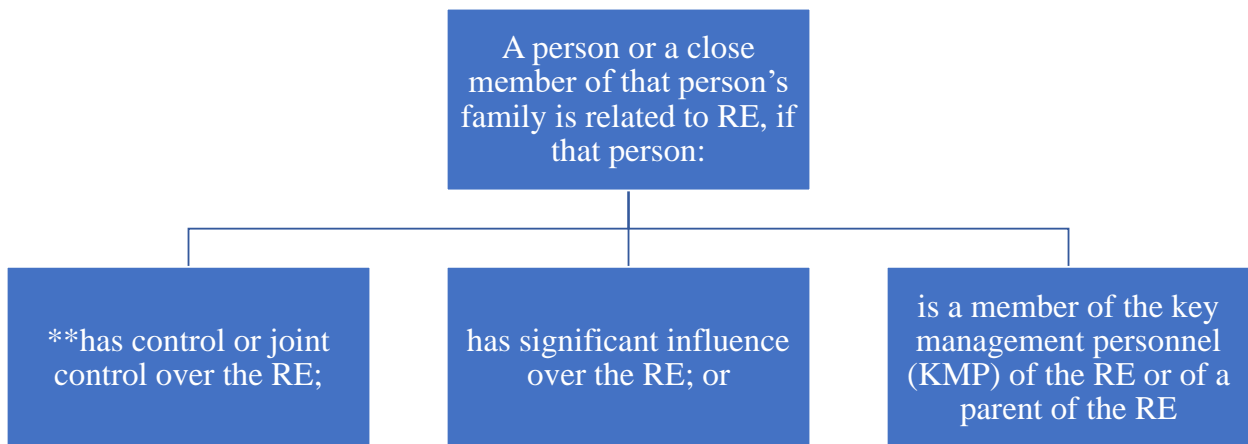
Related party transaction

transfer of resources, services or obligations between a **reporting entity** and a **related party**, regardless of whether a price is charged

Examples:

- purchases or sales of goods (finished or unfinished);
- purchases or sales of property and other assets;
- rendering or receiving of services;
- leases
- transfers of research and development;
- transfers under licence agreements;
- settlement of liabilities on behalf of the entity or by the entity on behalf of that related party

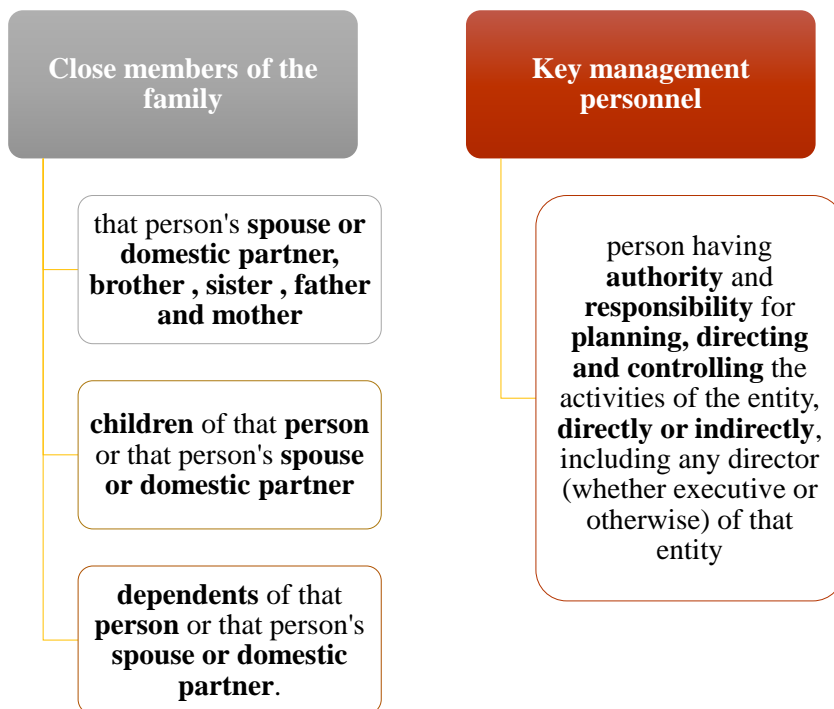
Key Definition - RE relationship with Person



Example: AG Limited (Reporting entity) and Mr. A are related parties, If

- A has a control/ Joint control/ significant influence over AG Limited, or
- Mr. A is a member of KMP of AG Ltd or parent of AG Ltd, then also it will be considered as a related party of AG Ltd.

Close Members and KMP



Key Definition - RE relationship with Entity

An entity is related to a RE, if any of the following conditions applies:

- both are members of same group
- one is an associate or joint venture of the other (or an associate or joint venture of a member of a group of which the other entity is a member).
- both are joint ventures of the same third party.
- one is joint venture of a third entity and the other entity is an associate of the third entity
- the entity is a post-employment benefit plan (PEBP) of the RE.
- if RE is itself a PEBP, the sponsoring employers are related to the RE
- the entity is controlled or jointly controlled by a **Person** identified above
- a person identified earlier** has significant influence over the entity or is a member of the KMP of the entity/ or of its parent

Key Definition - RE relationship with Entity

Relationship	Examples
Both are members of same group	parent, subsidiary and fellow subsidiary is related to the others
One is an associate or joint venture of the other (or an associate or JV of a member of a group of which the other entity is a member)	X Ltd (Reporting entity) and Y Ltd are related parties, If Y is an associate or JV of X or Y is an associate or joint venture of parent or fellow subsidiary of X
Both are joint ventures of the same third party	X Ltd (Reporting entity) and Y Ltd are related parties, If X and Y are joint venture of same entity say Z Ltd.
One entity is JV of a third entity and the other entity is an associate of the third entity	X Ltd (Reporting entity) and Y Ltd are related parties, If X is JV and Y is associate of same entity say Z Ltd.
the entity is controlled or jointly controlled by a Person identified earlier	X Ltd (Reporting entity) and Y Ltd are related parties, if Mr. A who is related to X Ltd also controls or Jointly control Y Ltd.

Key Definition - RE relationship with Entity

Relationship	Examples
a person who is having control or joint control of the entity has significant influence over the entity or is a member of the KMP of the entity/ or of its parent	X Ltd (Reporting entity) and Y Ltd are related parties, if Mr. A controls X Ltd and also have significant influence over Y Ltd.
The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.	X Ltd is the parent of Y Ltd (Reporting entity). Y Ltd. and Z Ltd are related parties, if either Z Ltd or any other entity in the group to which Z belongs provides KMP services to either X Ltd or Y Ltd.

Special consideration

Associate includes **subsidiaries of associate** and **joint venture** includes **subsidiaries of joint venture**

Substance of the relationship and **not merely the legal form** to be considered for evaluating related party relationship.

The following are **not considered as related parties**:

- two entities if they have a director/other member of KMP in common
- a member of KMP of one entity has significant influence over the other entity
- two venturers having joint control over a joint venture.
- providers of finance/ trade unions/ public utilities/ departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity
- a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence



Disclosure Requirements

Disclosures!! Last but not the least

Parent–Subsidiary Relationships

Shall be disclosed whether or not there are transactions between them

Disclosures

- name of the parent
- name of the ultimate controlling party
- if neither of the above produce financial statements available for public use, the name of the next most senior parent

KMP Compensation

Disclosures (in total and for each of the following categories)

- short-term employee benefits (wages, salaries, bonuses, etc.)
- post-employment benefits (pensions, life insurance, etc.)
- other long-term benefits (sabbatical, disability, etc.)
- Termination benefits
- share-based payments

Disclosures!! Last but not the least

Related-Party Transactions

- Disclosures
 - Amount of the transaction
 - the amount of outstanding balances, including commitments, and:
 - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - (ii) details of any guarantees given or received;
 - provisions for doubtful debts related to the amount of outstanding balances; and
 - the expense recognised during the period in respect of bad or doubtful debts due from related parties.

Who should make separate disclosures?

- parent
- entities with joint control/significant influence over the entity
- subsidiaries
- associates
- joint ventures
- key management personnel
- other related parties

Disclosures!! Last but not the least

Arm's-length transactions/terms

- May only disclose if this claim can be substantiated
- Substantiation might be made by benchmarking against other similar transactions

Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions



Comparison - Ind AS Vs AS

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Key Differences

Particulars	Ind AS	AS
Relevant Standard	Ind AS 24 “ Related party disclosures”	AS 18 “ Related party disclosures”
Definition of Relative	Ind AS 24 uses the term “a close member of the family of a person”.	AS 18 uses the term “relatives of an individual”
Key management personnel	Ind AS 24 covers KMP of the parent as well.	AS 18 covers KMP of the entity only.
Post-employment Benefits	Ind AS 24 specifically includes post-employment benefit plans for the benefit of employees of an entity or its related entity as related parties.	AS 18 does not specifically cover entities that are postemployment benefit plans, as related parties.
Next Most Senior Parent	Ind AS 24 requires an additional disclosure as to the name of the next most senior parent which produces CFS for public use	AS 18 has no such requirement

Published Accounts

TATA STEEL

Statutory

NOTES

forming part of the financial statements

42. Related party transactions

The Company's related parties primarily consist of its subsidiaries, associates, joint ventures and Tata Sons Private Limited including its subsidiaries and joint ventures. The Company routinely enters into transactions with these ~~related parties~~ in the ordinary course of business at market rates and terms.

The following table summarises related party transactions and balances included in the financial statements of the Company for the year ended as at March 31, 2020 and March 31, 2019:

	Subsidiaries	Associates	Joint ventures	Tata Sons Private Limited, its subsidiaries and joint ventures	(₹ crore)
					Total
Purchase of goods	40,400.81	24.25	222.91	75.55	40,723.52
	(1,285.75)	268.25	333.62	(33.22)	13,260.55
Sale of goods	6,876.15	1.60	2,756.52	205.82	9,839.09
	6,058.59	73.77	2,505.24	138.36	11,675.96
Services received	1,863.42	96.32	748.71	217.80	2,926.25
	1,867.82	99.66	969.67	217.69	3,155.84
Services rendered	424.52	4.82	80.77	1.87	511.98
	428.28	3.82	235.86	3.33	677.29
Interest income recognised	4.32	-	2.91	-	7.23
	1576.84	7.87	4.72	-	1,589.43
Interest expense recognised	-	-	-	17.34	17.34
	-	-	-	18.22	18.22
Dividend paid	7.64	-	-	410.44	418.08
	7.58	-	-	363.45	371.03
Dividend received	30.20	-	54.20	13.55	97.95
	19.59	2.67	34.91	19.66	66.83
Provision (expense)/ recognised for receivables during the year	6.78	6.02	(6.82)	6.88	(1.82)
	15.42	(9.87)	(1.00)	0.82	5.37
Management contracts	100.83	27.82	1.68	100.00	230.33
	52.34	76.47	2.50	100.00	172.41
Sale of investments	-	-	-	3.87	3.87
	-	-	-	-	-

Published Accounts

NOTES

forming part of the financial statements

42. Related party transactions (Contd.)

	Subsidiaries	Associates	Joint ventures	Tata Sons Private Limited, its subsidiaries and joint ventures	(₹ crore)
					Total
Finance provided during the year (net of repayments)	10,471.64	-	60.52	-	10,532.16
	26,248.51	250.00	134.01	-	26,732.52
Outstanding loans and receivables	2,702.12	12.45	119.36	6.98	2,840.91
	7,485.98	10.06	57.05	9.22	7,662.31
Provision for outstanding loans and receivables	950.76	0.00	6.94	0.03	957.73
	657.00	0.01	7.48	0.02	664.51
Outstanding payables	4,841.84	41.73	103.40	119.82	5,106.79
	4,764.38	16.54	212.12	132.86	5,125.90
Guarantees provided outstanding	5,151.47	-	177.10	-	5,328.57
	11,908.24	-	186.78	-	12,095.02
Sale of fixed assets	-	-	267.71	-	267.71
	-	-	-	-	-

Figures in italics represent comparative figures of previous year.

- The details of remuneration paid to key managerial personnel and payment to non-executive directors are provided in note 30, page 201 and note 33, page 202 respectively.
The Company has paid dividend of ₹42,948.50 (2019-20: ₹32,345.87) to key managerial personnel and ₹5,263.60 (2019-20: ₹1,095.18) to relatives of key managerial personnel during the year ended March 31, 2020.
- During the year ended March 31, 2020, the Company has contributed ₹548.78 crore (2019-20: ₹281.57 crore) to post-employment benefit plans.
As at March 31, 2020, amount receivable from post-employment benefit fund is ₹56.74 crore (March 31, 2019: ₹156.95 crore) on account of retirement benefit obligations paid by the Company directly.
As at March 31, 2020, amount payable to post-employment benefit fund is ₹53.29 crore (March 31, 2019: ₹0.95 crore) on account of retirement benefit obligations.
- Details of investments made by the Company in preference shares of its subsidiaries and associates is disclosed in note 8, page 250.
- Commitments with respect to subsidiaries, associates and joint ventures is disclosed in note 37B page 293.
- Transactions with joint ventures have been disclosed at full value and not at their proportionate share.

Published Accounts

NOTES

forming part of the financial statements

43. The Board of Directors of the Company have approved a merger of Essarsteel Steel Limited and Tata Steel EOL Limited (formerly Essarsteel Steel Limited) into the Company by way of a composite scheme of amalgamation and have recommended a merger table of 1 equity share of ₹1 each fully paid up of the Company for every 15 equity shares of ₹1 each fully paid up held by the public shareholders of Tata Steel EOL Limited. As part of the scheme, the equity shares held by Essarsteel Steel Limited and the preference shares held by the Company in Tata Steel EOL Limited shall stand cancelled. The equity shares held by the Company in Essarsteel Steel Limited shall also stand cancelled. The merger is subject to shareholder and other regulatory approvals.

44. Details of significant investments in subsidiaries, associates and joint ventures

	Country of incorporation	Percentage holding	
		As at March 31, 2020	As at March 31, 2019
(a) Subsidiary companies			
(1) ARS Investment Co. Pte Ltd	Singapore	100.00	100.00
(2) Adityapur Toll Bridge Company Limited	India	82.20	82.20
(3) Essarsteel Steel Limited	India	100.00	100.00
(4) Bhambhadaswar Road Private Limited	India	91.98	91.98
(5) Bhatnagar Steel Limited	India	100.00	100.00
(6) Creative Port Development Private Limited	India	91.98	91.98
(7) Durga Steel Limited	India	100.00	100.00
(8) Jamshedpur Steel Limited	India	100.00	100.00
(9) Jamshedpur Football and Sporting Private Limited	India	100.00	100.00
(10) Jugada Steel Limited	India	100.00	100.00
(11) Bharat Export Services Pvt Ltd	India	31.28	31.27
(12) Halden Asia Pte. Ltd	Singapore	100.00	100.00
(13) Rameshwar Steel Limited	India	100.00	100.00
(14) Rajawalka Investments Limited	India	100.00	100.00
(15) Srich Steel Limited	India	100.00	100.00
(16) Straight Mile Steel Limited	India	100.00	100.00
(17) Sukhramchury Pvt Private Limited	India	7.87	7.87
(18) T Steel Holdings Pte. Ltd	Singapore	100.00	100.00
(19) Tata EOL Engineering Services Ltd	India	100.00	100.00
(20) Tata Metals Ltd	India	88.36	88.36
(21) Tata Steel (2011) Pty Ltd	South Africa	99.30	99.30
(22) Tata Steel Development Products Limited (formerly Tata Steel Processing and Distribution Limited)	India	100.00	100.00
(23) Tata Steel Foundation	India	100.00	100.00
(24) Tata Steel Long Products Limited (formerly Tata Strategic Iron & Steel)	India	75.31	54.58
(25) Tata Steel Mining Limited (formerly T S Mines Limited)	India	100.00	100.00
(26) Tata Steel Odisha Limited	India	100.00	100.00
(27) Tata Steel Special Economic Zone Limited	India	100.00	100.00
(28) Tata Steel Utilities and Infrastructure Services Limited (formerly Jamshedpur Utilities & Services Company Limited)	India	100.00	100.00
(29) Teco Mills Limited	India	58.91	58.91
(30) The Indian Steel & Wire Products Ltd	India	91.31	95.21

Published Accounts

NOTES

forming part of the financial statements

44. Details of significant investments in subsidiaries, associates and joint ventures (Contd.)

	Country of incorporation	Percentage holding	
		As at March 31, 2020	As at March 31, 2019
(31) The Tata Polymers Limited	India	100.00	100.00
(32) The Tinsplate Company of India Limited	India	74.96	74.96
(b) Associate companies			
(1) Kalanga Aquatics Ltd	India	30.00	30.00
(2) Maluwa Travels Pvt Ltd	India	33.23	33.23
(3) Nicco Jubilee Park Limited	India	20.00	20.00
(4) Strategic Energy Technology Systems Private Limited	India	25.00	25.00
(5) TRF Limited	India	34.11	34.11
(c) Joint ventures			
(1) Himalaya Steel Mill Services Private Limited	India	26.00	26.00
(2) Industrial Energy Limited	India	26.00	26.00
(3) Jampol Limited	India	32.67	32.67
(4) Jamshedpur Continuous Annealing & Processing Company Private Limited	India	51.00	51.00
(5) Medica TS Hospital Private Limited	India	26.00	26.00
(6) njunction services limited	India	50.00	50.00
(7) S & T Mining Company Private Limited	India	50.00	50.00
(8) T M Mining Company Limited	India	74.00	74.00
(9) Tata BlueScope Steel Private Limited	India	50.00	50.00
(10) Tata NYK Shipping Pte Ltd	Singapore	50.00	50.00
(11) TM International Logistics Limited	India	51.00	51.00

LET'S **RECAP** !!

- Related party Relationship
- Disclosures



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Authored three books:


“Treatise on Ind AS published by Bloomsbury India” *(Two Editions)*

“Treatise on Leases” *(Two Editions)*

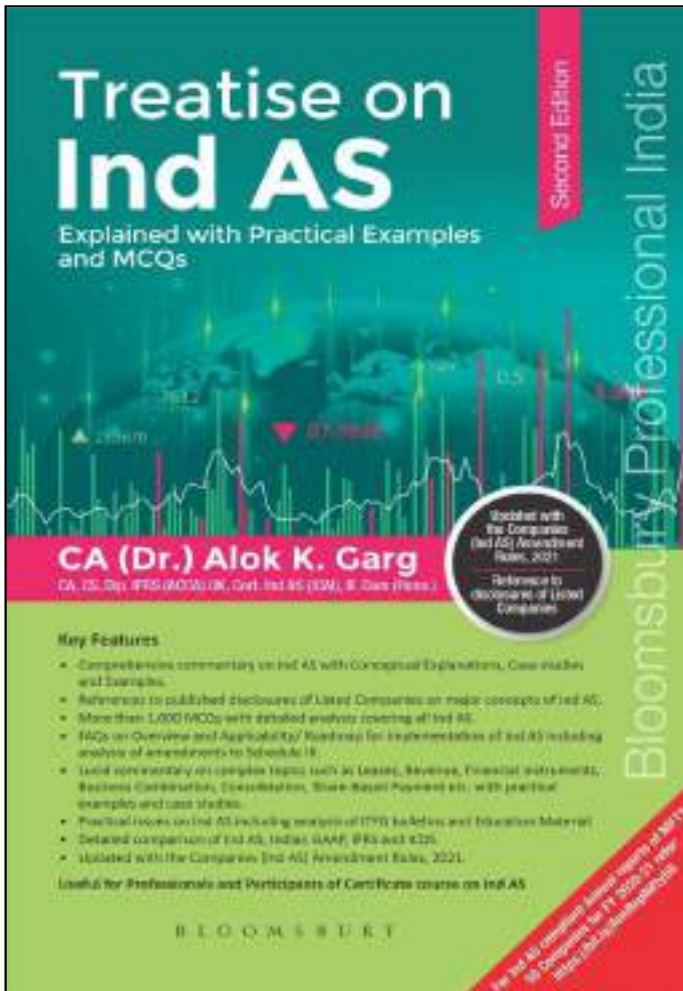
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Ind AS 108

Operating Segments



Refresher Course on Ind AS

Organised by:
WIRC of ICAI

Core Principle

The objective of this Ind AS is that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environments in which it operates



Scope

- This Standard shall apply to companies to which Ind AS notified under the Companies Act apply.
- If an entity that is not required to apply this Ind AS chooses to disclose information about segments that does not comply with this Ind AS, it shall not describe the information as segment information.
- If a financial report contains both the CFS of a parent that is within the scope of this Ind AS as well as the parent's SFS, segment information is required only in the CFS.

Operating segments

A component of an entity:

- that engages in business activities from which it **may** earn revenues and incur expenses;
- whose operating results are reviewed regularly by the organisation's CODM to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

Questions??

Question:

Is a segment Balance Sheet necessary to conclude that discrete financial information is available?

Response:

No, in many cases the requirement for discrete financial information can be met with operating performance information only, such as revenue and gross profit by product line.

CODM

Chief Operating Decision Maker:

- It's a function
- That function is to allocate resources to and assess the performance of the operating segments of an entity.
- Often CEO, COO are the CODM, but it may be a group of executive directors.

Question for you!

- Executive Committee of Company A comprises of CEO, COO and President
- Committee assesses performance and makes resource allocation decisions
- Each committee member has single vote

Who is the CODM of Company A?

- a) Executive committee
- b) CEO
- c) COO
- d) President

Response:

CODM is the **Executive committee** because it is the highest level of management that assesses performance and makes resource allocation decisions.

More Questions!

Question:

Is the CODM always viewed as the highest level of management at which decisions are made?

Response:

Yes, in almost every organization, decisions about the entity's resource allocation and the assessment of the performance of the entity's businesses are made at the highest level of management.

Question:

Does a component meet the definition of a segment if the CODM reviews revenue-only information?

Response:

No, for most entities, the review of revenue-only data is not sufficient for decision-making related to resource allocation or performance evaluation of a segment.

Aggregation criteria

Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and they are similar in each of the following respects:

- (a) the nature of the products and services;
- (b) the nature of the production processes;
- (c) the type or class of customer for their products and services;
- (d) the methods used to distribute their products or provide their services; and
- (e) if applicable, the nature of the regulatory environment

Hindustan Unilever Limited



Hindustan Unilever Limited

Aggregation of business Segments

- The Group has determined following reporting segments based on the information reviewed by the Group's Chief Operating Decision Maker ('CODM'):
- a) Home Care include detergent bars, detergent powders, detergent liquids, scourers, water business, purifiers business, etc.
- b) Beauty & Personal Care include products in the categories of oral care, skin care, soaps, hair care, deodorants, talcum powder, colour cosmetics, salon services etc.
- c) Foods & Refreshment include branded staples (atta, salt, bread, etc.), culinary products (tomato based products, fruit based products, soups, etc.), tea, coffee, ice-cream and frozen desserts.
- d) Others include exports, infant care products etc.

Aggregation has been done following the aggregation criteria as per Ind AS 108.

Quantitative Thresholds

Reportable segments are *operating segments* or aggregations of operating segments that meet any of the following criteria and is required to disclose separately:

Reported Revenue (External + Intersegment)	10% or more	Combined Revenue of all operating segments (Internal + External)
Reported Profit or Loss (In absolute amount)	10% or more	Greater of: i) Combined profit of all operating segments that did not report a loss ii) Combined loss of all operating segments that reported a loss
Assets	10% or more	Combined assets of all operating segments

Quantitative Thresholds

If the **total external revenue** reported by operating segments constitutes less than 75% of the **total revenue**, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the organisation's revenue is included in reportable segments.

Management **may** report additional operating segments that do not meet any of the quantitative thresholds if the said information would be useful to the users of the financial information.

Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an 'all other segments'.

If an operating segment was identified as a reportable segment in the immediately preceding period is of continuing significance, it shall be reported separately in the current period even if it no longer meets the criteria for reportability.

Questions??

Question:

When applying 75% test, should the next largest segment be always selected?

Response:

No, entity should select the next most meaningful operating segment.

Question:

Is aggregation must if two or more segments meet the aggregation criteria?

Response:

No, aggregation into a single reportable is permitted. But its not compulsory.

Case Study



An organisation has identified the following business components:

Component	Revenue		Profit	Assets
	External	Internal		
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
1	80,000	Nil	10,000	50,000
2	Nil	8,000	5,000	30,000
3	10,000	Nil	1,000	4,000
4	8,000	Nil	500	3,000
Total	98,000	8,000	16,500	87,000

Requirement

Identify which of the segments should be classified as reportable in accordance with Ind AS 108.

Analysis to case study



- Components 1 and 2 would be separately reportable since they meet all three size criteria.
- Components 3 and 4 do not meet any of the size criteria and on the face of it are not separately reportable. However if they had similar economic characteristics then when aggregated they would be over the 10% threshold for revenue and so could be reported as a combined segment.
- The external revenue of component 1 is 75% of the total revenue so the '75% threshold' is achieved.



Disclosure Requirements

Disclosures

The entity should present the following categories of information:

- General information
- Information about the reported segment's profit or loss, assets and liabilities, and bases of measurement
- Reconciliations of segment revenues to reported revenues

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Disclosures - General Information

The following general disclosures are required:

- Factors used to identify the reportable segments
- Judgements made by management in applying the aggregation criteria, and
- Types of products/services

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Disclosures - Information about profit or loss, and assets/liabilities

Shall report the amount of profit/loss for each reportable segment.

Shall report total assets and liabilities for each reportable segment, if these are provided to the CODM.

Information is disclosed where it is regularly presented to the CODM as follows:

- revenues (external and intersegment)
- Interest revenue and expense
- depreciation and amortization
- material items of income and expense
- income tax expense/ income
- material non-cash items other than depreciation and amortization
- investment in associates/JV accounted for by the equity method

This adheres to the general principle that if the CODM thinks the information is important for decision-making, it should be presented to the external users.

Comparative Presentation

- ✓ **Operating Segment reportable in previous year but not in current year:** If an operating segment was identified as a reportable segment in the immediately preceding period is of continuing significance, it shall be reported separately in the current period even if it no longer meets the criteria for reportability.
- ✓ **Operating Segment reportable in current year but not in previous year:** If an operating segment is identified as a reportable segment in the current period, segment data for a prior period presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the criteria for reportability in the prior period, unless the necessary information is not available and the cost to develop it would be excessive.
- ✓ If an entity has changed the structure of its internal organisation that causes the composition of its reportable segments to change and if segment information for earlier periods, is not restated to reflect the change, the entity shall disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation, unless the necessary information is not available and the cost to develop it would be excessive.

Measurement

- Numbers should be measured the way they are measured for presentation to CODM.
- To understand how these numbers are put together, the following is relevant and should therefore be disclosed:
 - Basis of accounting for intersegment transactions
 - Nature of any differences between the segment profit or loss and the entity profit or loss
 - Nature of any differences between the segment assets/liabilities and the entity assets/liabilities
 - Nature of any changes from prior periods in the measurement methods used to determine segment profit or loss
 - Nature and effect of asymmetrical allocations to reportable segments

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Reconciliations

- Required reconciliations between reportable segments and financial statement numbers:
 - Revenues
 - Profit and loss before tax (if entity allocates tax- Profit and loss after tax)
 - Assets (if assets are presented for the segments)
 - Liabilities (if liabilities are presented for the segments)
 - Any other material segments amounts presented
- The entity should identify and describe material reconciling items including adjustments arising from different accounting policies.

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Reliance-Segment Reporting

(I) PRIMARY SEGMENT INFORMATION

(₹ in crore)

Particulars	Refining		Petrochemicals		Oil and Gas		Organised Retail		Digital Services		Financial Services		Others		Unallocated		Total		
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	
1 Segment Revenue																			
External Turnover	1,08,892	1,07,614	1,30,719	1,54,592	2,996	4,364	1,57,059	1,29,466	21,461	11,293	759	268	98,590	18,118	-	-	6,99,206	1,35,212	
Inter-Segment Turnover	77,038	86,814	92,254	87,890	545	621	5,099	1,194	46,994	37,442	910	-	8,989	3,919	-	-	-	-	
Value of Sales and Services (Revenue)*	1,85,930	1,94,428	1,45,364	1,72,080	3,541	5,005	1,62,158	1,30,660	68,455	48,735	1,669	268	1,07,579	22,037	-	-	6,99,206	1,35,212	
Less: GST Recovered	81	1,861	818	1,543	-	-	15,964	14,209	10,998	7,302	-	-	6,706	4,344	-	-	47,568	42,811	
Revenue from Operations (Net of GST)	1,85,849	1,92,567	1,22,862	1,68,822	3,541	5,005	1,46,194	1,16,451	57,457	41,433	1,669	268	1,00,873	17,693	-	-	6,51,638	1,31,401	
2 Segment Result before Depreciation and Taxes	21,224	22,880	29,547	32,394	(1,407)	(3,279)	8,261	8,946	14,302	8,794	473	203	2,721	1,223	(7,344)	(2,915)	69,958	60,796	
Less: Finance Cost**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,181	15,491	21,998	16,661	
Add: Interest Income**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,580	4,902	5,988	4,962	
Profit Before Tax and Exceptional Items	21,224	22,880	29,547	32,394	(1,407)	(3,279)	8,261	8,946	14,302	8,794	473	203	2,721	1,223	(17,344)	(14,499)	98,938	80,127	
Less: Exceptional Item (Net of Tax)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,496	-	14,496	-	
Profit Before Tax	21,224	22,880	29,547	32,394	(1,407)	(3,279)	8,261	8,946	14,302	8,794	473	203	2,721	1,223	(17,344)	(14,499)	84,442	80,127	
Less: Current Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,638	11,031	8,638	11,031	
Less: Deferred Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,096	3,767	5,896	3,767	
Profit After Tax before adjustment for Non-Controlling Interest	21,224	22,880	29,547	32,394	(1,407)	(3,279)	8,261	8,946	14,302	8,794	473	203	2,721	1,223	(11,804)	(20,496)	75,904	65,329	
Add: Share of Profit/Loss transferred to Non-Controlling Interest	-	-	1	1	-	-	(76)	(77)	21	(25)	-	-	(200)	(81)	-	-	(281)	(249)	
Profit After Tax after adjustment for Non-Controlling Interest	21,224	22,880	29,548	32,395	(1,407)	(3,279)	7,985	8,869	14,323	8,769	473	203	2,521	1,142	(11,804)	(20,496)	75,623	65,080	
3 Other Information																			
Segment Assets	1,29,071	1,21,413	1,30,026	1,29,592	42,890	34,022	88,461	85,900	2,71,429	213,382	26,258	8,332	92,322	85,992	3,29,900	1,32,541	11,81,911	11,32,488	
Segment Liabilities	38,298	46,933	51,021	21,345	42,826	42,291	18,278	22,909	79,837	119,802	21	19	25,989	10,719	6,92,524	7,88,132	11,83,311	13,32,488	
Capital Expenditure	6,085	14,106	7,318	1,931	3,138	5,898	8,256	1,671	38,923	(8,121)	-	-	19,667	11,714	548	1,725	82,513	3,324	
Depreciation	327	3179	5,308	5,472	1,110	3,021	1,591	685	8,964	8,980	-	-	1,882	1,325	630	520	22,200	20,804	
Amortisation and Goodwill Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Reliance-Segment Reporting

(VI) SECONDARY SEGMENT INFORMATION

(₹ in crore)

	2019-20	2018-19
1 Segment Revenue – External Turnover		
Within India	3,61,801	3,21,011
Outside India	2,97,404	3,04,201
Total	6,59,205	6,25,212
2 Non-Current Assets		
Within India	8,82,217	7,48,865
Outside India	25,438	21,438
Total	9,07,655	7,70,303

Entity-wide Disclosures

- The basics
 - Information is developed unless the costs to produce it are excessive or the information is not available
 - Would be based on information used to produce the entity's financial statements
- The following are required to be disclosed by all entities including those that have only a single segment:
 - Information about products and services
 - Information about geographical areas
 - Information about major customers
- **Ind AS 115: Revenue from contracts with customers**
- Requires entities to disaggregate revenue recognised into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.
- Also, to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue and revenue information that is disclosed for each reportable segment as per Ind AS 108

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Entity-wide Disclosures

Information about products and services

- Shall report the revenues from external customers for each product and service, or each group of similar products and services.

Information about geographical areas

Entity shall disclose **external revenues attributed to and Non-current assets** (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights under insurance contracts) located in

- Domestic operations (entity's country of domicile)
- Foreign operations in other countries

If revenues from external customers attributed to a specific country are material, this should be disclosed also.

Information about major customers

- If revenues to a customer amount to 10% or more, this fact should be disclosed along with the amount

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Hero Motor Corp- Segment Reporting: Single Unit



37. Segment Reporting

The Group primarily operates in the automotive segment. The automotive segment includes all activities related to development, design, manufacture, assembly and sale of vehicles, as well as sale of related parts and accessories. The board of directors of the Group, which has been identified as being the chief operating decision maker (CODM), evaluates the Group's performance, allocate resources based on the analysis of the various performance indicator of the Group as a single unit. Therefore, based on the guiding principles given in Ind AS 108 on 'Operating Segments', the Group's business activity fall within a single operating segment, namely automotive segment. Accordingly, the disclosure requirements of Ind AS 108 are not applicable.

Entity wide disclosure details as per Ind AS 108 on Operating segments are given below.

	Domestic	Overseas	Total
Revenue from operations			
2018-19	32,698.71	1,273.62	33,972.33
2017-18	32,166.75	832.18	33,100.94

Disclosure as per the requirement of Ind AS 115, Revenue

	India	Outside India	Total
Sale of products (Gross)			
2018-19	31,304.22	1,238.67	32,542.89
2017-18	30,784.22	1,238.67	32,022.89
Income from services			
2018-19	578.47	-	578.47
2017-18	578.47	-	578.47
Other operating revenue			
2018-19	526.02	14.85	540.87
2017-18	526.02	14.85	540.87
Total	32,698.71	1,273.62	33,972.33

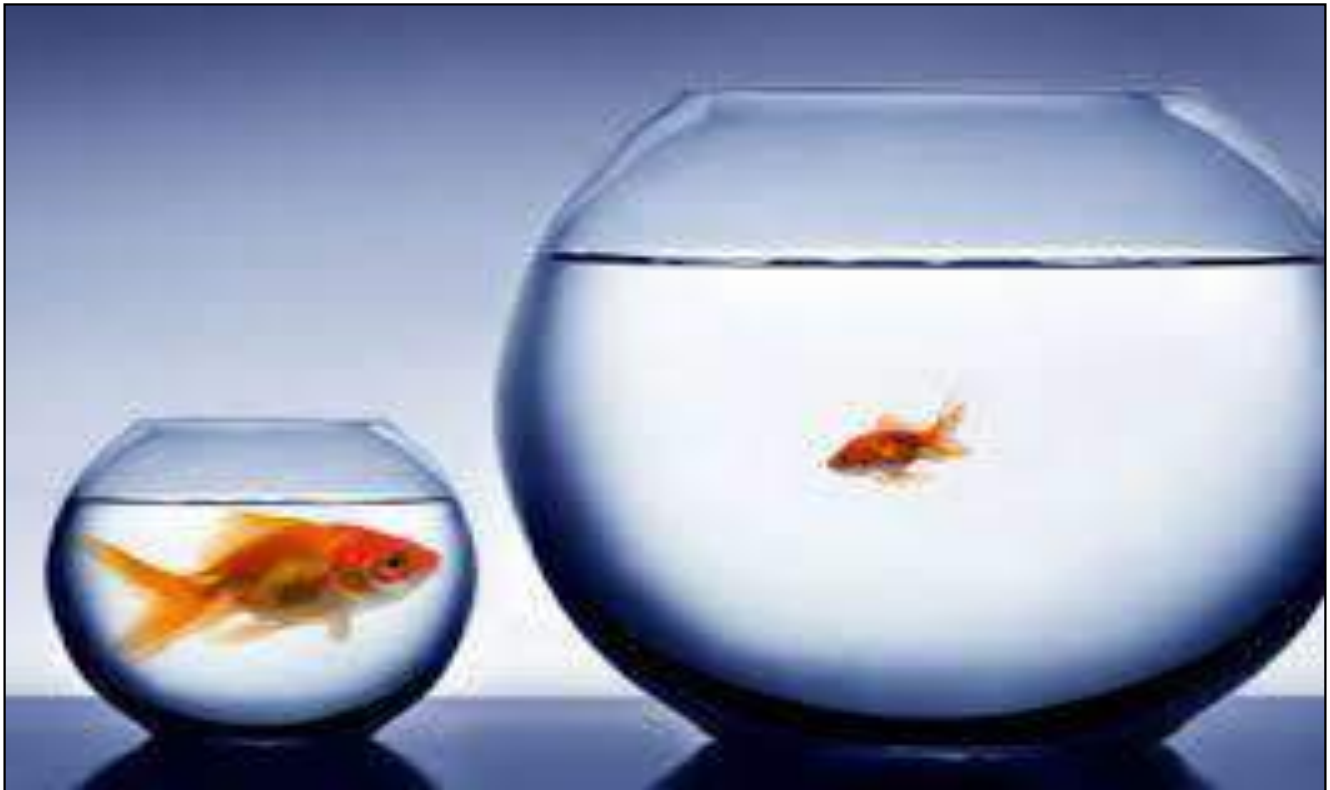
Non-current segment assets

	India	Outside India	Total
As at March 31, 2019	5,042.60	352.98	5,395.58
As at March 31, 2018	5,811.92	1,469.67	7,281.59

- Domestic segment includes sales and services to customers located in India.
- Overseas segment includes sales and services rendered to customers located outside India.
- Non-current segment assets includes property, plant and equipment, intangible assets including capital work in progress and intangible assets under development, non-current financial assets and non-current other assets.
- There are no major external customer where revenue exceeds more than 10% of the entity's revenue.

Disclosures - Summary

- How the organisation identified its operating segments and the types of products and services from which each operating segment derives its revenues
- Reported segment profit or loss, including certain specified revenues and expenses included in segment profit or loss, segment assets and segment liabilities and the basis of measurement
- Reconciliations of the totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities and other material items to corresponding items in the organisation's financial statements
- Entity-wide disclosures even when an organisation has only one reportable segment
- Analysis of revenues and certain non-current assets by geographical area
- Information about transactions with major customers



Comparison - Ind AS Vs AS

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Ind AS Vs AS

- ❑ **Determination of segment** : 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 CODM.

Existing AS 17 requires identification of two sets of segments; one based on related products and services, and the other on geographical areas based on the risks and returns approach. One is regarded as primary segments and the other as secondary segments.

- ❑ **Measurement** : Ind AS 108 requires that the amounts reported for each operating segment shall be measured on the same basis as that used by the CODM for the purposes of allocating resources to the segments 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 FS. Accordingly, existing AS 17 also defines segment revenue, segment expense, segment result, segment assets and segment liabilities.

Ind AS Vs AS

- ❑ **Aggregation** : Ind AS 108 specifies aggregation criteria for aggregation of two or more segments and also requires the related disclosures in this regard.

Existing AS 17 does not deal specifically with this aspect.

- ❑ **Disclosure requirement even in case of single segment**: An explanation has been given in the existing AS 17 that in case there is neither more than one business segment nor more than one geographical segment, **segment information as per this standard is not required to be disclosed**. However, this fact shall be disclosed by way of footnote.

Ind AS 108 requires certain disclosures even in case of entities having single reportable segment.

