

# **Major Differences between Ind AS and IFRS Standards and Reason for the Differences**

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This section brings out the differences between the IFRS Standards<sup>1</sup> and the corresponding Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs (MCA), Government of India, as Companies (Indian Accounting Standards) Rules, 2015 under the Companies Act, 2013 and the amendments thereto.

Section I contains IFRS/IAS/IFRIC/SIC corresponding to which Ind AS have not been formulated. Section II contains carve-outs/carve-in from IFRS Standards in the relevant Ind AS. Section III contains 'Other changes in Indian Accounting Standards vis-à-vis IFRS Standards not resulting in carve outs'.

## **Section I. IFRS/IAS/IFRIC/SIC corresponding to which Ind AS have not been notified**

1. Indian Accounting Standard corresponding to IAS 26, *Accounting and Reporting by Retirement Benefit Plans*, is not issued as this Standard is not applicable to companies.
2. Indian Accounting Standard corresponding to IAS 39, *Financial Instruments: Recognition and Measurement*, is not issued as India decided early adopt IFRS 9, *Financial Instruments* and not to permit option to entities to adopt the Hedge Accounting of IAS 39.
3. IFRIC 2, Members' Shares in Co-operative Entities and Similar Instruments, is not issued as it is not relevant to the companies and the Ind AS, notified under the Companies Act, 2013, are applicable to Companies incorporated under the Act.
4. SIC 7, *Introduction to Euro*, are considered not relevant to companies in India, hence not issued in India.

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<sup>1</sup> The term 'IFRS Standards' includes not only the International Financial Reporting Standards (IFRSs) issued by the IASB, it also includes pronouncements issued with the titles the International Accounting Standards (IASs), IFRICs and SICs.

5. IFRIC 9, *Reassessment of Embedded Derivatives*, which is relevant in the context of IAS 39, is not issued as Ind AS corresponding to IAS 39 not issued in India.

COVERAGE WITH IFRS STANDARDS AT ALL TIMES IFRS PRONOUNCEMENTS VERSUS IND AS			
IFRS Standards Effective as on 01/01/22	No.	Ind AS Effective as on 01/04/22	No.
IAS	25	Ind AS*	23
IFRS	16	Ind AS	16
<b>Total Standards</b>	<b>41</b>	<b>Total Standards</b>	<b>39</b>
IFRIC	16	Included as Appendix to relevant Ind AS**	14
SIC	5	Included as Appendix to relevant Ind AS**	4
<b>Total Interpretations</b>	<b>21</b>	<b>Total Appendices included in Ind AS</b>	<b>18</b>

\*Ind AS corresponding to IAS 26, *Accounting and Reporting by Retirement Benefit Plans* not considered relevant to companies in India, hence not issued.  
 \*\*IAS 39, *Financial Instruments: Recognition and Measurement*, contains only part relating to hedge accounting which is valid globally as continuation of this is permitted globally. But in India, only IFRS 9 hedge accounting is permitted, hence the part of IAS 39 is not relevant and no equivalent standard issued.  
 \*\*IFRIC 2, *Members' Shares in Co-operative Entities and Similar Instruments* and SIC 7, *Introduction to Euro*, are considered not relevant to companies in India, hence not issued in India. IFRIC 9, *Reassessment of Embedded Derivatives*, not included as Ind AS corresponding to IAS 39 not issued in India.

## **Section II. A. Carve-outs**

***Carve-outs which are due to differences in application of accounting principles and practices and economic conditions prevailing in India.***

### **Ind AS 1, Presentation of Financial Statements**

#### **As per IFRS**

IAS 1 requires that in case of a loan liability, if any condition of the loan agreement which was classified as non-current is breached on the reporting date, such loan liability should be classified as current, even if the breach is rectified after the balance sheet date.

#### **Carve Out**

Ind AS 1 clarifies that where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach. Consequent to this, requirements of paragraph 76 of IAS 1 to treat such events as non-adjusting events are also deleted.

#### **Reason**

Under Indian banking system, a long-term loan agreement generally contains a large number of conditions. Some of these conditions are substantive, such as, recalling the loan in case interest is not paid, and some conditions are procedural and not substantive, such as, submission of insurance details where the entity has taken the insurance but not submitted the details to the lender at the end of the reporting period. Generally, customer-banker relationships are developed whereby in case of any procedural breach, a loan is generally not recalled. Also, in many cases, a breach is rectified after the balance sheet date and before the approval of financial statements. Carve out has been made as it is felt that if the breach is rectified after the balance sheet date and before the approval of the financial statements, it would be appropriate that the users are informed about the true nature of liabilities being non-current liabilities and not current liabilities.

## **Ind AS 10, Events after the Reporting Period**

### **As per IFRS**

According to paragraph 76 of IAS 1, Presentation of Financial Statements, rectification of any breach after the end of the reporting period is a non-adjusting event. Therefore, IAS 10 does not include any clarification in the definition of adjusting event in its paragraph 3.

### **Carve Out**

As a consequence to carve-out in Ind AS 1 as stated above, Ind AS 10 (explanation in paragraph 3) provides, in the definition of 'Events after the reporting period' that in case of breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender, before the approval of the financial statements for issue, agrees to waive the breach, it shall be considered as an adjusting event.

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

### **As per IFRS**

IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

### **Carve Out**

Under Ind AS 16, it has been clarified in paragraph 17(e) that excess of net sale proceeds of items produced over the cost of testing, if any, shall not be recognised in the profit or loss but deducted from the directly attributable costs considered as part of cost of an item of property, plant, and equipment.

### **Reasons**

(i) The output which is produced during the testing process is not for commercial purpose as the same is not produced in the normal course of business. Therefore, recognising in the similar manner as normal course of business may not be appropriate.

(ii) There will be challenges in identifying costs relating to items produced and sold using the asset before it getting ready for intended use.

(iii) The asset is not yet available for use and, therefore, depreciation will not be included in the cost of producing such items. Hence, cost of such items produced may not be correctly measured, as the revenue and costs may not be comparable over the pre and post testing periods.

### ***Ind AS 28, Investment in Associates and Joint Ventures***

#### **As per IFRS**

IAS 28 (paragraph 35) requires that for the purpose of applying equity method of accounting in the preparation of investor's financial statements, uniform accounting policies should be used. In other words, if the associate's accounting policies are different from those of the investor, the investor should change the financial statements of the associate by using same accounting policies.

#### **Carve out**

In Ind AS 28 (paragraph 35), the phrase, 'unless impracticable to do so' has been added in the relevant requirements.

#### **Reasons**

Certain associates, e.g., regional rural banks (RRBs), being associates of nationalized banks, may not be in a position to use the Ind AS as these may be too advanced for the RRBs. Accordingly, the above-stated words have been included to exempt such associates. Also, in the absence of control over the investee, it may not be able for the investor to influence the associate to prepare additional financial statements or to follow the accounting policies that are followed by the investor.

### ***Ind AS 32, Financial Instruments: Presentation***

#### **As per IFRS**

As per definition of financial liability in paragraph 11 and the resultant accounting treatment prescribed under IAS 32, equity conversion option (derivative) in case of foreign currency denominated convertible bonds is considered a derivative liability which is embedded in the bond. Gains or losses arising on account of change in fair value of this derivative need to be recognised in the statement of profit and loss as per IAS 32.

### **Carve out**

In Ind AS 32, an exception has been included to the definition of 'financial liability' in paragraph 11 (b) (ii), whereby conversion option in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments is classified as an equity instrument if the exercise price is fixed in any currency.

### **Reasons**

This treatment as per IAS 32 is not appropriate in instruments, such as, FCCBs since the number of shares convertible on the exercise of the option remains fixed and the amount at which the option is to be exercised in terms of foreign currency is also fixed; merely the difference in the currency should not affect the nature of derivative, i.e., the option. Further, the fair value of the option is based on the fair value of the share prices of the company. If there is decrease in the share price, the fair value of derivative liability would also decrease which would result in recognition of gain on entity's own equity instruments in the statement of profit and loss. This would bring unintended volatility in the statement of profit and loss due to volatility in share prices. This will also not give a true and fair view of the liability as in this situation, when the share prices fall, the option will not be exercised. However, it has been considered that if such option is classified as equity, fair value changes would not be required to be recognised. Accordingly, the exception has been made in definition of financial liability in Ind AS 32.

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

### **(i) Definition of previous GAAP under Ind AS 101**

#### **As per IFRS**

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

### **Carve out**

Ind AS 101 (Appendix A) defines previous GAAP as the basis of accounting that a first-time adopter used for its reporting requirement in India immediately before adopting Ind AS. The changes made it mandatory for Indian entities to consider the financial statements prepared in accordance

with notified Accounting Standards as was applicable to them as previous GAAP when it transitions to Ind AS.

#### **Reason**

The change makes it mandatory for Indian companies to consider the financial statements prepared in accordance with Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006<sup>2</sup> as previous GAAP when it transitions to Ind AS as the law prevailing in India recognises the financial statements prepared in accordance with the Companies Act.

#### **(ii) Allowing the use of carrying cost of Property, Plant and Equipment (PPE) on the date of transition of Ind AS 101**

##### **As per IFRS**

IFRS 1 *First time Adoption of International Accounting Standards* provides that on the date of transition either the items of Property, Plant and Equipment shall be determined by applying IAS 16 *Property, Plant and Equipment* retrospectively or the same may be measured at fair value on the date of transition (*Appendix D paragraphs D5*) or use the previous GAAP revaluation (*Appendix D paragraphs D6*).

##### **Carve out**

Paragraph D7AA of Ind AS 101 provides an additional option to use carrying values of all items of property, plant and equipment on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS.

#### **Reason**

In case of old companies, retrospective application of Ind AS 16 or fair values at the date of transition to determine deemed cost may not be possible for old assets. Accordingly, Ind AS 101 provides relief to an entity to use carrying values of all items of property, plant and equipment on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS.

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<sup>2</sup> Subsequently, MCA issued Companies (Accounting Standards) Rules, 2021, vide notification dated 23<sup>rd</sup> June, 2021, superseding Companies (Accounting Standards) Rules, 2006.

**(iii) Long Term Foreign Currency Monetary Items**

**As per IFRS**

No provision in IFRS 1.

**Carve out**

Paragraph D13AA of Appendix D to Ind AS 101 provides that a first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. Consequently, Ind AS 21 also provides that it does not apply to long-term foreign currency monetary items for which an entity has opted for the exemption given in paragraph D13AA of Appendix D to Ind AS 101. Such an entity may continue to apply the accounting policy so opted for such long-term foreign currency monetary items.

**Reason**

Para 46A of AS 11 provides an option to recognise long term foreign currency monetary items in the statement of profit and loss as a part of the cost of property, plant and equipment or to defer its recognition in the statement of profit and loss over the period of loan in case the loan is not related to acquisition of depreciable capital assets. To provide transitional relief, such entities have been given an option to continue the capitalisation or deferment of exchange differences, as the case may be, on foreign currency borrowings obtained before the beginning of first Ind AS reporting period.

**(iv) Financial Assets or intangible assets accounted for in accordance with Appendix D, Service Concession Arrangements to Ind AS 115, Revenue from Contracts with Customers**

**As per IFRS**

Paragraph D 22 of Appendix D to IFRS 1 provides that a first-time adopter may apply the transitional provisions in IFRIC 12 for account for financial assets or intangible assets.

**Carve Out**

Paragraph D 22 of Appendix D to Ind AS 101 provides that a first-time adopter may apply the following provisions while applying the Appendix D to Ind AS 115:

- i) Subject to paragraph (ii), changes in accounting policies are accounted for in accordance with Ind AS 8, i.e. retrospectively, except for the policy adopted for amortization of intangible assets arising from service concession arrangements related to toll roads recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP.
- ii) If, for any particular service arrangement, it is impracticable for an operator to apply this Appendix retrospectively at the date of transition to Ind AS, it shall:
  - (a) recognise financial assets and intangible assets that existed at the date of transition to Ind ASs;
  - (b) use the previous carrying amounts of those financial and intangible assets (however previously classified) as their carrying amounts as at that date; and
  - (c) test financial and intangible assets recognised at that date for impairment, unless this is not practicable, in which case the amounts shall be tested for impairment as at the start of the current period.
- iii) There are two aspects to retrospective determination: reclassification and re-measurement. It will usually be practicable to determine retrospectively the appropriate classification of all amounts previously included in an operator's Balance Sheet, but that retrospective re-measurement of service arrangement assets might not always be practicable. However, the fact should be disclosed.

As a consequence to the above, paragraph 7AA has been inserted in Ind AS 38 to scope out the entity, to apply amortisation method, that opts to amortise the intangible assets arising from service concession arrangements in respect of toll roads recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS reporting period as per the exception given in paragraph D22 of Appendix D to Ind AS 101.

#### **Reason**

Schedule II to the Companies Act, 2013, allows companies to use revenue-based amortisation of intangible assets arising from service concession arrangements related to toll roads while Ind AS 38, *Intangible Assets*, allows

revenue based amortisation only in the circumstances in which the predominant limiting factor that is inherent in an intangible asset is the achievement of revenue threshold. In order to provide relief to such entities, Ind AS 38 and Ind AS 101 have been amended to allow the entities to continue to use the accounting policy adopted for amortization of intangible assets arising from service concession arrangements related to toll roads recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial statements. In other words, Ind AS 38 would be applicable to the amortisation of intangible assets arising from service concession arrangements related to toll roads entered into after the implementation of Ind AS.

### **Ind AS 103, Business Combinations**

#### **As per IFRS**

IFRS 3 (paragraph 34) requires bargain purchase gain arising on business combination to be recognised in profit or loss as income.

#### **Carve out**

Ind AS 103 requires the bargain purchase gain to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve. A similar carve-out is made in Ind AS 28, *Investments in Associates and Joint Ventures*.

#### **Reasons**

At present, since bargain purchase gain occurs at the time of acquiring a business, these are considered as capital reserve. Recognition of such gains in profit or loss would not be appropriate and may lead to structuring through acquisitions, which may not be in the interest of the stakeholders of the company.

## **Section II. B. Carve-in**

### **Ind AS 103, Business Combinations**

#### **As per IFRS**

IFRS 3 (paragraph 2(c) excludes from its scope business combinations of entities under common control.

### **Carve-in**

Appendix C of Ind AS 103, *Business Combinations* gives guidance in this regard.

## **Section III. Other changes in Indian Accounting Standards vis-a-vis IFRS not resulting in carve-outs**

### **Ind AS 1, *Presentation of Financial Statements***

1. With regard to preparation of statement of profit and loss, IAS 1 provides an option either to follow the single statement approach or to follow the two-statement approach. An entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections or an entity may present the profit or loss section in a separate statement of profit or loss which shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.  
Ind AS 1 allows only the single statement approach with profit or loss and other comprehensive income presented in two sections.
2. IAS 1 gives the option to individual entities to follow different terminology for the titles of financial statements. Ind AS 1 is changed to remove alternatives by giving one terminology to be used by all entities.
3. IAS 1 permits the periodicity, for example, of 52 weeks for preparation of financial statements. Ind AS 1 does not permit it.
4. IAS 1 requires an entity to present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the equity. Ind AS 1 requires only nature-wise classification of expenses.
5. Paragraphs 29 of IAS 1 requires that items of dissimilar nature or function shall be presented separately unless these are immaterial and paragraph 31 provides that specific disclosure required by IFRS need not be provided if the information is not material. In Ind AS 1, such paragraphs have been modified to include words 'except when required by law'.
6. Paragraph 106(d)(iv) of Ind AS 1 dealing with disclosures regarding reconciliation between the carrying amount at the beginning and the end of the period for each component of equity, has been amended to

include disclosure regarding recognition of bargain purchase gain arising on business combination in line with treatment prescribed in this regard in Ind AS 103.

### ***Ind AS 2, Inventories***

Paragraph 38 of IAS 2 dealing with recognition of inventories as an expense based on function-wise classification, has been deleted keeping in view the fact that option provided in IAS 1 to present an analysis of expenses recognised in profit or loss using a classification based on their function within the entity has been removed and Ind AS 1 requires only nature-wise classification of expenses.

### ***Ind AS 7, Statement of Cash Flows***

1. In case of entities other than financial entities, IAS 7 (paragraph 33) gives an option to classify the interest paid and interest and dividends received as item of operating cash flows. Ind AS 7 does not provide such an option and requires these items to be classified as items of financing activity and investing activity, respectively.
2. IAS 7 (paragraph 34) gives an option to classify the dividend paid as an item of operating activity. However, Ind AS 7 requires it to be classified as a part of financing activity only.

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

Some of the IFRS Standards are accompanied by guidance to assist entities in applying their requirements. All such guidance states whether or not it is an integral part of IFRSs. Guidance that is an integral part of the IFRSs is mandatory. Guidance that is not an integral part of the IFRSs does not contain requirements for financial statements. The above position has been explained in paragraph 9 of IAS 8. Only guidance that is an integral part of IFRS Standards has been included in corresponding Ind ASs. Accordingly, paragraph 9 of Ind AS 8 has been suitably reworded.

### ***Ind AS 12, Income Taxes***

1. Since fair value model is not allowed in Ind AS 40, paragraphs 20 and 51E of Ind AS 12 have been modified by not giving reference of Ind AS 40 and consequently paragraphs 51C-51D have been deleted.
2. IAS 12 (paragraph 68(b) provides that acquired deferred tax benefits

recognised within the measurement period that results from new information about facts and circumstances existed at the acquisition date shall be applied to reduce the carrying amount of goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognised in profit or loss. As a consequence of different accounting treatment of bargain purchase gain prescribed in Ind AS 103, in comparison to IFRS 3, Ind AS 12 provides that if the carrying amount of such goodwill is zero, any remaining deferred tax benefits shall be recognised in other comprehensive income and accumulated in equity as capital reserve or recognised directly in capital reserve.

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

1. Paragraph 5 of Ind AS 16 has been modified, since Ind AS 40, *Investment Property*, prohibits the use of fair value model.
2. Paragraph 12 of Appendix B has been modified by giving example of types of costs that would be included as directly attributable overhead costs of the stripping activity asset. Paragraph 13A has been added in Appendix B to provide guidance on allocation basis.

### **Ind AS 19, *Employee Benefits***

1. According to Ind AS 19 (paragraph 83), the rate to be used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to the market yields on government bonds whereas under IAS 19 (paragraph 83), the government bonds can be used only where there is no deep market of high quality corporate bonds. However, requirements given in IAS 19 in this regard have been retained with appropriate modifications for currencies other than Indian rupee.
2. To illustrate treatment of gratuity subject to ceiling under Indian Gratuity Rules, an example has been added in Ind AS 19 (paragraph 73).
3. Paragraphs 172 to 177 of IAS 19 have not been included as these paragraphs relate to transition and effective date that are not relevant in Indian context. Paragraph 178 has not been included as it refers to amendments due to issuance of IFRS 17, Insurance Contracts, for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IAS 19, the

paragraph numbers are retained in Ind AS 19.

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

When there is a change in functional currency, IAS 21 (paragraph 54) requires disclosure of that fact and the reason for the change in functional currency. Ind AS 21 requires an additional disclosure of the date of change in functional currency.

### **Ind AS 23, *Borrowing Costs***

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

### **Ind AS 24, *Related Party Disclosures***

1. In Ind AS 24 (paragraphs 4A and 4B), disclosures which conflict with confidentiality requirements of statute/regulations are not required to be made since Accounting Standards cannot override legal/regulatory requirements.
2. Paragraph 24A (reproduced below) has been included in the Ind AS 24. It provides additional clarificatory guidance regarding aggregation of transactions for disclosure.

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

3. Paragraph 14 of Ind AS 24 has been modified to explain the rationale for disclosing related party relationship when control exists.
4. In Ind AS 24 paragraph 21, clause ‘(k) management contracts including for deputation or employees’ has been added in the example of transactions that are disclosed if they are with related party.
5. In paragraph 9, ‘Definition of close members of the family of a person’

has been amended to include brother, sister, father and mother in the category of family members who may be expected to influence or be influenced.

### **Ind AS 27, Separate Financial Statements**

1. IAS 27 (paragraph 17(a) requires to disclose the reason for preparing separate financial statements if not required by law. In India, since the Companies Act mandates preparation of separate financial statements, such requirement has been removed in Ind AS 27.
2. IAS 27 (paragraph 10(c) allows the entities to use the equity method to account for investment in subsidiaries, joint ventures and associates in their Separate Financial Statements (SFS). This option is not given in Ind AS 27, as the equity method is not a measurement basis like cost and fair value but is a manner of consolidation and therefore would lead to inconsistent accounting conceptually.

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

Clause (d) in paragraph 39 of Ind AS 29 has been added which requires an additional disclosure regarding the duration of the hyperinflationary situation existing in the economy as compared to IAS 29.

### **Ind AS 33, Earnings per Share**

1. IAS 33 (paragraph 4) provides that when an entity presents both consolidated financial statements and separate financial statements, it may give EPS related information in consolidated financial statements only, whereas, Ind AS 33 (paragraph 4) requires EPS related information to be disclosed both in consolidated financial statements and separate financial statements.
2. Paragraph 2 of IAS 33 requires that the entire standard applies to:
  - (a) the separate or individual financial statements of an entity:
    - (i) whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or
    - (ii) that files, or is in the process of filing, its financial statements with a Securities Regulator or other regulatory

- organisation for the purpose of issuing ordinary shares in a public market; and
- (b) the consolidated financial statements of a group with a parent:
- (i) whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or
  - (ii) that files, or is in the process of filing, its financial statements with a Securities Regulator or other regulatory organisation for the purpose of issuing ordinary shares in a public market.

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

The above requirements have been deleted in the Ind AS as the applicability or exemptions to the Ind AS are governed by the Companies Act and the Rules made there under.

3. Paragraph 4 has been modified in Ind AS 33 to clarify that an entity shall not present in separate financial statements, earnings per share based on the information given in consolidated financial statements, besides requiring as in IAS 33, that earnings per share based on the information given in separate financial statements shall not be presented in the consolidated financial statements.
4. In Ind AS 33, a paragraph has been added after paragraph 12 on the following lines -

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

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

6. IAS 33 (paragraphs 67A and 68A) requires disclosure of amounts of per share using a reported component, and basic and diluted earnings per share for discontinued operations in the separate income statement, where separate income statement is presented. This requirement is not provided in Ind AS 33 consequential to the removal of option regarding two statement approach in Ind AS 1. Ind AS 1 requires that the components of profit or loss and components of other comprehensive income shall be presented as a part of the statement of profit and loss.

### ***Ind AS 34, Interim Financial Reporting***

1. A footnote has been added to paragraph 1 of Ind AS 34, *Interim Financial Reporting* that Unaudited Financial Results required to be prepared and presented under Clause 41 of Listing Agreement with stock exchanges is not an 'Interim Financial Report' as defined in paragraph 4 of this Standard.
2. IAS 34 (paragraphs 8A and 11A) provides option either to follow single statement approach or to follow two statement approaches. Ind AS 34 allows only single statement approach on the lines of Ind AS 1, *Presentation of Financial Statements*, which also allows only single statement approach.

### ***Ind AS 36, Impairment of Assets***

Paragraph 2(f) of IAS 36 provides that this standard is not applied to the accounting for impairment of investment property that is measured at fair value. Paragraph 2(f) is deleted in Ind AS 36 as Ind AS 40 requires cost model for measurement of investment property.

### ***Ind AS 40, Investment Property***

IAS 40 (paragraph 30) permits both cost model and fair value model (except in some situations) for measurement of investment properties after initial recognition. Ind AS 40 permits only the cost model. Fair value model is not permitted because the unrealised gain and losses would have been required to be recognised in the statement of profit and loss. There may not be deep liquid active markets available in India to appropriately determine the fair value of investment property in India

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

1. Paragraph 3 of Ind AS 101 specifies that an entity's first Ind AS financial statements are the first annual financial statements in which the entity adopts Ind AS in accordance with Ind AS notified under the Companies Act, 2013 whereas IFRS 1 provides various examples of first IFRS financial statements.
2. IFRS 1 (Paragraph 4, 4A, 4B, 23A and 23B) provide various examples of instances when an entity does not apply this IFRS. Ind AS 101 does not provide the same.
3. IFRS 1 (paragraph C4(c)) requires the first-time adopter shall exclude from its opening Ind AS Balance Sheet any item recognised in accordance with previous GAAP that does not qualify for recognition as an asset or liability under IFRS. The first-time adopter shall account for the resulting change in the retained earnings as at the transition date except in certain specific instances where it requires adjustment in the goodwill. In such specific instances where IFRS 1 allows adjustment in the goodwill, under Ind AS 101 it can be adjusted with the Capital Reserve to the extent such adjustment amount does not exceed the balance available in Capital Reserve.
4. Certain exemptions in Appendix D of IFRS 1 refer to transitional provisions of other IFRSs. However, Ind ASs do not provide transitional provisions, accordingly, wherever considered appropriate transitional provision in other IFRSs has been incorporated in the respective exemptions in Appendix D of Ind AS 101. The following paragraphs in IFRS 1 provide the transitional provisions of other IFRSs which are included in Ind AS 101:
  - (i) Paragraph D4 includes the transitional provisions of IFRS 4 *Insurance Contracts*;
  - (ii) Paragraph D9 includes the transitional provisions of IFRIC 4 *Determining whether an Arrangement contains a Lease*;
  - (iii) Paragraph D22 includes the transitional provisions of IFRIC 12 *Service Concession Arrangements*;
  - (iv) Paragraph D25 includes the transitional provisions of IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*;
  - (v) Paragraph D31 includes the transitional provisions of IFRS 11 *Joint Arrangements*;

- (vi) Paragraph D32 includes the transitional provisions of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*; and
- (vii) Paragraph D34 and D35 includes the transitional provisions of IFRS 15 *Revenue from contracts with customer*.
5. IFRS 1 provides for various optional exemptions that an entity can seek while an entity transitions to IFRS from its previous GAAP. Similar provisions have been retained under Ind AS 101. However, there are few changes that have been made, which can be broadly categorized as follows:
- (a) *Elimination of effective dates prior to transition date to Ind AS.* IFRS 1 provides for various dates from which a standard could have been implemented. For example,
- Paragraph D2 of IFRS 1 provides that an entity is encouraged, but not required, to apply IFRS 2, *Share-based Payment* to equity instruments that were granted on or before 7 November 2002 or to instruments that were granted after 7 November 2002 and vested before the later of (a) the date of transition to IFRS and (b) 1 January 2005. However, for Ind AS 101 purposes, all these dates have been changed to coincide with the transition date elected by the entity adopting these converged standards i.e. Ind AS.
- (b) *Deletion of borrowing cost exemptions not relevant for India:*
- Paragraph D23 of IFRS 1 provides for transitional adjustment requiring companies to apply the provisions of IAS 23 prospectively after the transition date to IFRS. IAS 23 provided an option to expense out such borrowing cost. However, this paragraph has not been included in Appendix D of Ind AS 101 since this was considered as not relevant in Indian situation as Accounting Standard 16 always required an entity to capitalize borrowing costs.
6. Paragraphs E1-E2 of Appendix E of IFRS 1 provides for 'Short-term exemptions from IFRS', however Ind AS 101 does not provide the above said short-term exemption.
7. Paragraph D9AA of Ind AS 101 provides that when a lease includes both land and building elements, a first time adopter may assess the classification of each element as finance or an operating lease at the

transition date to Ind AS on the basis of the facts and circumstances existing as at that date. If there is any land lease newly classified as finance lease then the first time adopter may recognise assets and liability at fair value on that date; any difference between those fair values is recognised in retained earnings.

8. Paragraph D7(a) of IFRS 1 provides that option to take fair value at the date of transition to Ind AS or previous GAAP revalued amount may be exercised by a first item adopter for investment property. However, this option has not been provided under Ind AS 101, as Ind AS 40 permits only the cost model.

### ***Ind AS 104 Insurance Contracts***

IFRS 4 contains provisions that address concerns arising from the different effective dates of IFRS 9 and the forthcoming Insurance Contracts Standard. IFRS 4 provides two optional approaches: a temporary exemption from applying IFRS 9; and an overlay approach. It provides the following two options for entities that issue insurance contracts within the scope of IFRS 4:

- the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2023.

The above optional exemptions have not been provided under Ind AS 104.

### ***Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations***

1. IFRS 5 prescribes the conditions for classification of a non-current asset (or disposal group) as held for sale. In Ind AS 105, a clarification has also been added in paragraph 7 that the non-current asset (or disposal group) cannot be classified as held for sale, if the entity intends to sell it in a distant future.
2. IFRS 105 (paragraph 5(d)) deals with non-current assets that are accounted for in accordance with the fair value model in IAS 40. Since

Ind AS 40 prohibits the use of fair value model, this has not been included in Ind AS 105.

3. IFRS 5 (paragraph 33A) requires presentation of discontinued operations in the separate income statement, where separate income statement is presented. This requirement is not provided in Ind AS 105 consequential to the removal of option regarding two statement approach in Ind AS 1. Ind AS 1 requires that the components of profit or loss and components of other comprehensive income shall be presented as a part of the statement of profit and loss.
4. Ind AS 101 provides transitional relief, similar to the transitional provisions in IFRS 5, that while applying Ind AS 105, an entity may use the transitional date circumstances to measure such assets or operations at the lower of carrying value and fair value less cost to sell. This would facilitate smooth convergence with Ind AS.

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

The transitional provisions given in IFRS 6 have not been given in Ind AS 106, since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

### **Ind AS 107, *Financial Instruments: Disclosures***

1. The transitional provisions given in IFRS 7 have not been given in Ind AS 107, since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, First-time Adoption of Indian Accounting Standards corresponding to IFRS 1, First-time Adoption of International Financial Reporting Standards.
2. Paragraphs 42I-42S of IFRS 7 have not been included in Ind AS 107 as these paragraphs relate to initial application of IFRS 9 which are not relevant in Indian context. Paragraphs 43-44BB related to effective date and transition given in IFRS 7 have not been given in Ind AS 107 since it is not relevant in Indian context. Paragraph 44DD relates to IFRS 17, Insurance Contracts, for which corresponding Ind AS is under formulation.

## **Ind AS 108, *Operating Segments***

1. Paragraph 2 of IFRS 8 requires that the standard shall apply to:
  - a) the separate or individual financial statements of an entity:
    - (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
    - (ii) that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
  - b) the consolidated financial statements of a group with a parent:
    - (i) whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
    - (ii) that files, or is in the process of filing, the consolidated financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

The above have been deleted in the Ind AS 108 as the applicability or exemptions to the Indian Accounting Standards are governed by the Companies Act and the Rules made thereunder.

2. The transitional provisions given in IFRS 108 has not been given in Ind AS 108, since all transitional provisions related to Ind ASs, wherever considered appropriate, have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

## **Ind AS 109, *Financial Instruments***

1. Paragraph 7.2.21 of IFRS 9 provides an option to the entities to choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in Chapter 6 of IFRS 9. Accordingly, paragraphs 7.2.22 to 26 contain

certain further requirements in this regard. Ind AS 109 does not provide this option accordingly, these paragraphs are not given in Ind AS 109.

2. Paragraph 6.1.3 of IFRS 9 provides an option to apply requirements of IAS 39, Financial Instruments: Recognition and Measurement for fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities. The said option has been removed in Ind AS 109. Accordingly, paragraph 6.1.3 has been deleted and following paragraphs have also been modified:
  - (i) Paragraph 5.2.3
  - (ii) Paragraph 5.3.2
  - (iii) Paragraph 5.7.1
  - (iv) Paragraphs 5.7.2-5.7.3
3. Paragraphs 7.1.1 to 7.1.3 of IFRS 9 related to effective date have not been included in Ind AS 109 as these paragraphs are not relevant in Indian context. Paragraph 7.1.6 has not been included as it refers to amendments due to issuance of IFRS 17, Insurance Contracts, for which corresponding Ind AS is under formulation. Paragraph 7.1.9 has not been included as it refers to amendments to paragraph B3.3.6 of IFRS 9, for which corresponding amendments to Ind AS 109 are under formulation.
4. Following paragraphs related to transition have not been included as these paragraphs are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IFRS 9, the paragraph numbers are retained in Ind AS 109:
  - (i) Paragraph 7.2.2
  - (ii) Paragraphs 7.2.6-7.2.7
  - (iii) Paragraphs 7.2.12-7.2.13
  - (iv) Paragraphs 7.2.14A-7.2.25
  - (v) Paragraphs 7.2.26(a)-(c)
  - (vi) Paragraphs 7.2.27-7.2.28
5. Paragraphs 7.2.35 to 7.2.42 of IFRS 9 relate to amendments/ standard not yet effective in India, hence not included in Ind AS 109. However, in order to maintain consistency with paragraph numbers of IFRS 9, these

paragraph numbers are retained in Ind AS 109.

## **Ind AS 110, Consolidated Financial Statements**

1. One of the essential requirements (under both IFRS 10 and Ind AS 110) for an entity to qualify as an investment entity is that the entity measures and evaluates the performance of substantially all of its investments on a fair value basis. In this context, IFRS 10 paragraph B85L(a) provides that to meet this requirement, an entity would need to elect to account for any investment property using the fair value model in IAS 40, *Investment Property*. Ind AS 40, *Investment Property*, requires investment property to be measured using cost model, i.e., at cost initially and at cost less depreciation subsequently; fair value model is not permitted. Consequently, paragraph B85L(a) of IFRS 10 has not been included in Ind AS 110.
2. Appendix C of IFRS 10 dealing with effective date, transition and withdrawal of other IFRSs has not been included in Ind AS 10, due to the following reasons:
  - (i) Effective date is not relevant as the date of application will be notified under the Companies Act.
  - (ii) Transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*.
  - (iii) Paragraphs dealing with withdrawal of other IFRSs are not relevant.

## **Ind AS 111, Joint Arrangements**

1. Ind AS 111 refers to the accounting specified in Appendix C ‘Business Combinations under Common Control’ of Ind AS 103 for the acquisition of an interest in a joint operation when the parties sharing joint control, including the entity acquiring the interest in the joint operation, are under the common control of the same ultimate controlling party or parties both before and after the acquisition, and that control is not transitory. While IFRS 11 scopes out the same as

IFRS 3, *Business Combinations*, does not deal with business combinations under common control.

2. Paragraph C1 of Appendix C of IFRS 11 refers to Effective date that has not been included since the same is not relevant as the date of application is notified under the Companies Act. Paragraphs C1A and C1AA related to transitional provisions have not been included since, transitional provisions wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

### **Ind AS 113, *Fair Value Measurement***

1. Paragraph 7(b) of IFRS 13 refers to IAS 26, *Accounting and Reporting by Retirement Benefit Plans*, which is not relevant for the companies. Hence, the paragraph is deleted in Ind AS 113.
2. Paragraphs C1-C5 of IFRS 13 have not been included in Ind AS 113 as these paragraphs relate to effective date and transition which are not relevant in Indian context.

### **Ind AS 114, *Regulatory Deferral Accounts***

1. Appendix A 'Defined terms' of Ind AS 114 have been modified to clarify that Guidance Note of Accounting for Rate Regulated Activities would be considered as the previous GAAP for the purpose of Ind AS 114.
2. Under paragraph 6 of Ind AS 114, a footnote has been added to clarify the application of requirements of previous GAAP in the case of an entity subject to rate regulation coming into existence after Ind AS coming into force or an entity whose activities become subject to rate regulation as defined in this Ind AS subsequent to preparation and presentation of its first Ind AS financial statements.

### **Ind AS 115, *Revenue from Contracts with Customers***

1. Paragraph of 51 of IFRS 15, simply mentions the word 'penalties' as an item because of which amount of consideration can vary. It does not differentiate between different types of penalties. Paragraph 51 of Ind AS 115 has been amended to exclude 'penalties' from the list of examples given in the paragraph 51 due to which an amount of consideration

can vary and paragraph 51AA has been added in Ind AS 115 to provide that penalties shall be accounted for as per the substance of the contract. Where the penalty is inherent in determination of transaction price, it shall form part of variable consideration, otherwise the same should not be considered for determining the consideration and the transaction price shall be considered as fixed.

2. Paragraph 109AA has been inserted in Ind AS 115 to require an entity to present separately the amount of excise duty included in the revenue recognised in the statement of profit and loss.
3. Paragraph 126AA in Ind AS 115 has been inserted to present reconciliation of the amount of revenue recognised in the statement of profit and loss with the contracted price showing separately each of the adjustments made to the contract price specifying the nature and amount of each such adjustment separately.
4. In Appendix B ‘Application Guidance’ of Ind AS 115, paragraph B20AA has been inserted to explain the accounting treatment in case of transfers of control of a product to a customer with an unconditional right of return.
5. Paragraphs C1B, C8A and C9 of Appendix C and paragraphs 28 and 28E of Appendix D related to effective date and transition have been deleted due to following reasons:
  - (a) Paragraphs C1B and C8A are not relevant in Indian context as the same refer to application of these amendments in case where IFRS 15 was initially applied before issuance of amendments to the standard.
  - (b) Paragraph C9 refers to application of IAS 39, *Financial Instruments*, which is not relevant in Indian context.
  - (c) Paragraphs 28 and 28E of Appendix D are not relevant in Indian context as the same relate to effective date of IFRIC 12.

## **Ind AS 116, Leases**

1. With regard to subsequent measurement, paragraph 34 of IFRS 16 provides that if lessee applies fair value model in IAS 40 to its investment property, it shall apply that fair value model to the right-of-use assets that meet the definition of investment property. Since Ind AS 40, *Investment Property*, does not allow the use of fair value model, paragraph 34 has been deleted in Ind AS 116.

2. Paragraph 50(b) of IFRS 16 requires to classify cash payments for interest portion of lease liability applying requirements of IAS 7, Statement of Cash Flows. IAS 7 provides option of treating interest paid as operating or financing activity. However, Ind AS 7 requires interest paid to be treated as financing activity only. Accordingly, paragraph 50(b) has been modified in Ind AS 116 to specify that cash payments for interest portion of lease liability will be classified as financing activities applying Ind AS 7.
3. Paragraph C20 of Appendix C, *Effective Date and Transition*, dealing with interchange of reference of IFRS 9 to IAS 39 if entity does not apply IFRS 9 has been deleted since India has early adopted Ind AS 109, corresponding to IFRS 9.

## **Terminology Changes in Ind AS**

Different terminology is used, as used in existing laws e.g., the term ‘balance sheet’ is used instead of ‘Statement of financial position’, ‘Statement of profit and loss’ is used instead of ‘Statement of comprehensive income’. The words ‘approved the financial statements for issue’ have been used instead of ‘authorised the financial statements for issue’ in the context of financial statements considered for the purpose of events after the reporting period.

### **Notes:**

1. **Differences between Indian Accounting Standards (Ind AS) and corresponding IFRS are given in Appendix 1 at the end of each Indian Accounting Standard.**
2. **Apart from the changes in IFRS as a result of carve-outs and other changes as described in above section III, some other changes consequential thereto have also been made in Ind AS, wherever required.**