Quick Referencer
on
Indian Accounting Standards

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

New Delhi

This Quick Referencer has been formulated in accordance with the Ind AS notified by the Ministry of Corporate Affairs (MCA) as Companies (Indian Accounting Standards) Rules, 2015 vide Notification dated February 16, 2015 and other amendments finalised and notified till March 2019.

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Foreword

The need for converging to international financial reporting practices in India is now being realised with the adoption of Indian Accounting Standards by Indian companies that are converged International Financial Reporting Standards. With incorporating the aspects of international financial reporting framework and accounting practices, the financial statements of reporting entities now provide a picture comparable on international level for the users. This provides an ease in comparing the performance of multiple entities from different countries.

Being one of the active formulators of the IFRS-converged Indian Accounting Standards (Ind AS), the Institute of Chartered Accountants of India adheres to the responsibility of successful and proper implementation of these standards in the spirit they were formulated. For this purpose, the Institute of Chartered Accountants of India (ICAI) is actively engaged in providing guidance to members and other stakeholders through Ind AS Implementation Committee.

The Ind AS Implementation Committee of ICAI has brought out this Quick Referencer on Ind AS with an objective to provide a basic understanding of Ind ASs for the members.

I acknowledge with thanks the sincere efforts of Ind AS Implementation Committee, and all the members of the Committee for bringing out this publication. I would like to thank CA. Nihar Niranjan Jambusaria, Chairman and CA. Dayaniwas Sharma, Vice-Chairman of the Ind AS Implementation Committee for leading the progress of this publication and to take active efforts in providing regular guidance to the members on adoption and implementation of Ind ASs. I am confident that this publication will be very useful for the members of the Institute and other concerned stakeholders.

CA. Prafulla P. Chhajed
President, ICAI

Preface

The implementation of the IFRS-converged Indian Accounting Standards (Ind AS) has been driven by tireless efforts of the Institute of Chartered Accountants of India (ICAI) to make sure that the financial reports of the Indian entities are on par with the internationally accepted practices. The importance on the adoption and implementation of these standards has been stressed by ICAI through its various collective efforts in programs and publications. With the phased adoption road map numerous entities are now reporting their annual performances in accordance with the requirements of these standards.

The Ind AS Implementation Committee has strived with its onerous efforts for the implementation of these standards as per the crux and the spirit in which they were formulated. The Ind AS Implementation Committee has conducted countless programs to provide guidance to the members and other stakeholders on the notified Ind AS. A great deal of publications such as Educational Materials on Ind AS covering various issues are being formulated and updated on a regular basis by the Committee. The Committee has offered a helping hand to address the issues faced by the members while transiting from the previous GAAP to Ind AS through the Ind AS Technical Facilitation Group (ITFG). ITFG Clarification Bulletins are being issued by the Ind AS Technical Facilitation Group (ITFG) which contain the clarifications to the implementation issues reported to the group in a speedy and timely manner. Regular batches for Certificate Course on Ind AS with quarterly examinations are being conducted throughout the year and in multiple locations throughout the nation.

Looking at the vast literature of the Indian Accounting Standards and the practical problems of skimming through the entire literature when in need of an aspect to be looked upon, the Committee progressed with the thought of bringing in the ease of use and referral characteristic to this issue by creating a publication that gives a glance on the basic aspects of applicable standards in a summarised manner. This idea is realised in the form of Quick Referencer on Indian Accounting Standards. This publication provides only a glance through the applicable Ind ASs and for a better and detailed understanding of Ind ASs, it is advisable go thoroughly through the entire text of the Standards and publications such as Educational Materials and ITFG Clarification Bulletins.

I am gratefully thankful to the Honourable President, CA. Prafulla Premsukh Chhajed and the Vice-President, CA. Atul Kumar Gupta for providing us the opportunity of bringing out this publication. I am also thankful to CA. Dayaniwas Sharma, Vice-Chairman of Ind AS Implementation Committee and all the members of the Ind AS Implementation Committee for their valuable contribution in various endeavours of the Committee.

I would like to place on record appreciation of technical contribution made by CA. Geetanshu Bansal, Secretary, Ind AS Implementation Committee and CA. Choshal Patil in bringing out this publication. I would also like to thank CA. Vidhyadhar Kulkarni, Head, Technical Directorate for his support.

I sincerely believe that this publication would help members and other stakeholders to get a basic understanding of Ind ASs.

CA. Nihar Niranjan Jambusaria
Chairman
Ind AS Implementation Committee

Contents

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

Ind AS 101 prescribes the accounting principles for first-time adoption of Indian Accounting Standards (Ind AS). It lays down various ‘transition’ requirements when a company adopts Ind AS for the first time, i.e., a move from Accounting Standards (Indian GAAP) to Ind AS. Conceptually, the accounting under Ind AS should be applied retrospectively at the time of transition to Ind AS. However, to ease the process of transition, Ind AS 101 provides certain exemptions from retrospective application of Ind ASs. The exemptions are broadly categorised into those which are mandatory in nature (i.e., cases where the company is not allowed to apply Ind AS retrospectively) and those which are voluntary in nature (i.e., the company may elect not to apply certain requirements of Ind AS retrospectively). Ind AS 101 also prescribes presentation and disclosure requirements to explain the transition to the users of financial statements including explaining how the transition from Indian GAAP to Ind AS affected the company’s financial position, financial performance and cash flows. Ind AS 101 does not provide any exemption from the disclosure requirements in other Ind ASs.

Definitions

Ind AS 101 defines various terms used in the Standard. These are contained in Appendix A to Ind AS 101. These definitions are important to understand the requirements of Ind AS 101. Some of the key definitions are given below:

Date of transition to Ind AS: The beginning of the earliest period for which an entity presents full comparative information under Ind AS in first Ind AS financial statements.

Deemed cost: An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.

First Ind AS financial statements: The first annual financial statements in which an entity adopts Ind AS, by an explicit and unreserved statement of compliance with Ind ASs.

First Ind AS reporting period: The latest reporting period covered by an entity’s first Ind AS financial statements.

First-time adopter: An entity that presents its first Ind AS financial statements.

Opening Ind AS balance sheet: An entity's balance sheet at the date of transition to Ind ASs.

Previous GAAP: The basis of accounting that a first-time adopter used for its statutory reporting requirements in India immediately before adopting Ind ASs. For instance, companies required to prepare their financial statements in accordance with Section 133 of the Companies Act, 2013, shall consider those financial statements as previous GAAP financial statements.

Objective

To ensure that an entity's first Ind AS financial statements, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that:

(a) is transparent and comparable over all periods presented;

(b) provides a suitable starting point for accounting in accordance with Ind ASs; and

(c) its cost does not exceed the benefits.

Scope

An entity shall apply Ind AS 101 in its first Ind AS financial statements and each interim financial report, if any, that it presents in accordance with Ind AS 34, *Interim Financial Reporting*, for part of the period covered by its first Ind AS financial statements.

Opening Ind AS Balance Sheet

An entity shall prepare and present an opening Ind AS Balance Sheet at the date of transition to Ind ASs. This is the starting point for its accounting in accordance with Ind ASs.

Accounting policies

An entity shall use the same accounting policies in its opening Ind AS Balance Sheet and throughout all periods presented in its first Ind AS financial statements. These accounting policies should comply with each Ind AS effective at the end of its first Ind AS reporting period.

Subject to mandatory exceptions and voluntary exemptions (if elected) an entity shall, in its opening Ind AS Balance Sheet:

(a) recognise all assets and liabilities whose recognition is required by Ind ASs;

(b) not recognise items as assets or liabilities if Ind ASs do not permit such recognition;

(c) reclassify items that it recognised in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with Ind ASs; and

(d) apply Ind ASs in measuring all recognised assets and liabilities.

The accounting policies in opening Ind AS Balance Sheet may differ from those that it used for the same date using previous GAAP. The resulting adjustments arise from events and transactions before the date of transition to Ind ASs, which shall be recognised directly in retained earnings (or, if appropriate, another category of equity) at the date of transition to Ind ASs.

Estimates

In preparing Ind AS estimates at the date of transition to Ind ASs retrospectively, the entity must use the inputs and assumptions that had been used to determine previous GAAP estimates as of that date (after adjustments to reflect any differences in accounting policies). The entity is not permitted to use information that became available only after the previous GAAP estimates were made except to correct an error.

Presentation and Disclosure

Ind AS 101 does not provide exemptions from the presentation and disclosure requirements in other Ind ASs. This Ind AS requires that an entity's first Ind AS financial statements shall include at least three balance sheets, two statements of profit and loss, two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

Ind AS 101 requires disclosures that explain how the transition from previous GAAP to Ind AS affected the entity's reported financial position, financial performance and cash flows. This includes:

1. reconciliations of equity reported under previous GAAP to equity under Ind AS both (a) at the date of transition to Ind ASs and (b) the end of the last annual period reported under the previous GAAP;
2. reconciliations of total comprehensive income for the last annual period reported under previous GAAP to total comprehensive income under Ind ASs for the same period;
3. explanation of material adjustments that were made, in adopting Ind ASs for the first time, to the balance sheet statement of comprehensive income and statement of cash flows;
4. if errors in previous GAAP financial statements were discovered in the course of transition to Ind ASs, those must be separately disclosed;
5. if the entity recognised or reversed any impairment losses in preparing its opening Ind AS balance sheet these must be disclosed; and
6. appropriate explanations if the entity has elected to apply any of the specific recognition and measurement exemptions permitted under Ind AS 101– for instance, if it used fair values as deemed cost.

Explanation of transition to Ind ASs

Ind AS 101 requires that an entity should explain how the transition from previous GAAP to Ind ASs affected its reported balance sheet, financial performance and cash flows.

Exceptions to the retrospective application of other Ind ASs

Ind AS 101 prohibits retrospective application of some aspects of other Ind ASs, i.e., provides mandatory exception in relation to the following:

- estimates;
- derecognition of financial assets and financial liabilities;
- hedge accounting;
- non-controlling interests;
- classification and measurement of financial assets;
- impairment of financial assets;

- embedded derivatives; and
- government loans.

An entity's estimates in accordance with Ind ASs at the date of transition to Ind ASs should be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Further, Ind AS 101 provides the optional exemptions in context of some requirements of Ind ASs where it has been felt that the retrospective application could be difficult or could result in undue cost exceeding any benefits to users. An entity shall not apply these exemptions by analogy to other items. An entity may elect to use one or more of the exemptions in relation to the following:

- business combinations;
- share-based payment transactions;
- insurance contracts;
- deemed cost;
- leases;
- cumulative translation differences;
- long term foreign currency monetary items;
- investments in subsidiaries, joint ventures and associates;
- assets and liabilities of subsidiaries, associates and joint ventures;
- compound financial instruments;
- designation of previously recognised financial instruments;
- fair value measurement of financial assets or financial liabilities at initial recognition;
- decommissioning liabilities included in the cost of property, plant and equipment;
- financial assets or intangible assets accounted for in accordance with Appendix D to Ind AS 115 (Service Concession Arrangements);

- borrowing costs;
- extinguishing financial liabilities with equity instruments;
- severe hyperinflation;
- joint arrangements;
- stripping costs in the production phase of a surface mine;
- designation of contracts to buy or sell a non-financial item;
- revenue;
- non-current assets held for sale and discontinued operations; and
- foreign currency transactions and advance consideration.

Ind AS 102, Share-based Payment

The objective of this Standard is to specify the financial reporting by an entity when it undertakes a share-based payment transaction. In particular, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees. Further, goods or services received in a share-based payment transaction are measured at fair value.

Share-based payment arrangement is an agreement between the entity (or another group entity or any shareholder of any group entity) and another party (including an employee) that entitles the other party to receive:

(a) cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity, or

(b) equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met.

Share-based payment transaction is a transaction in which the entity:

(a) receives goods or services from the supplier of those goods or services (including an employee) in a share-based payment arrangement, or

(b) incurs an obligation to settle the transaction with the supplier in a share-based payment arrangement when another group entity receives those goods or services.

Vest means to become an entitlement. Under a share-based payment arrangement, a counterparty's right to receive cash, other assets or equity instruments of the entity vests when the counterparty's entitlement is no longer conditional on the satisfaction of any vesting conditions.

Recognition

An entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The entity shall recognise a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they should be recognised as expenses.

The Standard sets out measurement and specific requirements for following types of share-based payment transactions:

(a) equity-settled share-based payment transactions, in which the entity (a) receives goods or services as consideration for its own equity instruments (including shares or share options) or equity instruments (including shares or share options) of another group entity, or (b) receives goods or services but has no obligation to settle the transaction with the supplier.

(b) cash-settled share-based payment transactions, in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity.

Equity-settled share-based payment transactions

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or services received, the entity should measure their value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Furthermore:

(a) for transactions with employees and others providing similar services, the entity is required to measure the fair value of the services received by reference to the fair value of the equity instruments granted, because typically it is not possible to estimate reliably the fair value of the services received. The fair value of those equity instruments shall be measured at grant date.

(b) for transactions with parties other than employees, there shall be a rebuttable presumption that the fair value of the goods or services received can be estimated reliably. That fair value shall be measured at the date the entity obtains the goods or the counterparty renders service. In rare cases, if the entity rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received, the entity shall measure the goods or services received and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

(c) for goods or services measured by reference to the fair value of the equity instruments granted, the Standard specifies that vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions (other than market conditions) shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition (other than market condition).

(d) an entity shall measure the fair value of equity instruments granted at the grant date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted subject to certain requirements specified in the Standard. If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable and willing parties.

Cash-settled share-based payment transactions

For cash-settled share-based payment transactions, the entity shall measure the goods or services acquired and the liability incurred at the fair value of the liability subject to certain requirements. Until the liability is settled, the entity shall remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

Share-based payment transactions with cash alternatives

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the entity should account for that transaction, or the components of that transaction, as:

a) a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash or other assets, or

b) an equity-settled share based payment transaction if, and to the extent that, no such liability has been incurred.

Thus, grants in which the counterparty has the choice of equity or cash settlement are accounted for as compound instruments. Therefore, the entity accounts for a liability component and a separate equity component. However, the classification of grants in which the entity has the choice of equity or cash settlement depends on whether the entity has the ability and intent to settle in shares.

Modifications and cancellations of employee transactions

— In case of modification to the terms and conditions on which equity instruments were granted, the entity recognises, as a minimum, the goods or services measured at the grant date fair value of equity instruments. In addition, the entity recognises effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee. Any decrease in fair value is ignored. Replacements are accounted for as modifications.

— The entity accounts for the cancellation or settlement as an acceleration of vesting.

Group share-based payment arrangements

A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the entity receiving or acquiring the goods or services. The Standard also applies to an entity that:

(a) receives goods or services when another entity in the same group (or a shareholder of any group entity) has the obligation to settle the share-based payment transaction, or

(b) has an obligation to settle a share-based payment transaction when another entity in the same group receives the goods or services unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them.

A receiving entity that has no obligation to settle the transaction accounts for the share-based payment transaction as equity-settled.

A settling entity classifies a share-based payment transaction as equity-settled if it is obliged to settle in its own equity instruments; otherwise, it classifies the transaction as cash-settled.

Share-based payment transactions with a net settlement feature for withholding tax obligations

The terms of a share-based payment arrangement may permit or require the entity to withhold the number of equity instruments equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment, i.e. the share-based payment arrangement has a 'net settlement feature'. As an exception, such transactions shall be classified in its entirety as an equity-settled share-based payment transaction if it would have been so classified in the absence of the net settlement feature.

The payment made shall be accounted for as a deduction from equity for the shares withheld, except to the extent that the payment exceeds the fair value at the net settlement date of the equity instruments withheld.

The exception does not apply to:

- a share-based payment arrangement with a net settlement feature for which there is no obligation on the entity under tax laws or regulations to withhold an amount for an employee's tax obligation associated with that share-based payment; or

- any equity instruments that the entity withholds in excess of the employee's tax obligation associated with the share-based payment (i.e. the entity withheld an amount of shares that exceeds the monetary value of the employee's tax obligation). Such excess shares withheld shall be accounted for as a cash-settled share-based payment when this amount is paid in cash (or other assets) to the employee.

Disclosures

An entity shall disclose information that enables users of the financial statements to understand –

— the nature and extent of share-based payment arrangements that existed during the period;

— how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined;

— the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position.

Ind AS 103, Business Combinations

Business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.

Business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Transactions sometimes referred to as 'true mergers' or 'mergers of equals' are also business combinations as that term is used in this Ind AS.

Ind AS 103 must be applied when accounting for business combinations but does not apply to (1) formation of a joint venture; (2) The acquisition of an asset or group of assets that is not a business, although general guidance is provided on how such transactions should be accounted; and (3) acquisition by an investment entity, as defined in Ind AS 110, *Consolidated Financial Statements*, of an investment in a subsidiary that is required to be measured at fair value through profit or loss. Appendix C to Ind AS 110 deals with accounting for combination of entities or businesses under common control.

Determining whether a transaction is a business combination:

- Business combinations can occur in various ways, such as by transferring cash, incurring liabilities, issuing equity instruments (or any combination thereof), or by not issuing consideration at all (i.e. by contract alone)
- Business combinations can be structured in various ways to satisfy legal, taxation or other objectives, including one entity becoming a subsidiary of another, the transfer of net assets from one entity to another or to a new entity.
- The business combination must involve the acquisition of a business, which generally has three elements:
  - Inputs – an economic resource (e.g. non-current assets, intellectual property) that creates outputs when one or more processes are applied to it
  - Process – a system, standard, protocol, convention or rule that when applied to an input or inputs, creates outputs (e.g. strategic management, operational processes, resource management)

- Output – the result of inputs and processes applied to those inputs.

The acquisition method

An entity should account for each business combination by applying the acquisition method, which requires:

(a) identifying the acquirer;

(b) determining the acquisition date;

(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and

(d) recognising and measuring goodwill or a gain from a bargain purchase.

For each business combination, one of the combining entities should be identified as the acquirer.

The acquirer should identify the acquisition date, which is the date on which it obtains control of the acquiree.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire

Recognition principle

As of the acquisition date, the acquirer should recognise, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Measurement principle

The acquirer should measure the identifiable assets acquired and the liabilities assumed at their acquisition date fair values.

The acquirer should measure at the acquisition date, components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

(a) fair value; or

(b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests should be measured at their acquisition date fair values, unless another measurement basis is required by Ind AS.

Exception to the recognition principle	
Contingent liabilities	The acquirer recognises a contingent liability assumed in a business combination at the acquisition date if it is a present obligation that arises from past events and its fair value can be measured reliably, even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
Exceptions to both the recognition and measurement principles	
Income taxes	The acquirer shall recognise and measure a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and account for the potential tax effects of temporary differences and carry-forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition in accordance with Ind AS 12.
Employee benefits	The acquirer shall recognise and measure a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with Ind AS 19, *Employee Benefits*.
Indemnification assets	If the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the acquirer shall recognise the indemnification asset at the acquisition date measured at its acquisition-date fair value.
Leases in which acquiree is the lessee	The acquirer shall recognise right-of-use assets and lease liabilities for leases identified in accordance with Ind AS 116, *Leases* in which the acquiree is the lessee.

	The acquirer shall measure the lease liability at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. The acquirer shall measure the right-of-use asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.
Exceptions to measurement principle	
Reacquired rights	The acquirer shall measure the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals when measuring its fair value.
Share-based payments	The acquirer shall measure a liability or an equity instrument related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the acquirer in accordance with the method in Ind AS 102, *Share-based Payment*, at the acquisition date.
Asset held for sale	The acquirer shall measure an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, at fair value less costs to sell.

Recognising and measuring goodwill or a gain from a bargain purchase

Goodwill is measured as the difference between the consideration transferred in exchange for the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Bargain purchase

In extremely rare circumstances, an acquirer will make a bargain purchase in a business combination, where the value of acquired identifiable assets and liabilities exceeds the consideration transferred; the acquirer shall recognise a gain (bargain purchase). The gain shall be recognised by the acquirer in Other Comprehensive Income on the acquisition date and accumulate the same in equity as capital reserve, if there exists a clear evidence of the underlying reasons for classifying the business combination as a bargain purchase.

If there does not exist clear evidence of the underlying reasons for classifying the business combination as a bargain purchase, then the gain shall be recognised directly in equity as capital reserve.

Reverse Acquisitions

A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition.

Applying the acquisition method to particular types of business combinations

(I) A business combination achieved in stages

The acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in profit or loss or other comprehensive income, as appropriate.

(II) A business combination achieved without the transfer of consideration

The acquirer shall attribute to the owners of the acquiree the amount of the acquiree's net assets recognised in accordance with this Ind AS. In other words, the equity interests in the acquiree held by parties other than the acquirer are a non-controlling interest in the acquirer's post-combination financial statements even if the result is that, all of the equity interests in the acquiree are attributed to the non-controlling interest.

Measurement period

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised and additional assets or liabilities that existed as of the acquisition date to reflect new information obtained.

The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Subsequent measurement and accounting of specific items

In general, an acquirer shall subsequently measure and account for assets acquired, liabilities assumed or incurred and equity instruments issued in a business combination in accordance with other applicable Ind AS for those items, depending on their nature. However, Ind AS 103 provides guidance on subsequently measuring and accounting for the following assets acquired, liabilities assumed or incurred and equity instruments issued in a business combination:

(a) reacquired rights,

(b) contingent liabilities recognised as of the acquisition date,

(c) indemnification assets,

(d) contingent consideration.

Disclosures

The acquirer shall disclose information of a business combination that occurs either:

- during the current reporting period; or
- after the end of the reporting period but before the financial statements are approved for issue.

The Standard requires the acquirer to disclose information for each business combination that occurs during the reporting period such as the name and a description of the acquiree, the acquisition date, the percentage of voting equity interests acquired and other disclosures as prescribed in the standard.

Business combination of entities under common control

Common control business combination means a business combination involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Business combinations involving entities or businesses under common control shall be accounted for using the pooling of interests method.

The pooling of interest method is considered to involve the following:

(i) The assets and liabilities of the combining entities are reflected at their carrying amounts;

(ii) No adjustments are made to reflect fair values, or recognize any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies; and

(iii) The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information shall be restated only from that date.

As a consideration for the business combination, securities shall be recorded at nominal value and assets other than cash shall be considered at their fair values.

The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee. Alternatively, it is transferred to General Reserve, if any.

The identity of the reserves shall be preserved and shall appear in the financial statements of the transferee in the same form in which they appeared in the financial statements of the transferor.

The difference, if any, between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor shall be transferred to capital reserve and should be presented separately from other capital reserves with disclosure of its nature and purpose in the notes.

The following disclosures shall be made in the first financial statements following the business combination:

(a) names and general nature of business of the combining entities;

(b) the date on which the transferor obtains control of the transferee;

(c) description and number of shares issued, together with the percentage of each entity's equity shares exchanged to effect the business combination; and

(d) the amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof.

Ind AS 104, Insurance Contracts

The objective of this Standard is to specify the financial reporting for insurance contracts by any entity that issues such contracts (described as an *insurer*).

In particular, this Ind AS requires:

(a) limited improvements to accounting by insurers for insurance contracts;

(b) disclosure that identifies and explains the amounts in an insurer's financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts.

Definitions

Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance risk is any risk, other than financial risk, transferred from the holder of a contract to the issuer.

Insured event is an uncertain future event that is covered by an insurance contract and creates insurance risk.

Insurer is the party that has an obligation under an insurance contract to compensate a policyholder if an insured event occurs.

Policyholder is a party that has a right to compensation under an insurance contract if an insured event occurs.

The Standard applies to:

— all insurance contracts (including reinsurance contracts) that the entity issues;

— reinsurance contracts that entity holds;

— financial instruments that entity issues with a discretionary participation feature. Ind AS 107, *Financial Instruments: Disclosures*, requires disclosure about financial instruments, including financial instruments that contain such features.

The Standard exempts an insurer from some requirements of other Ind AS. However, the Standard:

(a) prohibits provisions for possible claims under contracts that are not in existence at the end of the reporting period (such as catastrophe and equalisation provisions);

(b) requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets;

(c) requires an insurer to keep insurance liabilities in its statement of financial position until they are discharged or cancelled, or expire, and not to offset (i) insurance liabilities against related reinsurance assets (ii) income/expenses from reinsurance contract against expense/income from related insurance contract.

This Standard will also not be applied to

— product warranties issued directly by a manufacturer, dealer or retailer;

— employers' assets and liabilities under employee benefit plans & retirement benefit obligations reported by defined benefit retirement plans;

— contractual rights or contractual obligations that are contingent on the future use of, or right to use, a non-financial item;

— financial guarantee contracts unless the issuer entity has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, in which case the issuer entity may elect to (i) apply either Ind AS 32, Ind AS 107 and Ind AS 109 or this Standard to such contracts (ii) may make that election contract by contract, but the election for each contract is irrevocable;

— contingent consideration payable or receivable in a business combination;

— direct insurance contracts that the entity holds as a policyholder (other than reinsurance contracts that entity holds).

The Ind AS permits an insurer to change its accounting policies for insurance contracts only if the change makes the financial statements more relevant and no less reliable, or more reliable and no less relevant. In particular, an insurer may continue any of the following practices, although it may continue using accounting policies that involve them:

(a) measuring insurance liabilities on an undiscounted basis;

(b) measuring contractual rights to future investment management fees at an amount that exceeds their fair value as implied by a comparison with current fees charged by other market participants for similar services;

(c) using non-uniform accounting policies for the insurance contracts of subsidiaries.

The Ind AS permits an insurer to change its accounting policies so that it re-measures designated insurance liabilities to reflect current market interest rates and recognises changes in those liabilities in profit or loss. Without this permission, an insurer would have been required to apply the change in accounting policies consistently to all similar liabilities.

The Ind AS requires disclosure to help users understand:

(a) the amounts in the insurer's financial statements that arise from insurance contracts;

(b) the nature and extent of risks arising from insurance contracts.

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

The objective of this Standard is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations.

In particular, this Ind AS requires in respect of assets that meet the criteria to be classified as held for sale:

(a) to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease;

(b) to be presented separately in the balance sheet; and

(c) the results of discontinued operations to be presented separately in the statement of profit and loss.

The Standard:

(a) adopts the classification 'held for sale';

(b) introduces the concept of a disposal group, being a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction;

(c) classifies an operation as discontinued at the date the operation meets the criteria to be classified as held for sale or when the entity has disposed of the operation.

An entity shall classify a non-current asset (or disposal group) {referred for brevity as 'Assets'} as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Sale includes exchange of non-current assets when the exchange has commercial substance in accordance with Ind AS 16.

For this to be the case, the Assets must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such Assets and its sale must be highly probable. Thus, an Asset cannot be classified as a non-current asset (or disposal group) held for sale, if the entity intends to sell it in a distant future.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the Asset, and an active program to locate a buyer and complete the plan must have been initiated. Further, the Asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Paragraph 9 read with Appendix B of the Standard provides the criteria which are required to be met when the sale cannot be concluded within 12 months.

The Standard also applies to Assets which are held for distribution to owners. The conditions specified for sale as above also applies to distribution i.e. distribution within twelve months including considering the requisite permission for distribution, non-withdrawal of plan to distribute etc.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. The Standard specifies the treatment/ measurement in circumstances when there is a change in plan to sale Assets which was previously classified as held for sale.

An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).

Ind AS 106, Exploration for and Evaluation of Mineral Resources

The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources.

Definitions

Exploration for and evaluation of mineral resources is the search for mineral resources, including minerals, oil, natural gas and similar non-regenerative resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource.

Exploration and evaluation expenditures are expenditures incurred by an entity in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation assets are exploration and evaluation expenditures recognised as assets in accordance with the entity's accounting policy.

Measurement

Exploration and evaluation assets at initial recognition shall be measured at cost.

An entity shall determine an accounting policy specifying which expenditures are recognised as exploration and evaluation assets and apply the policy consistently.

After initial recognition, an entity shall apply either the cost model or the revaluation model to the exploration and evaluation assets. The revaluation model can be in accordance with AS 16 or Ind AS 38 but the same to be consistent with the classification of the assets.

Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets.

An entity should recognise any obligation for removal and restoration that are incurred during a particular period as a consequence of having undertaken the exploration for and evaluation of mineral resources.

The Standard:

(a) permits an entity recognising exploration and evaluation assets to apply paragraph 10 of Ind AS 8 to develop an accounting policy for exploration and evaluation assets;

(b) requires entities recognising exploration and evaluation assets to perform an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount;

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment loss in accordance with Ind AS 36, *Impairment of Assets*;

(c) varies the recognition of impairment from that in Ind AS 36 but measures the impairment in accordance with that Standard once the impairment is identified.

Impairment

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment loss.

One or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment (the list is not exhaustive):

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An entity shall determine an accounting policy for allocating exploration and evaluation assets to cash-generating units or groups of cash-generating units for the purpose of assessing such assets for impairment. Each cash-generating unit or group of units to which an exploration and evaluation asset is allocated shall not be larger than an operating segment determined in accordance with Ind AS 108, *Operating Segments.*

Disclosure

An entity shall disclose information that identifies and explains the amounts recognised in its financial statements arising from the exploration for and evaluation of mineral resources. An entity shall treat exploration and evaluation assets as a separate class of assets and make the disclosures required by either Ind AS 16 or Ind AS 38 consistent with how the assets are classified.

Ind AS 107, Financial Instruments: Disclosures

The objective of the Ind AS 107 is to require entities to provide disclosures in their financial statements that enable users to evaluate:

(a) the significance of financial instruments for the entity's financial position and performance; and

(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The qualitative disclosures describe management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.

The Ind AS applies to all entities, including entities that have few financial instruments (e.g., a manufacturer whose only financial instruments are accounts receivable and accounts payable) and those that have many financial instruments (e.g., a financial institution most of whose assets and liabilities are financial instruments).

When this Ind AS requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.

The principles in this Ind AS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in Ind AS 32, *Financial Instruments: Presentation* and Ind AS 109, *Financial Instruments*.

Disclosures in Balance Sheet

An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.

The carrying amounts of each of the following, shall be disclosed either in the balance sheet or in the notes:

(a) financial assets measured at fair value through profit or loss'

(b) financial liabilities at fair value through profit or loss'

(c) financial assets measured at amortised cost'

(d) financial liabilities measured at amortised cost'

(e) financial assets measured at fair value through other comprehensive income.

If in the current or previous reporting periods an entity reclassifies any financial asset, then it shall disclose:

(a) the date of reclassification,

(b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements, and

(c) the amount reclassified into and out of each category.

Collateral

An entity shall disclose:

(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities; and

(b) the terms and conditions relating to its pledge.

When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:

(a) the fair value of the collateral held;

(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and

(c) the terms and conditions associated with its use of the collateral.

Defaults

For loans payable recognised at the end of the reporting period, an entity shall disclose:

(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;

(b) the carrying amount of the loans payable in default at the end of the reporting period; and

(c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were approved for issue.

Disclosures in Statement of profit and loss

An entity shall disclose the following items of income, expense, gains or losses either in the statement of profit and loss or in the notes:

(a) net gains or net losses on:

 (i) financial assets or financial liabilities measured at fair value through profit or loss.

 (ii) financial liabilities measured at amortised cost.

 (iii) financial assets measured at amortised cost.

 (iv) investments in equity instruments designated at fair value through other comprehensive income.

 (v) financial assets measured at fair value through other comprehensive income.

(b) total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive income (showing these amounts separately); or financial liabilities that are not measured at fair value through profit or loss.

(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:

 (i) financial assets and financial liabilities that are not at fair value through profit or loss; and

 (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.

An entity shall disclose an analysis of the gain or loss recognised in the statement of profit and loss arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.

Other disclosures

Hedge accounting

An entity following hedge accounting shall provide information about:

(a) an entity's risk management strategy and how it is applied to manage risk;

(b) how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and

(c) the effect that hedge accounting has had on the entity's balance sheet, statement of profit and loss and statement of changes in equity.

Fair Value

An entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount for each class of financial assets and financial liabilities.

Nature and extent of risks arising from financial instruments

An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

Qualitative disclosures

For each type of risk arising from financial instruments, an entity shall disclose:

(a) the exposures to risk and how they arise;

(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and

(c) any changes in the above from the previous period.

Quantitative disclosures

For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the end of the reporting period.

(b) the disclosures required by paragraphs 36–42 of this standard, to the extent not provided in accordance with (a).

(c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).

Credit risk disclosures:

(a) information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses;

(b) quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and

(c) information about an entity's credit risk exposure (ie the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.

Liquidity risk disclosures:

(a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities.

(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B).

(c) a description of how it manages the liquidity risk inherent in (a) and (b).

Market risk disclosures:

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

Ind AS 108, Operating Segments

An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

The Standard requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity that engages in business activities, whose operating results are regularly reviewed by the chief operating decision maker (CODM) for allocation of resources and assessment of performance and for which discrete financial information is available. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. The start-up operations which is yet to earn revenues may also be a operating segment.

If the entity chooses to disclose information in regard to segments which do not meet with the defination of this Standard, the entity shall not describe such information as segment information.

If a financial report contains both the consolidated financial statements of a parent that is within the scope of this Standard as well as the parent's separate financial statements, segment information is required only in the consolidated financial statements.

The Standard requires an entity to report a measure of profit or loss operating segment. It also requires an entity to report a measure of total assets, liabilities and particular income and expense items if such amounts are regularly provided to the CODM. It requires reconciliations of totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities and other material segment items to corresponding amounts in the entity's financial statements.

CODM identifies a function i.e. allocating resources to and assessing the performance of the operating segments of an entity & not necessarily a manager with a specific title. Often the CODM of an entity is its chief executive officer or chief operating officer but, for example, it may also be a group of executive directors or others.

The Standard requires an entity to report information about the revenues derived from its products or services (or groups of similar products and services), about the countries in which it earns revenues and holds assets, and about major customers, regardless of whether that information is used by management in making operating decisions. However, the Standard does not require an entity to report information that is not prepared for internal use if the necessary information is not available and the cost to develop it would be excessive.

The Standard also requires an entity to give descriptive information about the way in which operating segments were determined, the products and services provided by such segments, differences between the measurements used in reportable segment information and those used in the entity's financial statements, and changes in the measurement of segment amounts from period to period.

Ind AS 109, Financial Instruments

The objective of Ind AS 109 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

Scope

This Standard should be applied by all entities to all types of financial instruments except:

(a) interests in subsidiaries, associates and joint ventures other than those that are accounted for as per this standard in accordance with the permission given by Ind AS 110, Ind AS 27 or Ind AS 28.

(b) rights and obligations under leases to which Ind AS 116 Leases applies. However, lease receivables are subject to the derecognition and impairment requirements of Ind AS 109, lease liabilities are subject to the derecognition requirements of Ind AS 109 and derivatives that are embedded in leases are subject to the embedded derivatives requirements of Ind AS 109.

(c) employers' rights and obligations under employee benefit plans, to which Ind AS 19, *Employee Benefits* applies.

(d) financial instruments issued by the entity that meet the definition of an equity instrument.

(e) rights and obligations arising under (i) an insurance contract or (ii) a contract that is within the scope of Ind AS 104 contains a discretionary participation feature.

(f) any forward contract to buy or sell an acquiree that will result in a business combination within the scope of Ind AS 103.

(g) loan commitments other than those which entity designates as financial liabilities at fair value through profit or loss, loan commitments that can be settled net in cash or by delivering or issuing another financial instrument and commitments to provide a loan at a below-market interest rate.

(h) financial instruments, contracts and obligations under share-based payment transactions to which Ind AS 102, *Share-based Payment* applies except contract to buy/sell non-financial assets which are within the scope of this standard.

(i) rights to payments to reimburse the entity for expenditure that it is required to make to settle a liability that it recognises as a provision in accordance with Ind AS 37.

(j) rights and obligations within the scope of Ind AS 115, *Revenue from Contracts with Customers,* that are financial instruments, except for those that Ind AS 115 specifies are accounted for in accordance with this Standard.

(k) Contracts to buy or sell a non-financial item which cannot be settled net in cash or another financial instrument, or by exchanging financial instruments.

Recognition

An entity shall recognise a financial asset or a financial liability in its balance sheet when, and only when, the entity becomes party to the contractual provisions of the instrument.

Derecognition: Financial Assets

A financial asset shall be derecognised when and only when:

(a) the contractual rights to the cash flows from the financial asset expire, or

(b) it transfers the financial asset and the transfer qualifies for derecognition.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

In case of partial derecognition of a financial asset, the previous carrying amount of the whole asset shall be allocated between the part that continues to be recognised and the part that is derecognised, on the basis of the relative fair values of those parts on the date of the transfer.

Derecognition: Financial Liabilities

A financial liability (or a part of a financial liability) shall be derecognised when, and only when, it is extinguished (obligation specified in the contract is discharged or cancelled or expires).

An entity shall account for a substantial modification of the terms of contracts as an extinguishment of the original financial liability and the recognition of a new financial liability. Any difference between the carrying amount of a financial liability extinguished or transferred and the consideration paid should be recognised in profit or loss.

Classification: Financial Assets

A financial asset shall be classified and measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

(a) the entity's business model for managing the financial assets and

(b) the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(a) business model objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income (FVTOCI) if both of the following conditions are met:

(a) business model objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at FVTOCI and at amortised cost shall be measured at fair value through profit or loss (FVTPL). However, an entity may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL, if doing so eliminates or significantly reduces 'accounting mismatch'. An entity may also make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

Classification: Financial Liabilities

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

(a) financial liabilities at fair value through profit or loss.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(c) financial guarantee contracts.

(d) commitments to provide a loan at a below-market interest rate.

(e) contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Reclassification

When, and only when, an entity changes its business model for managing financial assets, it shall reclassify all affected financial assets.

Measurement

At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, an entity shall measure a financial asset and financial liabilities in accordance with its classification.

An entity shall recognise a loss allowance for expected credit losses on a financial asset that is measured at FVTOCI and at amortised cost, a lease receivable, a loan commitment and a financial guarantee contract to which the impairment requirements of this standard applies.

An entity shall measure expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognised in profit or loss unless it is part of a hedging relationship or it is an investment in an equity instrument for which option to present gains and losses in other comprehensive income has been opted or it is a financial liability designated as at fair value through profit or loss or it is a financial asset measured at fair value through other comprehensive income.

Hedge accounting

The objective of hedge accounting is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income).

(a) **Hedging instruments:** A derivative measured at fair value through profit or loss may be designated as a hedging instrument.

A non-derivative financial asset or a non-derivative financial liability measured at fair value through profit or loss may be designated as a hedging instrument unless it is a financial liability designated as at fair value through profit or loss for which the amount of its change in fair value that is attributable to changes in the credit risk of that liability is presented in other comprehensive income.

Only contracts entered into by the entity with party external to the reporting entity can be designated as hedging instruments.

(b) **Hedged items:** A hedged item can be a recognised asset or liability, an unrecognised firm commitment, a forecast transaction or a net investment in a foreign operation. The hedged item can be a single item or a group of items. A hedge item should be reliably measurable.

Types of Hedging Relationship- There are three types of hedging relationships:

(a) **fair value hedge**: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

(b) **cash flow hedge**: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss.

(c) **hedge of a net investment in a foreign operation as defined in Ind AS 21.**

Qualifying criteria for hedge accounting

A hedging relationship qualifies for hedge accounting, only if, all of the following criteria are met:

(a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items.

(b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.

(c) the hedging relationship meets all of the following hedge effectiveness requirements:

   (i) there is an economic relationship between the hedged item and the hedging instrument;

   (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and

   (iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

In case a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again called as ‘rebalancing’.

An entity shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable).

Ind AS 109 prescribes principles for hedge accounting and also requires detailed disclosures. These disclosures explain both the effect that hedge accounting has had on the financial statements and an entity’s risk management strategy, as well as providing details about derivatives that have been entered into and their effect on the entity’s future cash flows.

Ind AS 110, Consolidated Financial Statements

The objective of this Indian Accounting Standard (Ind AS) is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

Consolidated financial statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

The Standard requires an entity that is a parent to present Consolidated Financial Statements (CFS). A limited exemption is available to some entities. The Standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements.

An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Single control model

An investor controls an investee if and only if the investor has all the following:

(i) Power over an investee **-** when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. (also see below)

(ii) Exposure, or rights, to variable returns from its involvement with the investee - An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative. Returns are broadly defined and include not only direct returns but also indirect returns.

(iii) The ability to use power over the investee to affect the amount of the investor's returns - An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee. Thus, an investor with decision-making rights shall determine whether it is a principal or an agent.

Power arises from rights. Sometimes assessing power is straightforward, such as when power over an investee is obtained directly and solely from the voting rights granted by equity instruments such as shares, and can be assessed by considering the voting rights from those shareholdings. In such cases, the investor considers potential voting rights that are substantive, rights arising from other contractual arrangements and factors that may indicate de facto power. In other cases i.e. where voting rights are not relevant for assessing power (for example when power results from one or more contractual arrangements), the assessment will be more complex and require more than one factor to be considered such as evidence of the practical ability to direct the relevant activities (the most important factor), indications of a special relationship with the investee, and the size of the investor's exposure to variable returns from its involvement with the investee.

To have power over an investee, an investor must have existing rights that give it the current ability to direct the 'relevant activities' ie the activities that significantly affect the investee's returns. For the purpose of assessing power, only substantive rights and rights that are not protective shall be considered.

Control is assessed on a continuous basis.

An 'investment entity' shall not consolidate its subsidiaries (or apply Ind AS 103) when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with Ind AS 109. A parent of an investment entity shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.

Accounting requirements

Consolidated financial statements:

(a) combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries.

(b) offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary (Ind AS 103 explains how to account for any related goodwill).

(c) eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full).

A parent shall prepare consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

The difference between the reporting date of a parent and its subsidiary should not be more than three months. Adjustments are made for the effects of significant transactions and events between the two dates.

Consolidation of an investee shall begin from the date the investor obtains control of the investee and cease when the investor loses control of the investee.

Non-controlling interest (NCI)

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent.

To the extent NCI relates to present ownership interests that entitle their holders to a proportionate share of the entity's net assets in liquidation, these are measured at fair value or at their proportionate interest in the net assets of the acquiree, at the date of acquisition. All other NCI are generally measured at fair value.

A parent shall present non-controlling interests in the consolidated balance sheet within equity, separately from the equity of the owners of the parent.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (ie transactions with owners in their capacity as owners).

Loss of control

If a parent loses control of a subsidiary, the parent should:

(a) derecognise the assets and liabilities of the former subsidiary from the consolidated balance sheet.

(b) recognise any investment retained in the former subsidiary at its fair value when control is lost and subsequently account for it and for any amounts owed by or to the former subsidiary in accordance with relevant Ind ASs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with Ind AS 109 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

(c) recognise the gain or loss associated with the loss of control attributable to the former controlling interest.

Ind AS 111, Joint Arrangements

The objective of this Indian Accounting Standard (Ind AS) is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (ie joint arrangements). The Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement.

The Standard shall be applied by all entities that are a party to a joint arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Standard classifies joint arrangements into two types—joint operations and joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

An entity determines the type of joint arrangement in which it is involved by considering its rights and obligations. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances.

The Standard requires a joint operator to account for the assets (including its share of any assets held jointly), liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation; its expenses (including its share of any expenses incurred jointly) relating to its interest in a joint operation in accordance with the Ind AS applicable to the particular assets, liabilities, revenues and expenses.

The Standard requires a joint venturer to recognise its interest in a joint venture as an investment and to account for that investment using the equity method in accordance with Ind AS 28, Investments in Associates and Joint Ventures, unless the entity is exempted from applying the equity method as specified in that standard.

Ind AS 112, Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

(a) the nature of, and risks associated with, its interests in other entities; and

(b) the effects of those interests on its financial position, financial performance and cash flows.

The Standard shall be applied by an entity that has an interest in a subsidiary, a joint arrangement (i.e. joint operation or joint venture), an associate or an unconsolidated structured entity.

Significant judgements and assumptions

An entity shall disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions) in determining:

(a) that it has control of another entity, ie an investee;

(b) that it has joint control of an arrangement or significant influence over another entity; and

(c) the type of joint arrangement (ie joint operation or joint venture) when the arrangement has been structured through a separate vehicle.

Investment entity status

When a parent determines that it is an investment entity in accordance with Ind AS 110, the investment entity shall disclose information about significant judgements and assumptions it has made in determining that it is an investment entity. If the investment entity does not have one or more of the typical characteristics of an investment entity, it shall disclose its reasons for concluding that it is nevertheless an investment entity.

When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including:

(a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;

(b) the total gain or loss, if any; and

(c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Insterests in subsidiaries

An entity shall disclose information that enables users of its consolidated financial statements

(a) to understand:

    (i) the composition of the group; and

    (ii) the interest that non-controlling interests have in the group's activities and cash flows; and

(b) to evaluate:

    (i) the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group;

    (ii) the nature of, and changes in, the risks associated with its interests in consolidated structured entities;

    (iii) the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control; and

    (iv) the consequences of losing control of a subsidiary during the reporting period.

An entity shall also disclose for each of its subsidiaries that have non-controlling interests (NCI) that are material to the reporting entity information required by the Standard. The information includes the proportion of voting rights held by NCI, if different from the proportion of ownership interests held, the profit or loss allocated to NCI of the subsidiary during the reporting period, accumulated NCI of the subsidiary at the end of the reporting period, summarised financial information about the subsidiary etc.

Interest in unconsolidated subsidiaries

An investment entity shall disclose:

(a) the name of each unconsolidated subsidiary;

(b) the principal place of business (and country of incorporation if different from the principal place of business) of each unconsolidated subsidiary; and

(c) the proportion of ownership interest held by the investment entity and, if different, the proportion of voting rights held in each unconsolidated subsidiary.

(d) the nature and extent of any significant restrictions on the ability of the unconsolidated subsidiary to transfer funds to the investment entity in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the investment entity; and

(e) any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, including commitments or intentions to assist the subsidiary in obtaining financial support.

Interests in joint arrangements and associates

An entity shall disclose information that enables users of its financial statements to evaluate:

(a) the nature, extent and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates; and

(b) the nature of, and changes in, the risks associated with its interests in joint ventures and associates.

Interests in unconsolidated structure entities

An entity shall disclose information that enables users of its financial statements:

(a) to understand the nature and extent of its interests in unconsolidated structured entities; and

(b) to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

Ind AS 113, Fair Value Measurement

Ind AS 113 applies when another Ind AS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances.

The measurement and disclosure requirements of this Ind AS do not apply to the following:

(a) share-based payment transactions within the scope of Ind AS 102, *Share- based Payment*;

(b) leasing transactions within the scope of Ind AS 116, *Leases*; and

(c) measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2, *Inventories*, or value in use in Ind AS 36, *Impairment of Assets*.

The disclosures required by this Ind AS are not required for the following:

(a) plan assets measured at fair value in accordance with Ind AS 19, *Employee Benefits*; and

(b) assets for which recoverable amount is fair value less costs of disposal in accordance with Ind AS 36.

The Standard defines **fair value** as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Asset or liability

A fair value measurement is for a particular asset or liability. Therefore, when measuring fair value an entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Such characteristics include, the condition and location of the asset; and restrictions, if any, on the sale or use of the asset.

The transaction

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

Market participants

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The price

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Application to non-financial assets

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

Valuation techniques

Valuation techniques used to measure fair value shall maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Three widely used valuation techniques are the market approach, the cost approach and the income approach.

Market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (ie similar) assets, liabilities or a group of assets and liabilities, such as a business.

Cost approach is a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Income approach is a valuation techniques that converts future amounts (eg cash flows or income and expenses) to a single current (ie discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

Valuation techniques used to measure fair value shall maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

To increase consistency and comparability in fair value measurements and related disclosures, this Ind AS establishes a fair value hierarchy that categorises into three levels, the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Disclosure

An entity shall disclose information that helps users of its financial statements assess both of the following:

(a) for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the balance sheet after initial recognition, the valuation techniques and inputs used to develop those measurements.

(b) for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

Ind AS 114, Regulatory Deferral Accounts

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

Rate-regulated activities are an entity's activities that are subject to rate regulation.

A **regulator** is an authorised body empowered by statute or by any government or any authorised agency of a government to set rates that binds an entity's customers.

Rate regulation is a form of regulation for setting an entity's prices (rates) in which there is a cause-and-effect relationship between the entity's specific costs and its revenues.

Regulatory deferral account balance is a 'Regulatory Asset' or a 'Regulatory Liability'.

A **regulatory asset** is an entity's right to recover fixed or determinable amounts of money towards incurred costs as a result of the actual or expected actions of its regulator under the applicable regulatory framework.

A **regulatory liability** is an entity's obligation to refund or adjust fixed or determinable amounts of money as a result of actual or expected action of its regulator under the applicable regulatory framework.

An entity is permitted to apply the requirements of this Standard in its first Ind AS financial statements, if and only if, it:

(a) conducts rate-regulated activities; and

(b) recognised amounts that qualify as regulatory deferral account balances in its financial statements in accordance with its previous GAAP.

An entity shall apply the requirements of the Standard in its financial statements for subsequent periods, if and only if, in its first Ind AS financial statements, it recognised regulatory deferral account balances by electing to apply the requirements of this Standard.

An entity that is within the scope of, and that elects to apply, this Standard shall apply all of its requirements to all regulatory deferral account balances that arise from all of the entity's rate-regulated activities.

An entity that has rate-regulated activities and that is within the scope of, and elects to apply, this Standard shall apply paragraphs 10 and 12 of Ind AS 8 when developing its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances.

Recognition, measurement, impairment and derecognition

On initial application, an entity shall continue to apply previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances except for the changes as permitted by the Standard.

An entity shall not change its accounting policies in order to start to recognise regulatory deferral account balances.

An entity may only change its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances if the change makes the financial statements more relevant to the economic decisionmaking needs of users and no less reliable, or more reliable and no less relevant to those needs.

Any specific exception, exemption or additional requirements related to the interaction of the Standard with other Standards are contained within the Standard. In the absence of any such exception, exemption or additional requirements, other Standards shall apply to regulatory deferral account balances in the same way as they apply to assets, liabilities, income and expenses that are recognised in accordance with other Standards.

Classification of regulatory defferal account balances

An entity shall present separate line items in the balance sheet for:

(a) the total of all regulatory deferral account debit balances; and

(b) the total of all regulatory deferral account credit balances.

Classification of movements in regulatory deferral account balances

An entity shall present, in the other comprehensive income section of the statement of profit and loss, the net movement in all regulatory deferral account balances for the reporting period that relate to items recognised in other comprehensive income. Separate line items shall be used for the net movement related to items that, in accordance with other Standards:

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

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

An entity shall present a separate line item in the profit or loss section of the statement of profit and loss, for the remaining net movement in all regulatory deferral account balances for the reporting period, excluding movements that are not reflected in profit or loss, such as amounts acquired. This separate line item shall be distinguished from the income and expenses that are presented in accordance with other Standards by the use of a sub-total, which is drawn before the net movement in regulatory deferral account balances.

Disclosure

An entity that elects to apply this Standard shall disclose information that enables users to assess:

(a) the nature of, and the risks associated with, the rate regulation that establishes the price(s) that the entity can charge customers for the goods or services it provides; and

(b) the effects of that rate regulation on its financial position, financial performance and cash flows.

Ind AS 115, Revenue from Contracts with Customers

The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

Scope

The Standard applies to all contracts with customers, except the lease contracts within the scope of Ind AS 116, *Leases*; insurance contracts within the scope of Ind AS 104, *Insurance Contracts*; financial instruments and other contractual rights or obligations within the scope of Ind AS 109, *Financial Instruments*, Ind AS 110, *Consolidated Financial Statements*, Ind AS 111, *Joint Arrangements*, Ind AS 27, *Separate Financial Statements* and Ind AS 28, *Investments in Associates and Joint Ventures*; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

The **core principle** of Ind AS 115 is that an entity recognises revenue in the way that depicts the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue shall be recognised by an entity in accordance with this core principle by applying the following five steps:

1. **Identifying contract with a customer:** This Standard defines a 'contract' and a 'customer' and specifies five mandatory criteria to be met for identification of a contract.

2. **Identify performance obligations in contract:** At contract inception, an entity shall assess the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to transfer to the customer either:

   (a) a good or service (or a bundle of goods or services) that is distinct – in other words

— the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and

— the entity's promise to transfer the good or service to the customer is separately identifiable from other goods or services in the contract; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

3. **Determine transaction price:** This Standard uses transaction price approach instead of fair value approach in Ind AS 18 while determining amount of consideration. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised may include fixed amounts, variable amounts, or both. If the consideration promised in a contract includes a variable amount, an entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer. Variable consideration is included in transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved, The estimate of variable consideration can be determined by using either the expected value method or the most likely amount method. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component and for any consideration payable to the customer.

Sales and usage-based royalties arising from licences of intellectual property are excluded from the transaction price and are recognised only when (or as) the later of the following events occurs:

(a) the subsequent sale or usage occurs; and

(b) the performance obligation to which some or all of the salesbased or usage-based royalty has been allocated has been satisfied (or partially satisfied).

4. **Allocate the transaction price to the performance obligations in the contract:** An entity typically allocates the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract. If a stand-alone selling price is not observable, an entity estimates it. Sometimes, the transaction price includes a discount or a variable amount of consideration that relates entirely to a part of the contract. The requirements specify when an entity allocates the discount or variable consideration to one or more, but not all, performance obligations in the contract. Any subsequent changes in the transaction price shall be allocated to the performance obligations on the same basis as at contract inception. Amounts allocated to a satisfied performance obligation shall be recognised as revenue, or as a reduction of revenue, in the period in which the transaction price changes.

5. **Recognise revenue when the entity satisfies a performance obligation:** An entity recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). The amount of revenue recognised is the amount allocated to the satisfied performance obligation. A performance obligation may be satisfied at a point in time or over time. An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

   — The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
   — The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
   — The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

   If an entity does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time. For performance obligations satisfied over time, an entity recognises revenue over time by selecting an appropriate method (output methods and input methods) for measuring the entity's progress towards complete satisfaction of that performance obligation.

Treatment of Contract Costs

Ind AS 115 specifies the following requirements for contract costs:

1. *Incremental costs of obtaining a contract:* Those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. An entity shall recognise these costs as an asset if the entity expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

2. *Costs to fulfil a contract:*

   If costs incurred in fulfilling a contract are not within scope of another Standard, entity shall recognise an asset from the costs incurred to fulfil a contract only if some specified criteria are met. If costs incurred in fulfilling a contract are within scope of another Standard, entity shall account for those costs in accordance with those other Standards.

Contract costs recognised as an asset shall be amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

An impairment loss shall be recognised in profit or loss to the extent that the carrying amount of contract costs recognised as an asset exceeds the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates after deducting the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Presentation

When either party to a contract has performed, an entity shall present the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. An entity shall present any unconditional rights to consideration separately as a receivable.

Sale with a right of return

To account for the transfer of products with a right of return (and for some services that are provided subject to a refund), an entity shall recognise all of the following:

- revenue for the transferred products in the amount of consideration to which the entity expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);
- a refund liability; and
- an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

Warranties

If customer has the option to purchase warranty separately, the warranty is a distinct service because the entity promises to provide the service to the customer in addition to the product that has the functionality described in the contract. In that case, entity shall account for the promised warranty as a performance obligation and allocate a portion of the transaction price to that performance obligation. If the warranty cannot be purchased separately, an entity shall account for the warranty in accordance with Ind AS 37 *Provisions, Contingent Liabilities and Contingent Liabilities*.

Principal versus agent considerations

When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the entity is an agent). An entity determines whether it is a principal or an agent for each specified good or service promised to the customer. Indicators that an entity controls the specified good or service before it is transferred to the customer (and is therefore a principal include, but are not limited to, the following:

(a) the entity is primarily responsible for fulfilling the promise to provide the specified good or service

(b) the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return)

(c) the entity has discretion in establishing the price for the specified good or service.

Disclosure

To disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, an entity shall disclose qualitative and quantitative information about all of the following:

(a) its contracts with customers;

(b) the significant judgements, and changes in the judgements, made in applying this Standard to those contracts; and

(c) any assets recognised from the costs to obtain or fulfil a contract with a customer.

Service concession arrangements

Appendix D of Ind AS 115 gives guidance on the accounting by operators for public-to-private service concession arrangements. This Appendix applies to both (a) infrastructure that the operator constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the operator access for the purpose of the service arrangement. Infrastructure within the scope of this Appendix shall not be recognised as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator.

Transition

An entity may transition to Ind AS 115 using one of the two methods:

(a) apply standard retrospectively (with certain practical expedients) and record the effect of applying the standard at the start of the earliest comparative period presented; or

(b) apply the standard to open contracts at the date of initial application and record the effect of applying the standard on that date. Comparative period information is not restated under this option.

Ind AS 116, Leases

This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Scope

The standard applies to all leases, including leases of right-of-use assets in a sublease, except for:

(a) Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;

(b) Leases of biological assets within the scope of Ind AS 41, *Agriculture*, held by a lessee;

(c) Service concession arrangements within the scope of Appendix D, Service Concession Arrangements of Ind AS 115, *Revenue from Contracts with Customer*;

(d) Licences of intellectual property granted by a lessor within the scope of Ind AS 115, *Revenue from Contracts with Customers*; and

(e) Rights held by a lessee under licensing agreements within the scope of Ind AS 38, *Intangible Assets* for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

A lessee may, but is not required to, apply Ind AS 116 to leases of intangible assets other than those described in point (e) above.

This Standard specifies the accounting for an individual lease. However, as a practical expedient, an entity may apply this Standard to a portfolio of leases with similar characteristics if the entity reasonably expects that the effects of accounting on portfolio basis on the financial statements would not differ materially from applying this Standard to individual leases.

Recognition exemption

In addition to the above scope exclusions, a lessee can elect not to apply the recognition, measurement and presentation requirements of Ind AS 116 to short-term leases; and low value leases.

If a lessee elects for the exemption, then it shall recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis if that basis is more representative of the pattern of the lessee's benefit.

The election for short-term leases shall be made by class of underlying asset to which the right of use relates. The low value lease exemption can be made on a lease-by-lease basis.

A Lessee shall assess the value of an underlying asset based on the valued of the asset when it is new. The assessment of whether an underlying asset is of low value is performed on an absolute basis. Leases of low-value assets qualify for exemption regardless of whether those leases are material to the lessee. The assessment is not affected by the size, nature or circumstances of the lessee. Accordingly, different lessees are expected to reach the same conclusions about whether a particular underlying asset is of low value. Examples of low-value underlying assets can include tablet and personal computers, small items of office furniture and telephones.

If a lessee subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

If an entity applies either exemption, it must disclose that fact and certain additional information to make the effect of the exemption known to users of its financial statements.

Lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Right-of-use asset is an asset that represents a lessee's right to use an underlying asset for the lease term.

Lease term is the non-cancellable period for which a lessee has the right to use an underlying asset, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease.

Lease incentives are payments made by a lessor to a lessee associated with a lease, or the reimbursement or assumption by a lessor of costs of a lessee.

Lease payments are payments made by a lessee to a lessor relating to the right to use an underlying asset during the lease term, comprising the following:

(a) fixed payments (including in-substance fixed payments), less any lease incentives;

(b) variable lease payments that depend on an index or a rate;

(c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Identifying a lease

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

For a contract that is, or contains, a lease, an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract, unless the entity applies the practical expedient wherein, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

Where a contract contains a lease component and one or more additional lease or non-lease components, a **lessee** shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

For a contract that contains a lease component and one or more additional lease or non-lease components, a **lessor** shall allocate the consideration in the contract by applying guidance in Ind AS 115.

Lessee Accounting

At the commencement date, a lessee shall recognise

(a) a right-of-use asset measured at cost, and

(b) a lease liability measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Cost = Lease Liability + Lease payments made at or before the commencement date – lease incentives received at or before the commencement date + initial direct costs + estimated dismantling and restoration costs.

Lease Payments = Fixed payments (including in-substance fixed lease payments) – lease incentives receivable + variable payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date + amounts expected to be payable by the lessee under residual value guarantees + exercise price of purchase option (if reasonably certain to be exercised) + penalties for termination (if reasonably certain to be terminated).

In-substance fixed lease payments are payments that may, in form, contain variability but that, in substance, are unavoidable.

Subsequent measurement

Subsequently, the right-of-use asset shall be measured by applying a cost model or revaluation model if the underlying asset belongs to the class of assets to which the entity applies revaluation model as per Ind AS 16, *Property, Plant and Equipment.*

Subsequent meansurement - Cost model

Lessee shall measure the right-of-use asset at cost less accumulated depreciation and any accumulated impairment losses.

Lessees adjust the carrying amount of the right-of-use asset for remeasurement of the lease liability, unless the carrying amount has already been reduced to zero.

Subsequent measurement of lease liability

After initial recognition, the lease liability is measured at amortised cost using the effective interest method and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Reassessment of lease liability

After the commencement date, a lessee shall remeasure the lease liability in accordance with the standard (using a revised discount rate or an unchanged discount rate as applicable) to reflect changes to the lease payments. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.
After the commencement date, a lessee shall recognise in profit or loss, unless the costs are included in the carrying amount of another asset applying other applicable Standards, both:

(a) interest on the lease liability; and

(b) variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers those payments occurs.

A lessee shall account for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification a lessee shall:

(a) allocate the consideration in the modified contract;

(b) determine the lease term of the modified lease; and

(c) remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The lessee shall account for the remeasurement of the lease liability by:

    (a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The lessee shall recognise in profit or loss any gain or loss relating to the partial or full termination of the lease.

    (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

A lessee shall either present in the balance sheet, or disclose in the notes:

(a) right-of-use assets separately from other assets. If a lessee does not present right-of-use assets separately in the balance sheet, the lessee shall:

    (i) include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and

    (ii) disclose which line items in the balance sheet include those right-of-use assets.

(b) lease liabilities separately from other liabilities. If a lessee does not present lease liabilities separately in the balance sheet, the lessee shall disclose which line items in the balance sheet include those liabilities.

The above requirement does not apply to right-of-use assets that meet the definition of investment property, which shall be presented in the balance sheet as investment property.

In the statement of profit and loss, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset.

Lessor Accounting

A lessor shall classify each of its leases as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

In a sub-lease transaction, the intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. An intermediate lessor classifies a sublease with reference to the right-of-use asset arising from the head lease.At the commencement date, a lessor shall recognise assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

At the commencement date, a manufacturer or dealer lessor shall recognise the following for each of its finance leases:

(a) revenue being the fair value of the underlying asset, or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest;

(b) the cost of sale being the cost, or carrying amount if different, of the underlying asset less the present value of the unguaranteed residual value; and

(c) selling profit or loss (being the difference between revenue and the cost of sale) in accordance with its policy for outright sales to which Ind AS 115 applies. A manufacturer or dealer lessor shall recognise selling profit or loss on a finance lease at the commencement date, regardless of whether the lessor transfers the underlying asset as described in Ind AS 115.

Subsequently, a lessor in a finance lease shall recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

A lessor shall recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. A lessor shall present underlying assets subject to operating leases in its balance sheet according to the nature of the underlying asset.

Lease Payments = Fixed payments (including in-substance fixed lease payments) – lease incentives payable + variable payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date + residual value guarantees provided to the lessor by the lessee + exercise price of purchase option (if lessee is reasonably certain to exercise) + penalties for termination (if lease term reflects same). Gross investment in the lease = lease payments + unguaranteed residual value. Net investment in the lease = The gross investment in the lease discounted at the interest rate implicit in the lease.

Sale and leaseback transactions

Determine whether transfer of asset is a sale of that asset as per requirement of Ind AS 115

transfer of asset is a sale	transfer of asset is a not a sale
Transaction will be accounted for as a sale and a lease by both the lessee and the lessor.	Transaction will be accounted for as a financing arrangement by both the seller-lessee and the buyer-lessor
Seller-lessee • Measure right-of-use asset at proportion of previous carrying amount of asset relating to right-of-use asset retained by seller-lessee. • Recognise only amount of gain or loss relating to rights transferred to buyer-lessor. **Buyer-lessor** • Account for purchase of asset applying applicable standards.	**Seller-lessee** • Continue to recognise transferred asset. • Recognise financial liability equal to transfer proceeds applying Ind AS 109. **Buyer-lessor** • Not recognise transferred asset. • Recognise financial asset equal to transfer proceeds applying Ind AS 109.

• Account for lease applying lessor accounting requirements under Ind AS 116.	

Disclosures

A lessee shall disclose the following amounts for the reporting period:

a. depreciation charge for right-of-use assets by class of underlying asset;

b. interest expense on lease liabilities;

c. the expense relating to short-term leases. This expense need not include the expense relating to leases with a lease term of one month or less;

d. the expense relating to leases of low-value assets. This expense shall not include the expense relating to short-term leases of low-value assets included in paragraph 53(c);

e. the expense relating to variable lease payments not included in the measurement of lease liabilities;

f. income from subleasing right-of-use assets;

g. total cash outflow for leases;

h. additions to right-of-use assets;

i. gains or losses arising from sale and leaseback transactions; and

j. the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.

A lessor shall disclose the following amounts for the reporting period:

(a) for finance leases:

  (i) selling profit or loss;

  (ii) finance income on the net investment in the lease; and

  (iii) income relating to variable lease payments not included in the measurement of the net investment in the lease.

(b) for operating leases, lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate.

A lessor shall provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases.

A lessor shall disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. A lessor shall reconcile the undiscounted lease payments to the net investment in the lease.

Transition date accounting

Definition of lease

On the date of initial application of Ind AS 116, companies have an option not to reassess its previously identified leases contracts (as per Ind AS 17, Leases) and apply the transition provisions of this standard to those leases. Also, they have an option not to apply this Standard to contracts that were not previously identified as containing a lease applying Ind AS 17.

If an entity chooses the above options then it shall disclose that fact and apply the practical expedient to all of its contracts.

Transition accounting: In the books of Lessee

A **lessee** is permitted to:

- adopt the standard retrospectively; or
- follow a modified retrospective approach.

A lessee applies the election consistently to all of its leases.

Ind AS 1, Presentation of Financial Statements

This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Complete set of financial statements

A complete set of financial statements, which should be presented, including comparatives, at least annually consists of:

(a) a balance sheet as at the end of the period;

(b) a statement of profit and loss for the period;

(c) a statement of changes in equity for the period;

(d) a statement of cash flows for the period;

(e) notes, comprising significant accounting policies and other explanatory information;

(f) comparative information in respect of the preceding period.

An entity shall prepare a third balance sheet as at the beginning of the previous year along with the requirements of comparative information for the year if, it retrospectively applies accounting policies, retrospectively restates items in financial statements, or reclassifies items in financial statements.

General features of financial statements

- present true and fair presentation and compliance with Ind AS.
- prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.
- prepare using the accrual basis of accounting, except for cash flow information.
- present separately each material class of similar items.

- present separately items of a dissimilar nature or function unless they are immaterial except when required by law.
- shall not offset assets and liabilities or income and expenses, unless required or permitted by an Ind AS.
- present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements.
- shall retain the presentation and classification of items in the financial statements from one period to the next unless:
  - — it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate; or
  - — an Ind AS requires a change in presentation.

An entity whose financial statements comply with Ind ASs should make an explicit and unreserved statement of such compliance in the notes. An entity should not describe financial statements as complying with Ind ASs unless they comply with all the requirements of Ind ASs

Structure and content

Ind AS 1 does not provide a format for presenting financial statements; however it provides line items to be presented, if they are material, in the balance sheet, statement of profit and loss and statement of changes in equity. The format of presentation of financial statements is provided in Schedule III to the Companies Act, 2013.

Balance Sheet

The balance sheet shall include line items that present the following amounts:

(i) *In respect of equity:* Issued capital and reserves attributable to owners of the parent and non-controlling interests.

(ii) *In respect of assets:* Property, plant and equipment; investment property; intangible assets; financial assets; investments accounted for using the equity method; biological assets; inventories; trade and other receivables; cash and cash equivalents; current tax assets; deferred tax assets.

(iii) *In respect of liabilities:* trade and other payables; provisions; financial liabilities; current tax liabilities; deferred tax liabilities.

(iv) *In respect of assets and liabilities held for sale:* total of assets classified as held for sale and assets included in disposal groups classified as held for sale; and liabilities included in disposal groups classified as held for sale in accordance with Ind AS 105 *Non-current Assets Held for Sale and Discontinued Operations.*

An entity should classify all the assets and liabilities as current and non-current in its balance sheet except when a presentation based on liquidity provides information that is reliable and more relevant.

Current Asset	**Current Liability**
❖ Expected to be realised , used or sold in normal operating cycle; or	❖ Expected to be settled in normal operating cycle; or
❖ Held primarily for trading; or	❖ Held primarily for trading; or
❖ Expected to be realised within 12 months after the reporting date; or	❖ Due to be settled within 12 months of reporting date; or
❖ Cash or cash equivalent.	❖ It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.
An entity shall classify all other assets as non-current.	*An entity shall classify all other liabilities as non-current.*

Statement of Profit and Loss

The statement of profit and loss should present, in addition to the profit or loss and other comprehensive income sections:

(a) profit or loss;

(b) total other comprehensive income;

(c) comprehensive income for the period, being the total of profit or loss and other comprehensive income.

- Other comprehensive income comprises items of income and expense (including reclassification adjustments*) that are not recognised in profit or loss as required or permitted by other Ind ASs.
- Total comprehensive income is the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners.

  Total Comprehensive Income = Profit or Loss + Other Comprehensive Income

  *Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.

Any items of income or expense as extraordinary items shall not be presented in the statement of profit and loss or in the notes. An analysis of expenses recognised in profit or loss shall be presented using a classification based on the nature of expense method.

An entity shall present additional line items, headings and subtotals in the balance sheet and statement of profit and loss when such presentation is relevant to an understanding of the entity's financial position and performance.

Statement of changes in equity

The statement of changes in equity includes the following information:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with Ind AS 8;

(c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (as a minimum) disclosing changes resulting from:

   (i) profit or loss;

   (ii) other comprehensive income;

(iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control; and

(iv) any item recognised directly in equity such as amount recognised directly in equity as capital reserve in accordance with Ind AS 103, *Business Combinations.*

Information to be presented in the statement of changes in equity or in the notes

An entity shall present, either in the statement of changes in equity or in the notes:

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

— for each component of equity, an analysis of other comprehensive income by item.

Statement of cash flows

The statement of cash flows should be presented as per Ind AS 7, *Statement of Cash Flows.*

Notes to the financial statements

The notes shall present information about the basis of preparation of the financial statements and the specific accounting policies used; disclose the information required by Ind ASs that is not presented elsewhere in the financial statements; and provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

An entity shall disclose its significant accounting policies comprising the measurement basis (or bases) used in preparing the financial statements; and the other accounting policies used that are relevant to an understanding of the financial statements.

Notes also includes information about the assumptions that an entity makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, disclosures on capital and puttable financial instruments classified as equity.

Ind AS 2, Inventories

Ind AS 2 prescribes the accounting treatment for inventories, such as, determination of cost and its subsequent recognition as expense, including any write-downs of inventories to net realisable value and reversal of write-downs.

Excluded Inventories (Not dealt under Ind AS 2)	Financial instruments (covered by Ind AS 32 and Ind AS 109)
	Biological assets related to agricultural activity
	Agricultural produce at the point of harvest

An exception from the measurement principle in Ind AS 2 for inventories held by:

- ❖ producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realisable value in accordance with well-established practices in those industries.
- ❖ commodity broker-traders who measure their inventories at fair value less costs to sell.

Changes in the fair value less costs to sell, or in the net realisable value, of such inventories are recognised in profit or loss in the period of the change

Inventories are assets:

- ❖ held for sale in ordinary course of business
- ❖ in the process of production of sales in ordinary course of business
- ❖ in the form of material or supplies to be consumed in the production process or rendering of services.

Do not include spare parts, servicing equipment and standby equipment which meet the definition of PPE in Ind AS 16.

Measurement of Inventory- Lower of Cost and Net Realisable Value

Cost of Inventories includes	Net Realisable Value includes
❖ Cost of purchase; ❖ Cost of conversion; ❖ Cost to bring inventories to the present location and condition.	❖ Estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of purchase	Purchase price exclusing trade discounts, rebates, etc.
	Import duties and taxes to the extent non refundable
	Transport and handling costs directly attributable
	Other expenditure directly attributable to the acquisition

Cost of conversion	Allocation of fixed production overheads based on normal capacity
	Variable production overheads assigned to each unit of production on the basis of the actual use of production facilities

Examples of cost exclusions	Abnormal wastage
	Storage costs unless necessary in production process prior to a further production stage
	Selling and distribution costs
	Administrative overheads that do not contribute to bringing the inventories to their present location and condition
	selling costs

❖ Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

❖ However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realisable value.

When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Cost Formulas

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects shall be assigned by using specific identification of their individual costs.

❖ Specific identification of cost means that specific costs are attributed to identified items of inventory.

The cost of inventories, other than those above shall be assigned by using:

❖ First-in, first-out (FIFO) or

❖ Weighted average cost formula.

An entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified.

Ind AS 7, Statement of Cash Flows

The objective of this Standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.

- ❖ Cash comprises cash on hand and demand deposits.
- ❖ Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

An investment normally qualifies as a cash equivalent only when it has a short maturity of, say, 3 months or less from the date of acquisition.

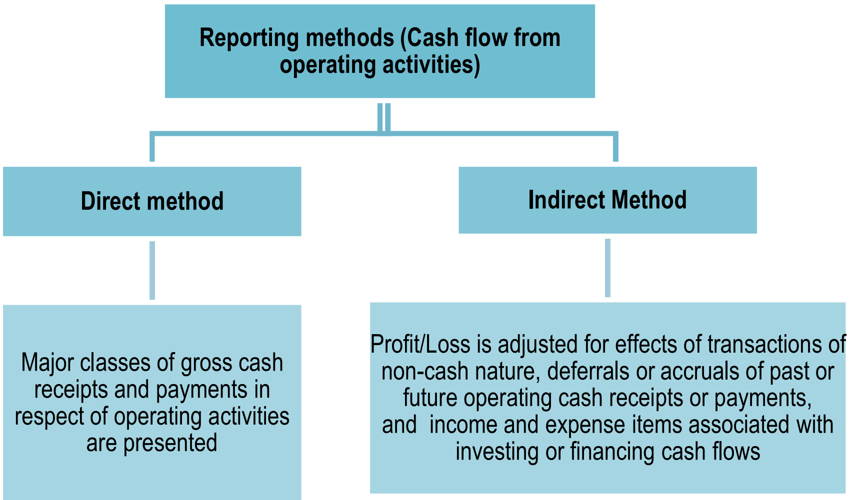
Presentation of a Statement of Cash Flow

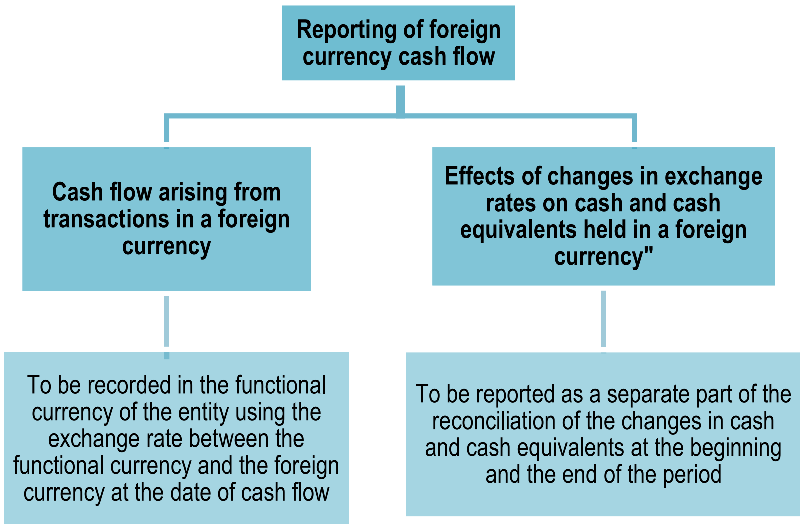
The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities.

Operating activities
Principal revenue-producing activities and other activities that are not investing or financing activities

Investing activities
Acquisition and disposal of long-term assets and other investments not included in cash equivalents

Financing activities
Activities that result in changes in the size and composition of the contributed equity and borrowings of the entity





- Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows.

Classification of Interest and Dividends

Non-Financial Institution			
Interest paid	**Interest received**	**Dividend Paid**	**Dividend received**
Financing Activities	Investing Activities	Financing Activities	Investing Activities

Financial Institution			
Interest paid	**Interest received**	**Dividend Paid**	**Dividend received**
Operating Activities	Operating Activities	Financing Activities	Operating Activities

Taxes on income - Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

Changes in ownership interests in subsidiaries and other businesses - The aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as investing activities.

Non-cash transactions – Non-cash transactions (i.e., investing and financing transactions that do not require the use of cash or cash equivalents) shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Changes in liabilities arising from financing activities - An entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Components of cash and cash equivalents - An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the balance sheet.

Other disclosures - An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group in its consolidated as well as separate financial statements.

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

Ind AS 8 specifies the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

The disclosures required in respect of changes in accounting policies are set out in Ind AS 8. Other disclosure requirements for accounting policies are laid down in Ind AS 1, *Presentation of Financial Statements.*

Accounting Policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Selection and application of accounting policies

In case specific Ind AS exists - accounting policy shall be determined as per the applicable Ind AS.

In case no specific Ind AS exists – management shall use its judgment to develop and apply accounting policy that results in information that is:

- ❖ relevant to the economic decision-making needs of users; and
- ❖ reliable, such that the financial statement:
    - represent faithfully the financial position, financial performance and cash flows of the entity;
    - reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
    - are neutral, i.e. free from bias;
    - are prudent; and
    - are complete in all material respects.

★In making the above judgment consider the following sources in descending order:-

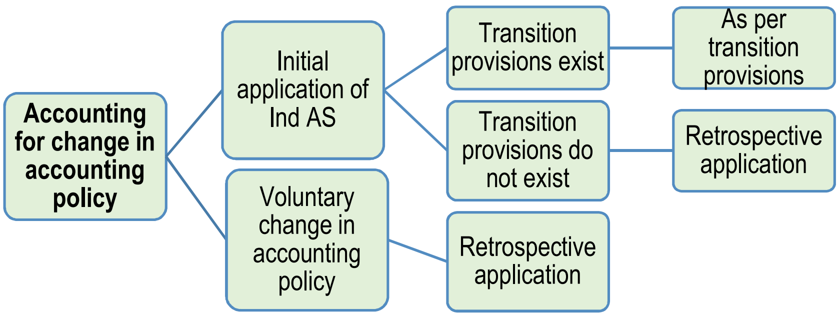
- requirements in Ind ASs dealing with similar and related issues;
- the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework; and
- most recent pronouncements of International Accounting Standards Board and in absence thereof those of the other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices to the extent that these do not conflict with the above mentioned sources.

Changes in accounting policies

An entity shall change an accounting policy only if the change:

(a) is required by an Ind AS; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

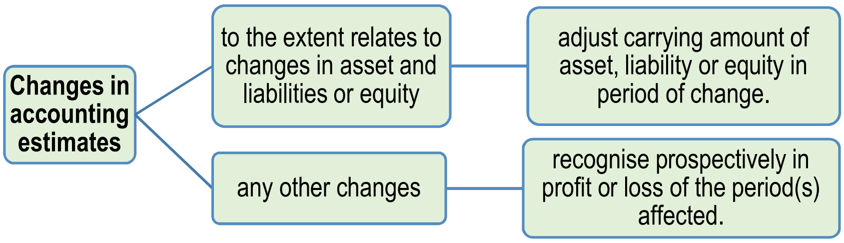


A change in accounting policy shall be applied retrospectively except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

The Standard clarifies that initial application of a policy to revalue assets in accordance with Ind AS 16, *Property, Plant and Equipment*, or Ind AS 38, *Intangible Assets*, is a change in an accounting policy to be dealt with as a revaluation in accordance with Ind AS 16 or Ind AS 38, rather than in accordance with Ind AS 8.

Changes in accounting estimates

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities.



Prior period errors

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- ❖ was available when financial statements for those periods were approved for issue; and
- ❖ could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

An entity should correct material prior period errors retrospectively in the first set of financial statements approved for issue after their discovery by:

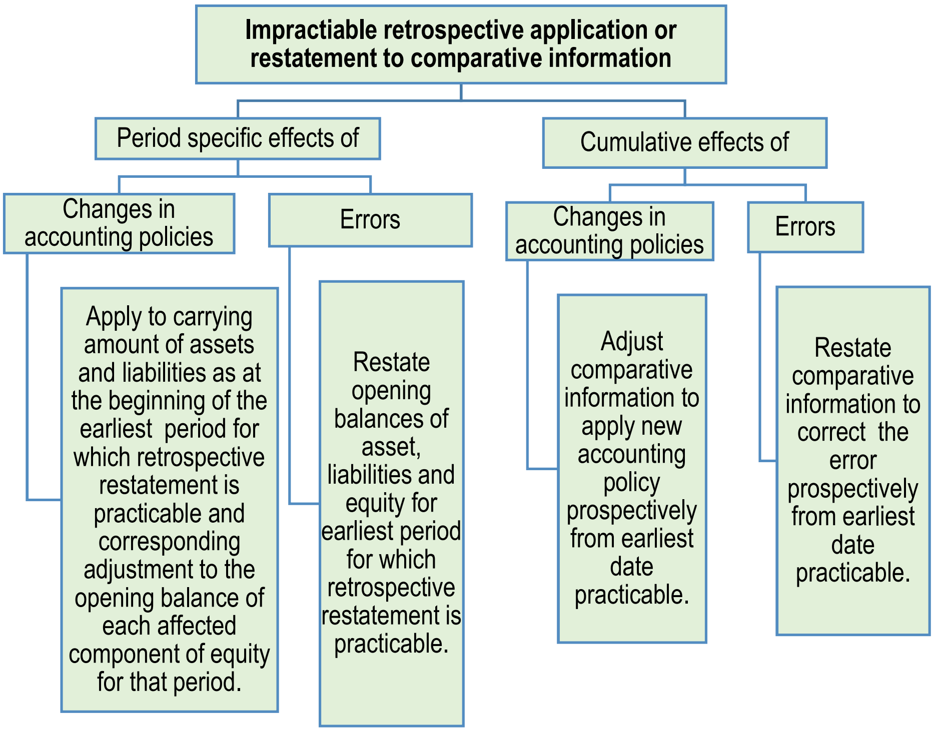
- ❖ restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- ❖ if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

Retrospective and Prospective

Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.



It is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

❖ the effects of the retrospective application or retrospective restatement are not determinable;

❖ the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or

- the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that:
  - provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and
  - would have been available when the financial statements for that prior period were approved for issue from other information.

Prospective application of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are:

- applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and
- recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.

Ind AS 10, Events after the Reporting Period

There is always a time lag between the end of the reporting period and the date on which the financial statements are approved for issue. Thus, a question arises should the events that occur between the said two dates have an impact on the financial statements. If yes, to what extent? How should these be reflected? Should these be disclosed? Indian Accounting Standard (Ind AS) 10 provides guidance on these and similar issues.

The objective of this Standard is to prescribe:

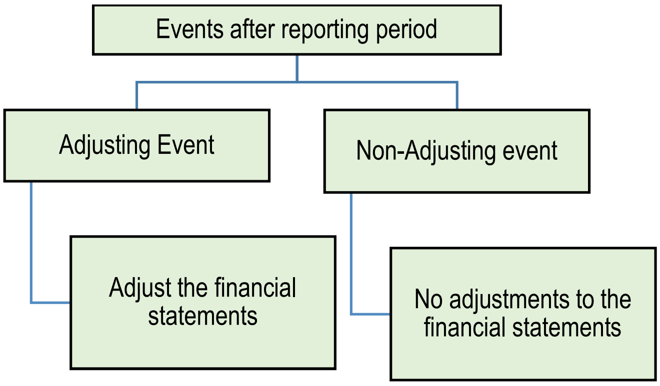
(a) when an entity should adjust its financial statements for events after the reporting period; and

(b) the disclosures that an entity should give about the date when the financial statements were approved for issue and about events after the reporting period.

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are approved by the Board of Directors in case of a company, and, by the corresponding approving authority in case of any other entity for issue. Two types of events can be identified:

- **Adjusting events after the reporting period** - those that provide evidence of conditions that existed at the end of the reporting period.
- **Non-adjusting events after the reporting** - those that are indicative of conditions that arose after the reporting.

Exception: 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 agreement by lender before the approval of the financial statements for issue, to not demand payment as a consequence of the breach, shall be considered as an adjusting event.



The following is an example of adjusting events after the reporting period that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised.

Settlement of a court case: The settlement arrived at after the reporting period of a court case that confirms that the entity had a present obligation at the end of the reporting period. In this case, the entity adjusts any previously recognised provision related to this court case in accordance with Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or recognises a new provision. The entity does not merely disclose a contingent liability because the settlement provides additional evidence that would be considered in accordance with paragraph 16 of Ind AS 37.

Some examples of non-adjusting events after the reporting period that would generally result in disclosure are as follows:

- announcing a plan to discontinue an operation;
- the destruction of a major production plant by a fire after the reporting period.

Dividends

If an entity declares dividends to holders of equity instruments after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period.

Going concern

An entity should not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

It may be noted that the entity shall make disclosures as specified in Ind AS 1, *Presentation of Financial Statements*, if:

- the financial statements are not prepared on a going concern basis; or
- the management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. These events or conditions requiring disclosure may arise after the reporting period.

Date when financial statements are approved for issue

The Standard requires an entity to disclose:

- the date when the financial statements were approved for issue;
- who gave this approval; and
- the fact that the entity's owners or others have the power to modify the financial statements after issue.

These disclosures are necessary as it is important for users to know when the financial statements were approved for issue as the financial statements do not reflect the events after this date.

Updating disclosure about conditions at the end of the reporting period

If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.

If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements, the entity should disclose the following for each material category of non-adjusting event after the reporting period:

(a) the nature of the event; and

(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

Distribution of Non-cash Assets to Owners

Appendix A of Ind AS 10 provides guidance with regard to distribution of noncash assets as dividends to owners. The Appendix prescribes that the liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. This liability shall be measured at the fair value of the assets to be distributed. Any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable should be recognised in profit or loss when an entity settles the dividend payable.

Ind AS 12, Income Taxes

Ind AS 12 prescribes the accounting treatment for income taxes. For the purposes of this Standard, income taxes include all domestic and foreign taxes which are based on taxable profits. Income taxes also include taxes, such as withholding taxes, which are payable by a subsidiary, associate or joint venture on distributions to the reporting entity. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of:

(a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognised in an entity's balance sheet; and

(b) transactions and other events of the current period that are recognized in an entity's financial statements.

Ind AS 12 also deals with the recognition of deferred tax assets arising from unused tax losses or unused tax credits, the presentation of income taxes in the financial statements and the disclosure of information relating to income taxes.

Ind AS 12 is based on balance sheet approach. It requires recognition of tax consequences of difference between the carrying amounts of assets and liabilities and their tax base.

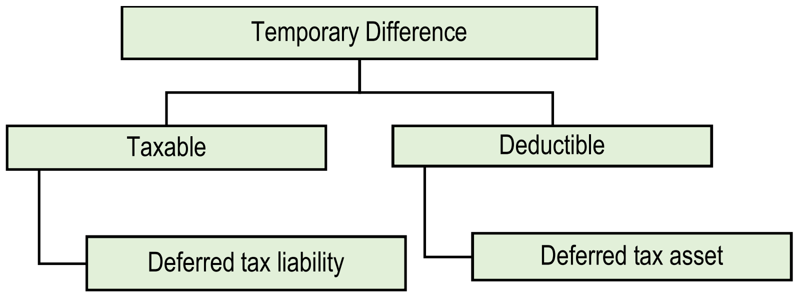
Tax base of-	
an asset	**a liability**
amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.	carrying amount less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue which is received in advance, the tax base is its carrying amount, less any amount of the revenue that will not be taxable in future periods.
❖ **Where tax base is not immediately apparent**, with certain limited exceptions recognise a deferred tax liability (asset) whenever recovery or settlement of the carrying amount of an asset or liability would make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences.	

Current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset. The benefit relating to a tax loss that can be carried back to recover current tax of a previous period shall be recognised as an asset.

❖ **Temporary differences** are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

❖ **Taxable temporary differences -** temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

❖ **Deductible temporary differences -** temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.



Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

(a) deductible temporary differences;

(b) the carry forward of unused tax losses; and

(c) the carry forward of unused tax credits.

A deferred tax liability should be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). It is inherent in the recognition of an asset or liability that the reporting entity expects to recover or settle the carrying amount of that asset or liability. If it is probable that recovery or settlement of that carrying amount will make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences, this Standard requires an entity to recognise a deferred tax liability (deferred tax asset), with certain limited exceptions.

A deferred tax asset should be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Unused tax losses and tax credits

A deferred tax asset should be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

It is inherent in the recognition of a liability that the carrying amount will be settled in future periods through an outflow from the entity of resources embodying economic benefits. When resources flow from the entity, part or all of their amounts may be deductible in determining taxable profit of a period later than the period in which the liability is recognised. In such cases, a temporary difference exists between the carrying amount of the liability and its tax base.

An entity recognises deferred tax assets only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences. However, if tax law restricts the utilisation of losses to deduction against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Measurement

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities should not be discounted.

Current and Deferred tax

Relates to transaction recognised in	Current and Deferred tax is recognised
Other comprehensive income	In other comprehensive income
Equity	In Equity
Any other	As income or expense in profit or loss

Offsetting

An entity shall offset current tax assets and current tax liabilities if, and only if, the entity:

(a) has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   I. the same taxable entity; or

   II. different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Disclosure

The major components of tax expense (income) shall be disclosed separately.

Allocation

This Standard requires an entity to account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised outside profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively). Similarly, the recognition of deferred tax assets and liabilities in a business combination affects the amount of goodwill arising in that business combination or the amount of the bargain purchase gain recognised.

Appendix A of Ind AS 12 addresses how an entity should account for the tax consequences of a change in its tax status or that of its shareholders. The Appendix prescribes that a change in the tax status of an entity or its shareholders does not give rise to increases or decreases in amounts recognised outside profit or loss.

Uncertainty over Income Tax Treatments

Appendix C of this Standard clarifies how to apply the recognition and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments.

Ind AS 16, Property, Plant and Equipment

The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

Property, plant and equipment are tangible items that:

(a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

(b) are expected to be used during more than one period.

Recognition

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

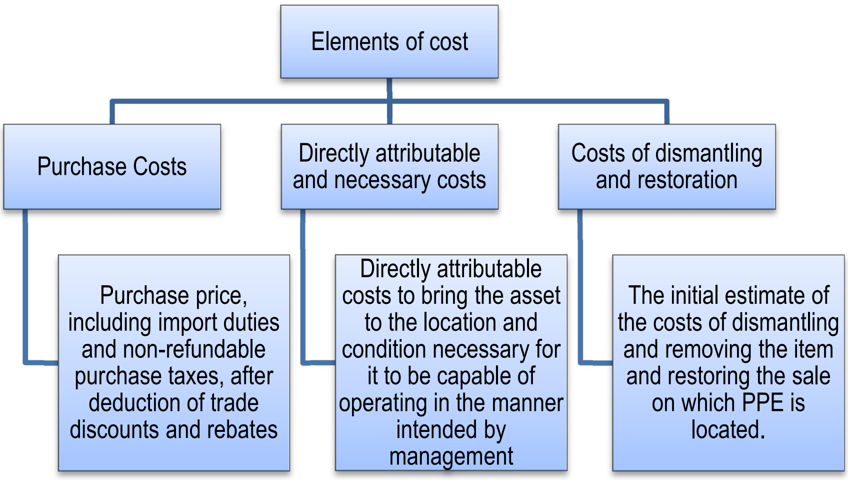
(a) it is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably.

- ❖ Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant or equipment if they meet the definition. Otherwise, such items are classified as inventory.

Measurement at recognition

An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.



Examples of directly attributable costs are costs of site preparation; initial delivery and handling costs; installation and assembly costs, etc.

Examples of costs that are not costs of an item of property, plant and equipment are costs of opening a new facility; costs of conducting business in a new location or with a new class of customer (including costs of staff training); administration and other general overhead costs, etc.

Examples of costs that are not included in the carrying amount of an item of property, plant and equipment are costs incurred while an item capable of operating in the manner intended by management has yet to be brought into use or is operated at less than full capacity; initial operating losses, such as those incurred while demand for the item's output builds up; and costs of relocating or reorganising part or all of an entity's operations.

The income and related expenses of incidental operations are recognised in profit or loss.

PPE acquired in exchange for a non-monetary asset or assets or a combination of monetary and non-monetary assets

The cost of such an item of PPE is measured at fair value unless:

(a) the exchange transaction lacks commercial substance; or

(b) the fair value of neither the asset received nor the asset given up is reliably measurable.

The acquired item is measured in this manner even if an enterprise cannot immediately derecognise the asset given up. If the acquired item is not measured at fair value, its/their cost is measured at the carrying amount of the asset given up.

Subsequent Costs

Costs of day-to-day servicing

These are primarily the costs of labour and consumables and may include the cost of small parts. **Not recognised** as PPE

Replacement Cost

The cost of replacing part is **recognised** in the carrying amount of PPE if the recognition criteria are met. The carrying amount of the replaced parts is derecognised

Regular Major Inspection Cost

It is **recognised** in the carrying amount of the PPE if the recognition criteria are met.
Any remaining carrying amount of the cost of the previous inspection is derecognised.

Measurement after recognition

An entity should choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

Cost Model

Cost less any accumulated depreciation and any accumulated impairment losses

Revaluation Model

Whose fair value can be measured reliably should be carried at a revalued amount less any subsequent accumulated depreciation and subsequent accumulated impairment losses

With sufficient regularity

For entire class of PPE to which an asset which is revalued belongs

❖ If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

- ❖ If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss.

  However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Depreciation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. The depreciation charge for each period should be recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciable amount of an asset should be allocated on a systematic basis over its useful life.

The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Impairment

To determine whether an item of property, plant and equipment is impaired, an entity should apply Ind AS 36, *Impairment of Assets.*

Derecognition

The carrying amount of an item of property, plant and equipment should be derecognised:

a) on disposal; or

b) when no future economic benefits are expected from its use or disposal.

Appendix B to Ind AS 16 provides guidance for recognition of production stripping costs as an asset; initial measurement of the stripping activity asset; and subsequent measurement of the stripping activity asset. An entity shall recognise a stripping activity asset if, and only if, (a) it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity; (b) the entity can identify the component of the ore body for which access has been improved; and (c) the costs relating to the stripping activity associated with that component can be measured reliably. The entity shall initially measure the stripping activity asset at cost. After initial recognition, the stripping activity asset shall be carried at either its cost or its revalued amount less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part.

Ind AS 19, Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

(a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and

(b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

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

Employee benefits include:

- **Short-term employee benefits**
- **Post-employment benefits**
- **Other long-term employee benefits**
- **Termination benefits**

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 annual reporting period in which the employees render the related service.**

Short-term employee benefits include items such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:

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.

When an employee has rendered service to an entity during an accounting period, the entity should recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity should recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or cash refund.

b) as an expense, unless another Ind AS requires or permits the inclusion of the benefits in the cost of an asset.

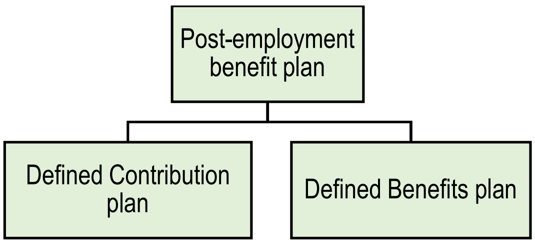
Post-employment benefits

❖ **Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.**

Post-employment benefits include items such as the following:

(a) retirement benefits (eg pensions and lump sum payments on retirement); and

(b) other post-employment benefits, such as post-employment life insurance and post-employment medical care.



Defined contribution plan

❖ **Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.**

Under defined contribution plans the entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. The amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurance company, together with investment returns arising from the contributions. In consequence, actuarial risk (that benefits will be less than expected) and investment risk (that assets invested will be insufficient to meet expected benefits) fall, in substance, on the employee.

When an employee has rendered service to an entity during a period, the entity should recognise the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity should recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or cash refund.

(b) as an expense, unless another Ind AS requires or permits the inclusion of the contribution in the cost of an asset.

Defined benefits plan

- **Defined benefit plans are post-employment benefit plans other than defined contribution plans.**

Under defined benefit plans:

a) the entity's obligation is to provide the agreed benefits to current and former employees; and

b) actuarial risk (that benefits will cost more than expected) and investment risk fall, in substance, on the entity. If actuarial or investment experience are worse than expected, the entity's obligation may be increased.

Accounting by an entity for defined benefit plans involves the following steps:

a) determining the deficit or surplus. This involves:

   i. using an actuarial technique to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods.
   ii. discounting that benefit to determine the present value of the defined benefit obligation and the current service cost.
   iii. deducting the fair value of any plan assets from the present value of the defined benefit obligation.

b) determining the amount of the net defined benefit liability (asset) as the amount of the deficit or surplus adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

c) determining amounts to be recognised in profit or loss:
   i. current service cost.
   ii. any past service cost and gain or loss on settlement.
   iii. net interest on the net defined benefit liability (asset).

d) determining the remeasurements of the net defined benefit liability (asset), to be recognised in other comprehensive income, comprising:
   i. actuarial gains and losses;
   ii. return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
   iii. any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

An entity shall determine the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

- **Accounting for constructive obligation**

An entity shall account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

Multi-employer plan

❖ **Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:**

(a) pool the assets contributed by various entities that are not under common control; and

(b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees.

An entity should classify a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Other long-term employee benefits

❖ **Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.**

Other long-term employee benefits include items such as the following, if not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service:

a) long-term paid absences such as long-service or sabbatical leave;

b) jubilee or other long-service benefits;

c) long-term disability benefits;

d) profit-sharing and bonuses; and

e) deferred remuneration.

The Standard does not require the measurement of other long-term employee benefits to the same degree of uncertainty as the measurement of post-employment benefits. The Standard requires a simplified method of accounting for other long-term employee benefits. Unlike the accounting required for post-employment benefits, this method does not recognise re-measurements in other comprehensive income.

Termination benefits

- **Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:**
  - **(a) an entity's decision to terminate an employee's employment before the normal retirement date; or**
  - **(b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.**

An entity should 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 should measure termination benefits on initial recognition, and should measure and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post-employment benefits, the entity should apply the requirements for post-employment benefits. Otherwise:

a) if the termination benefits are expected to be settled wholly before twelve months after the end of the annual reporting period in which the termination benefit is recognised, the entity should apply the requirements for short-term employee benefits.

b) if the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the entity should apply the requirements for other long-term employee benefits.

Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance

The objective of this Standard is to provide for accounting of, and the disclosures of, government grants and also the disclosure of other forms of government assistance.

Government grants

- **Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.**
- **They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.**

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

a) the entity will comply with the conditions attaching to them; and

b) the grants will be received.

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

There are two broad approaches to the accounting for government grants:

a) the capital approach, under which a grant is recognised outside profit or loss, and

b) the income approach, under which a grant is recognised in profit or loss over one or more periods.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

Non-monetary government grants

A Government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances, it is usual to assess the fair value of the non-monetary asset and to account for both grant and asset at that fair value. An alternative course that is sometimes followed is to record both asset and grant at a nominal amount.

Government grants related to assets

- ❖ Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Two methods of presentation in financial statements of grants or the appropriate portions of grants related to assets are regarded as acceptable alternatives.

a) One method recognises the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

b) The other method deducts the grant in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

Government grants related to income

Grants related to income shall be presented as part of profit or loss, either separately or under a general heading such as 'Other income'; alternatively, they can be deducted in reporting the related expense.

Repayment of government grants

- ❖ A Government grant that becomes repayable shall be accounted for as a change in accounting estimate as per Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.
- ❖ Repayment of a grant related to income shall be applied first against any unamortised deferred credit recognised in respect of the grant.
- ❖ To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss.
- ❖ Repayment of a grant related to an asset shall be recognised by increasing the Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance* carrying amount of the asset or reducing the deferred income balance by the amount repayable.
- ❖ The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant shall be recognised immediately in profit or loss.

Government Assistance

- ❖ Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. Government assistance for the purpose of this Standard does not include benefits provided only indirectly through action affecting general trading conditions, such as the provision of infrastructure in development areas or the imposition of trading constraints on competitors.

The following matters shall be disclosed:

(a) the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements;

(b) the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and

(c) unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Appendix A of Ind AS 20 address the issue that whether government assistance is a government grant within the scope of Ind AS 20 and, therefore, should be accounted for in accordance within the Standard. The Appendix prescribes that government assistance to entities meets the definition of government grants in Ind AS 20, even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. The Appendix provides that such grants shall not be credited directly to shareholders' interests.

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

An entity may carry on foreign activities in two ways. It may have transactions in foreign currencies or it may have foreign operations. In addition, an entity may present its financial statements in a foreign currency. The objective of this Standard is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency.

The principal issues are which exchange rate(s) to use and how to report the effects of changes in exchange rates in the financial statements.

Exchange difference is the difference resulting from translating a given number of units of one currency into another currency at different exchange rates.

Foreign currency is a currency other than the functional currency of the entity.

Functional Currency

❖ **Functional currency** is the currency of the primary economic environment in which the entity operates.

The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. An entity considers the following factors in determining its functional currency:

a) the currency:

   i. that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and

   ii. of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.

b) the currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled).

An entity's functional currency reflects the underlying transactions, events and conditions that are relevant to it. Accordingly, once determined, the functional currency is not changed unless there is a change in those underlying transactions, events and conditions.

Reporting foreign currency transactions in functional currency

A foreign currency transaction shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

a) foreign currency monetary items shall be translated using the closing rate;

b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and

c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.

Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation shall be recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. In the financial statements that include the foreign operation and the reporting entity (eg consolidated financial statements when the foreign operation is a subsidiary), such exchange differences shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Presentation Currency

Presentation currency is the currency in which the financial statements are presented.

An entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency.

The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:

a) assets and liabilities for each balance sheet presented (ie including comparatives) shall be translated at the closing rate at the date of that balance sheet;

b) income and expenses for each statement of profit and loss presented (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and

c) all resulting exchange differences shall be recognised in other comprehensive income.

The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy shall be translated into a different presentation currency using the following procedures:

a) all amounts (i.e. assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent balance sheet, except that.

b) when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements (i.e. not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Translation of foreign operation

The incorporation of the results and financial position of a foreign operation with those of the reporting entity follows normal consolidation procedures, such as the elimination of intragroup balances and intragroup transactions of a subsidiary.

However, an intragroup monetary asset (or liability), whether short-term or long-term, cannot be eliminated against the corresponding intragroup liability (or asset) without showing the results of currency fluctuations in the consolidated financial statements. This is because the monetary item represents a commitment to convert one currency into another and exposes the reporting entity to a gain or loss through currency fluctuations.

Disposal or partial disposal of a foreign operation

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the non-controlling interests shall be derecognised, but shall not be reclassified to profit or loss.

On the partial disposal of a subsidiary that includes a foreign operation, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation the entity shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

Appendix B of Ind AS 21 addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Ind AS 23, Borrowing Costs

- **Borrowing costs** are interest and other costs that an entity incurs in connection with the borrowing of funds.
- A **qualifying asset** is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Recognition

An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be included in the cost of that asset. Such borrowing costs shall be capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably.

Specific Borrowings -The borrowing costs eligible for capitalisation are the actual borrowing costs incurred on that borrowing during the period reduced by any investment income on the temporary investment of those borrowings.

General Borrowings -The entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset.

The capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

Commencement of capitalisation

An entity shall begin capitalising borrowing costs as part of the cost of a qualifying asset on the commencement date. The commencement date for capitalisation is the date when the entity first meets all of the following conditions:

a) it incurs expenditures for the asset;

b) it incurs borrowing costs; and

c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Suspension of capitalisation

An entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Cessation of capitalisation

An entity shall cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Disclosure

An entity shall disclose the amount of borrowing costs capitalised during the period and the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.

Ind AS 24, Related Party Disclosures

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

This standard shall be applied in:

a) identifying related party relationships and transactions;

b) identifying outstanding balances, including commitments, between an entity and its related parties;

c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and

d) determining the disclosures to be made about those items.

Further this Standard also requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent or investors with joint control of, or significant influence over, an investee. This Standard also applies to individual financial statements.

Intragroup related party transactions and outstanding balances are eliminated, except for those between an investment entity and its subsidiaries measured at fair value through profit or loss, in the preparation of consolidated financial statements of the group.

Related party disclosure requirements as laid down in this Standard do not apply in circumstances where providing such disclosures would conflict with the reporting entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.

In case a statute or a regulator or a similar competent authority governing an entity prohibits the entity to disclose certain information which is required to be disclosed as per this Standard, disclosure of such information is not warranted. For example, banks are obliged by law to maintain confidentiality in respect of their customers' transactions and this Standard would not override the obligation to preserve the confidentiality of customers' dealings.

A **related party** is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

A person or a close member of that person's family is related to a reporting entity if that person:

i) has control or joint control of the reporting entity;

ii) has significant influence over the reporting entity; or

iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) 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.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture. Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

Additionally, 'compensation', 'government' and 'government-related entity' are all defined in the Standard

- A **related party transaction** is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.
- **Close members of the family** of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:
  a) that person's children, spouse or domestic partner, brother, sister, father and mother;
  b) children of that person's spouse or domestic partner; and
  c) dependants of that person or that person's spouse or domestic partner.
- **Key management personnel** are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

In the context of this Standard, the following are not related parties:

a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.

b) two joint venturers simply because they share joint control of a joint venture.

c) providers of finance, trade unions, public utilities, and departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).

d) 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.

Disclosures for all entities

Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity should disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

Unless an entity obtains key management personnel services from another entity (the 'management entity'), it shall disclose key management personnel compensation in total and for each of the following categories:

a) short-term employee benefits;

b) post-employment benefits;

c) other long-term benefits;

d) termination benefits; and

e) share-based payment.

If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include:

a. the amount of the transactions;

b. 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;

c. provisions for doubtful debts related to the amount of outstanding balances; and

d. the expense recognised during the period in respect of bad or doubtful debts due from related parties.

The above disclosures shall be made separately for each of the following categories:

a) the parent;

b) entities with joint control of, or significant influence over, the entity;

c) subsidiaries;

d) associates;

e) joint ventures in which the entity is a joint venturer;

f) key management personnel of the entity or its parent; and

g) other related parties.

Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

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 on the financial statements of the entity.

Disclosures for government-related entities

A government-related reporting entity is exempt from the disclosure requirements of related party transactions and outstanding balances, including commitments, with:

a) a government that has control or joint control of, or significant influence over, the reporting entity; and

b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

If a reporting entity applies the above exemption, it should disclose the following about the transactions and related outstanding balances:

a) the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);

b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:

   i. the nature and amount of each individually significant transaction; and

   ii. for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

Ind AS 27, Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard shall be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by law, to present separate financial statements.

Separate financial statements are those presented by a parent (i.e. an investor with control of a subsidiary) or an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with Ind AS 109, *Financial Instruments*.

Separate financial statements are those presented in addition to consolidated financial statements or in addition to financial statements in which investments in associates or joint ventures are accounted for using the equity method, other than in the following circumstances:

- an entity may present separate financial statements as its only financial statements, if it is exempted from consolidation or from applying equity method of accounting;
- an investment entity shall present separate financial statements as its only financial statements, if it is required, throughout the current period and all comparative periods, to apply the exception to consolidation for all of its subsidiaries.

Preparation of separate financial statements

When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either:

(a) at cost, or

(b) in accordance with Ind AS 109.

The entity shall apply the same accounting for each category of investments. Investments accounted for at cost shall be accounted for in accordance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, when they are classified as held for sale (or included in a disposal group that is classified as held for sale). The measurement of investments accounted for in accordance with Ind AS 109 is not changed in such circumstances.

If an entity elects to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with Ind AS 109, it shall also account for those investments in the same way in its separate financial statements.

If a parent is required, in accordance with Ind AS 110, to measure its investment in a subsidiary at fair value through profit or loss in accordance with Ind AS 109, it shall also account for its investment in a subsidiary in the same way in its separate financial statements.

An entity shall recognise a dividend from a subsidiary, a joint venture or an associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

Disclosure

An entity shall apply all applicable Ind ASs when providing disclosures in its separate financial statements, including the specific disclosures as required by this Standard.

Ind AS 28, Investments in Associates and Joint Ventures

The Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard shall be applied by all entities that are investors with joint control of, or significant influence over, an investee.

An **associate** is an entity over which the investor has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

If an entity holds, directly or indirectly through intermediary (eg subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly through intermediary (eg subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

(a) representation on the board of directors or equivalent governing body of the investee;

(b) participation in policy-making processes, including participation in decisions about dividends or other distributions;

(c) material transactions between the entity and its investee;

(d) interchange of managerial personnel; or

(e) provision of essential technical information.

The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity has significant influence.

The **equity method** is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

Equity method

- The investment in an associate or a joint venture upon acquisition is recognised at cost.
- On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as - (a) Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted. (b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognised directly in equity as capital reserve in the period in which the investment is acquired.
- The carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Unrealised profits and losses on transactions with associates are eliminated to the extent of the investor's interest in the investee.
- The investor's share of the investee's profit or loss is recognised in the investor's profit or loss.
- Distributions received from an investee reduce the carrying amount of the investment.
- The investor's share of proportionate interest in the investee arising from changes in the investee's other comprehensive income are recognised in the investor's other comprehensive income.

An entity with joint control of, or significant influence over, an investee shall account for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption.

Ind AS 109, *Financial Instruments*, does not apply to interests in associates and joint ventures that are accounted for using the equity method. When instruments containing potential voting rights in substance currently give access to the returns associated with an ownership interest in an associate or a joint venture, the instruments are not subject to Ind AS 109. In all other cases, instruments containing potential voting rights in an associate or a joint venture are accounted for in accordance with Ind AS 109. An entity also applies Ind AS 109 to other financial instruments in an associate or joint venture to which the equity method is not applied.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with Ind AS 109. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

The Standard provides exemptions from applying the equity method similar to those provided in Ind AS 110, *Consolidated Financial Statements* to the parent that is exempted to prepare consolidated financial statements.

An entity shall apply Ind AS 105 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. The entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances unless, in case of an associate, it is impracticable to do so. If an associate or a joint venture uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments shall be made to make the associate's or joint venture's accounting policies conform to those of the entity when the associate's or joint venture's financial statements are used by the entity in applying the equity method. However, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries'. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

After application of the equity method, including recognising the associate's or joint venture's losses, the entity applies the requirements of Ind AS 109 to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture.

An entity loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. The loss of significant influence can occur with or without a change in absolute or relative ownership levels. On the loss of significant influence or joint control, the gain or loss is recognised in profit or loss. The entity shall account for all amounts previously recognised in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

Ind AS 29, Financial Reporting in Hyperinflationary Economies

In a hyperinflationary economy, reporting of operating results and financial position in the local currency without restatement is not useful. Money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

Ind AS 29 shall be applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

The Standard does not establish an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgement when restatement of financial statements in accordance with this Standard becomes necessary. Hyperinflation is indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

(a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

(b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

(c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;

(d) interest rates, wages and prices are linked to a price index; and

(e) the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Restatement of financial statements

The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, they should be stated in terms of the measuring unit current at the end of the reporting period. The corresponding figures for the previous period required by Ind AS 1, *Presentation of Financial Statements*, and any information in respect of earlier periods should also be stated in terms of the measuring unit current at the end of the reporting period. For the purpose of presenting comparative amounts in a different presentation currency, Ind AS 21, *The Effects of Changes in Foreign Exchange Rates* should be applied.

The gain or loss on the net monetary position should be included in profit or loss and separately disclosed.

Historical Cost Financial Statements	**Current Cost Financial Statements**
Balance Sheet • Amounts not already expressed in terms of the measuring unit current at the end of the reporting period are restated by applying a general price index. • Monetary items are not restated since they are carried at current amounts at the end of the reporting period. • Assets and liabilities linked by agreement to changes in prices are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the reporting period. They are carried at this adjusted amount in the restated balance sheet. • All non-monetary items not carried at current amounts at the end of the reporting period are restated.	**Balance Sheet** Items stated at current cost are not restated because they are already expressed in terms of the measuring unit current at the end of the reporting period. All other items follow measurement is same as described for Historical Costs Financial Statements.
Statement of profit and loss All amounts need to be restated by applying the change in the general	**Statement of profit and loss** All amounts need to be restated into the measuring unit current at the end

price index from the dates when the items of income and expenses were initially recorded in the financial statements.	of the reporting period by applying a general price index.
Gain or loss on net monetary position The gain or loss may be estimated by applying the change in a general price index to the weighted average for the period of the difference between monetary assets and monetary liabilities. The gain or loss on the net monetary position is included in profit or loss.	**Gain or loss on net monetary position** The gain or loss on the net monetary position is accounted for in the same manner as described for Historical Cost Financial Statements.

The restatement of financial statements in accordance with this Standard requires the application of certain procedures as well as judgement. The consistent application of these procedures and judgements from period to period is more important than the precise accuracy of the resulting amounts included in the restated financial statements.

The restatement of financial statements in accordance with this Standard may give rise to differences between the carrying amount of individual assets and liabilities in the balance sheet and their tax bases. These differences are accounted for in accordance with Ind AS 12, *Income Taxes*.

This Standard requires that all items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

Corresponding figures for the previous reporting period, whether they were based on a historical cost approach or a current cost approach, are restated by applying a general price index so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period.

A parent that reports in the currency of a hyperinflationary economy may have subsidiaries that also report in the currencies of hyperinflationary economies. The financial statements of any such subsidiary need to be restated by applying a general price index of the country in whose currency it reports before they are included in the consolidated financial statements issued by its parent. Where such a subsidiary is a foreign subsidiary, its restated financial statements are translated at closing rates. The financial statements of subsidiaries that do not report in the currencies of hyperinflationary economies are dealt with in accordance with Ind AS 21.

The restatement of financial statements in accordance with this Standard requires the use of a general price index that reflects changes in general purchasing power. It is preferable that all entities that report in the currency of the same economy use the same index.

Economies ceasing to be hyperinflationary

When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements prepared in accordance with this Standard, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.

Disclosure

The following disclosures shall be made:

a) the fact that the financial statements and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the end of the reporting period;

b) whether the financial statements are based on a historical cost approach or a current cost approach; and

c) the identity and level of the price index at the end of the reporting period and the movement in the index during the current and the previous reporting period.

d) the duration of the hyperinflationary situation existing in the economy.

The disclosures required by this Standard are needed to make clear the basis of dealing with the effects of inflation in the financial statements. They are also intended to provide other information necessary to understand that basis and the resulting amounts.

Appendix A of Ind AS 29 provides guidance on how to apply the requirements of Ind AS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with Ind AS 29. The Appendix prescribes that in the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of Ind AS 29 as if the economy had always been hyperinflationary. At the end of the reporting period, deferred tax items are recognised and measured in accordance with Ind AS 12.

Appendix A also provides guidance on the entity's opening balance sheet for the reporting period as well as the entity's opening balance sheet at the beginning of the earliest period presented.

After an entity has restated its financial statements, all corresponding figures in the financial statements for a subsequent reporting period, including deferred tax items, are restated by applying the change in the measuring unit for that subsequent reporting period only to the restated financial statements for the previous reporting period.

Ind AS 32, Financial Instruments: Presentation

The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

Definitions

A **financial instrument** is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A **financial asset** is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

- (i) to receive cash or another financial asset from another entity; or
- (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:

- (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

A **financial liability** is any liability that is:

(a) a contractual obligation :

  (i) to deliver cash or another financial asset to another entity; or

  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

  (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

  (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Apart from the aforesaid, the equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of the entity's own equity instruments is an equity instrument if the exercise price is fixed in any currency. Also, for these purposes the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

Presentation of liabilities and equity

The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

An **equity instrument** is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

A financial instrument is an equity instrument if, and only if, both the following conditions are met.

(a) The instrument includes no contractual obligation:

  (i) to deliver cash or another financial asset to another entity; or

  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; and

(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:

  (i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

  (ii) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A **puttable instrument** is a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.

As an exception to the definition of a financial liability, a puttable instrument is classified as an equity instrument if it has all the following features:

(a) It entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation.

(b) The instrument is in the class of instruments that is subordinate to all other classes of instruments and:

  (i) has no priority over other claims to the assets of the entity on liquidation, and

  (ii) does not need to be converted into another instrument before it is in the class of instruments that is subordinate to all other classes of instruments.

(c) All financial instruments in that class have identical features.

(d) Apart from the contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity, and it is not a contract that will or may be settled in the entity's own equity instruments.

(e) The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity over the life of the instrument (excluding any effects of the instrument).

(f) the issuer must have no other financial instrument or contract that has:

    (i) total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity (excluding any effects of such instrument or contract); and

    (ii) the effect of substantially restricting or fixing the residual return to the puttable instrument holders.

Compound financial instruments

The issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. Such components shall be classified separately as financial liabilities, financial assets or equity instruments.

Treasury shares

If an entity reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognised directly in equity.

Interest, dividends, losses and gains

❖ Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss.

- ❖ Distributions to holders of an equity instrument shall be recognised by the entity directly in equity.
- ❖ Transaction costs of an equity transaction shall be accounted for as a deduction from equity.

Offsetting a financial asset and liability

A financial asset and a financial liability shall be offset and the net amount presented in the balance sheet when only when, an entity:

(a) currently has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Consolidated financial statements

An entity in its consolidated financial statements, when classifying a financial instrument (or a component of it) should consider all terms and conditions agreed between members of the group and the holders of the instrument in determining whether the group as a whole has an obligation to deliver cash or another financial asset in respect of the instrument or to settle it in a manner that results in liability classification.

Ind AS 33, Earnings per share

The objective of this Standard is to prescribe principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity. The focus of this Standard is on the denominator of the earnings per share calculation.

Scope

Ind AS 33 shall be applied to companies that have issued ordinary shares to which Indian Accounting Standards (Ind AS) notified under the Companies Act applies. An entity that discloses earnings per share shall calculate and disclose earnings per share in accordance with this Standard.

When an entity presents both consolidated financial statements and separate financial statements, the disclosures required by this Standard shall be presented both in the consolidated financial statements and separate financial statements based on the information in the respective financial statements.

An ordinary share is an equity instrument that is subordinate to all other classes of equity instruments. A potential ordinary share is a financial instrument or other contract that may entitle its holder to ordinary shares.

Basic earnings per share

An entity shall calculate basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders.

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

Earnings

For the purpose of calculating basic earnings per share,the amounts attributable to ordinary equity holders of the parent entity shall be:

a) profit or loss from continuing operations attributable to the parent entity; and

b) profit or loss attributable to the parent entity, adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

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 or 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.

Shares

For the purpose of calculating basic earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares outstanding during the period.

The number of ordinary shares shall be the weighted average number of ordinary shares outstanding during the period, adjusted for events other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

Shares are usually included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue). The Standard includes examples of scenarios when ordinary shares are issued including shares issued as part of the consideration transferred in business combination and issued upon the conversion of a mandatorily convertible instrument.

Contingently issuable shares are treated as outstanding and are included in the calculation of basic earnings per share only from the date when all necessary conditions are satisfied (i.e. the events have occurred). Shares that are issuable solely after passage of time are not contingently issuable shares, because the passage of time is a certainty.

The Standard also includes examples where ordinary shares may be issued or reduced without a corresponding change in resources.

Diluted earnings per share

An entity shall calculate diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders.

For the purpose of calculating diluted earnings per share, an entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

Dilution is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

Earnings

For the purpose of calculating diluted earnings per share, an entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, by the after-tax effect of income or expense resulting from dilutive potential ordinary shares.

Shares

For the purpose of calculating diluted earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares, plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

Dilutive potential ordinary shares

Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

An entity uses profit or loss from continuing operations attributable to the parent entity as the control number to establish whether potential ordinary shares are dilutive or antidilutive. In determining whether potential ordinary shares are dilutive or antidilutive, each issue or series of potential ordinary shares is considered separately rather than in aggregate. The sequence in which potential ordinary shares are considered may affect whether they are dilutive.

Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

Options, warrants and their equivalents

For the purpose of calculating diluted earnings per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period shall be treated as an issue of ordinary shares for no consideration.

Convertible instruments

The dilutive effect of convertible instruments shall be reflected in diluted earnings per share. Convertible preference shares are antidilutive whenever the amount of dividend on such shares declared in or accumulated for the current period per ordinary share obtainable on conversion exceeds basic earnings per share. Similarly, convertible debt is antidilutive whenever its interest (net of tax and other changes in income or expense) per ordinary share obtainable on conversion exceeds basic earnings per share.

Contingently issuable shares

As in the calculation of basic earnings per share, contingently issuable ordinary shares are treated as outstanding and included in the calculation of diluted earnings per share if the conditions are satisfied. If the conditions are not satisfied, the number of contingently issuable shares included in the diluted earnings per share calculation is based on the number of shares that would be issuable if the end of the period were the end of the contingency period. Contingently issuable shares are included from the beginning of the period (or from the date of the contingent share agreement, if later).

Contracts that may be settled in ordinary shares or cash

When an entity has issued a contract that may be settled in ordinary shares or cash at the entity's option, the entity shall presume that the contract will be settled in ordinary shares, and the resulting potential ordinary shares shall be included in diluted earnings per share if the effect is dilutive.

For contracts that may be settled in ordinary shares or cash at the holder's option, the more dilutive of cash settlement and share settlement shall be used in calculating diluted earnings per share.

Purchased options

Contracts such as purchased put options and purchased call options (i.e. options held by the entity on its own ordinary shares) are not included in the calculation of diluted earnings per share because including them would be antidilutive.

Written put options

Contracts that require the entity to repurchase its own shares, such as written put options and forward purchase contracts, are reflected in the calculation of diluted earnings per share if the effect is dilutive.

Retrospective adjustments

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively.

If these changes occur after the reporting period but before the financial statements are approved for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed.

In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

Presentation

An entity shall present in the statement of profit and loss basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period. An entity shall present basic and diluted earnings per share with equal prominence for all periods presented.

An entity that reports a discontinued operation shall disclose the basic and diluted amounts per share for the discontinued operation either in the statement of profit and loss or in the notes.

An entity shall present basic and diluted earnings per share, even if the amounts are negative (ie a loss per share).

Disclosure

An entity shall disclose the following:

a) the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share.

b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share.

c) instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented.

d) transactions, other than with respect to retrospective adjustments, that occur after the reporting period and that would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.

If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the statement of profit and loss other than one required by this Standard, such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with this Standard. An entity shall indicate the basis on which the numerator(s) is (are) determined, including whether amounts per share

are before tax or after tax. If a component of the statement of profit and loss is used that is not reported as a line item in the statement of profit and loss, reconciliation shall be provided between the component used and a line item that is reported in the statement of profit and loss.

Ind AS 34, Interim Financial Reporting

The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period. Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity.

This Standard applies if an entity is required or elects to publish an interim financial report in accordance with Indian Accounting Standards.

Interim financial report means a financial report containing either a complete set of financial statements (as described in Ind AS 1, *Presentation of Financial Statements)* or a set of condensed financial statements (as described in this Standard) for an interim period.

In the interest of timeliness and cost considerations and to avoid repetition of information previously reported, an entity may be required to or may elect to provide less information at interim dates as compared with its annual financial statements. This Standard defines the minimum content of an interim financial report as including condensed financial statements and selected explanatory notes. The interim financial report is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported.

Nothing in this Standard is intended to prohibit or discourage an entity from publishing a complete set of financial statements (as described in Ind AS 1) in its interim financial report, rather than condensed financial statements and selected explanatory notes. If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of Ind AS 1 for a complete set of financial statements.

Minimum components of an interim financial report

An interim financial report should include, at a minimum, the following components:

a) a condensed balance sheet ;

b) a condensed statement of profit and loss;

c) a condensed statement of changes in equity;

d) a condensed statement of cash flows; and

e) selected explanatory notes.

Form and content of interim financial statements

If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of Ind AS 1 for a complete set of financial statements.

If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements should include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial statements and the selected explanatory notes as required by this Standard. Additional line items or notes should be included if their omission would make the condensed interim financial statements misleading.

In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share for that period when the entity is within the scope of Ind AS 33.

Significant events and transactions

An entity shall include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report.

Other Disclosures

In addition to disclosing significant events and transactions, an entity shall include information as described in this Standard, in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis.

Disclosure of compliance with Ind Ass

If an entity's interim financial report is in compliance with this Standard, that fact shall be disclosed. An interim financial report shall not be described as complying with Ind ASs unless it complies with all of the requirements of Ind ASs.

Periods for which interim financial statements are required to be presented

Interim reports – balance sheet, statements of profit and loss, statement of changes in equity and statement of cash flows shall include interim financial statements (condensed or complete) for current interim period and comparative period in immediately preceding financial year.

Materiality

In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

Disclosure in annual financial statements

If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that financial year.

Recognition and measurement

An entity shall apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.

Revenues received seasonally, cyclically, or occasionally

Revenues that are received seasonally, cyclically, or occasionally within a financial year shall not be anticipated or deferred as of an interim date if anticipation or deferral would not be appropriate at the end of the entity's financial year. Examples include dividend revenue, royalties and government grants.

Costs incurred unevenly during the financial year

Costs that are incurred unevenly during an entity's financial year shall be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

Use of estimates

The measurement procedures to be followed in an interim financial report shall be designed to ensure that the resulting information is reliable and that all material financial information that is relevant to an understanding of the financial position or performance of the entity is appropriately disclosed. While measurements in both annual and interim financial reports are often based on reasonable estimates, the preparation of interim financial reports generally will require a greater use of estimation methods than annual financial reports.

Restatement of previously reported interim periods

A change in accounting policy, other than one for which the transition is specified by a new Ind AS, shall be reflected by:

a) restating the financial statements of prior interim periods of the current financial year and the comparable interim periods of any prior financial years that will be restated in the annual financial statements in accordance with Ind AS 8; or

b) when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current financial year, and comparable interim periods of prior financial years to apply the new accounting policy prospectively from the earliest date practicable.

The objective of the preceding principle is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. The effect of the principle is to require that within the current financial year any change in accounting policy isapplied either retrospectively or, if that is not practicable, prospectively, from no later than the beginning of the financial year.

There is an issue that whether an entity should reverse impairment losses recognised in an interim period on goodwill in case if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at the end of a subsequent reporting period. Appendix A of Ind AS 34 prescribes that an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill. Further this Appendix also prescribes that an entity shall not extend this accounting principle by analogy to other areas of potential conflict between Ind AS 34 and other Indian Accounting Standards.

Ind AS 36, Impairment of Assets

The objective of this Standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognise an impairment loss. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.

An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. However,irrespective of whether there is any indication of impairment, an entity shall also:

a) test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

b) test goodwill acquired in a business combination for impairment annually.

If there is an indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity shall determine the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash generating unit).

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Measuring the recoverable amount

The **recoverable amount** of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

It is not always necessary to determine both an asset's fair value less costs of disposal and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

Value in use

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Costs of disposal are incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding finance costs and income tax expense.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

The following elements shall be reflected in the calculation of an asset's value in use:

(a) an estimate of the future cash flows the entity expects to derive from the asset;

(b) expectations about possible variations in the amount or timing of those future cash flows;

(c) the time value of money, represented by the current market risk-free rate of interest;

(d) the price for bearing the uncertainty inherent in the asset; and

(e) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

Recognising and measuring an impairment loss

If and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Standard (for example, in accordance with the revaluation model in Ind AS 16). An impairment loss on a non-revalued asset is recognised in profit or loss. However, an impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset reduces the revaluation surplus for that asset.

Cash-generating units and goodwill

If there is any indication that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

For the purpose of impairment testing, goodwill acquired in a business combination shall be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The annual impairment test for a cash-generating unit to which goodwill has been allocated may be performed at any time during an annual period, provided the test is performed at the same time every year. Different cash-generating units may be tested for impairment at different times. However, if some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period.

The Standard permits the most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit to which goodwill has been allocated to be used in the impairment test of that unit in the current period provided specified criteria are met.

Impairment loss for cash-generating unit

An impairment loss shall be recognised for a cash-generating unit (the smallest group of cash-generating units to which goodwill or a corporate asset has been allocated) if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss shall be allocated to reduce the carrying amount of the assets of the unit (group of units) in the following order:

(a) first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units); and

(b) then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

These reductions in carrying amounts shall be treated as impairment losses on individual assets. In allocating an impairment loss, an entity shall not reduce the carrying amount of an asset below the highest of:

(a) its fair value less costs of disposal (if measurable);

(b) its value in use (if determinable); and

(c) zero.

The amount of the impairment loss that would otherwise have been allocated to the asset shall be allocated pro rata to the other assets of the unit (group of units).

Reversing an impaitment loss

An entity shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, in which case the carrying amount of the asset shall be increased to its recoverable amount.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit shall be allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. These increases in carrying amounts shall be treated as reversals of impairment losses for individual assets.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset shall not be increased above the lower of:

(a) its recoverable amount (if determinable); and

(b) the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset shall be allocated pro rata to the other assets of the unit, except for goodwill.

An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets

The objective of this Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to understand their nature, timing and amount.

Ind AS 37 prescribes the accounting and disclosures for provisions, contingent liabilities and contingent assets, except:

(a) those resulting from executory contracts, except where the contract is onerous; and

(b) those covered by another Standard.

Ind AS 37 also do not apply to financial instruments (including guarantees) that are within the scope of Ind AS 109, *Financial Instruments*.

Provisions

A **provision** is a liability of uncertain timing or amount.

A **liability** is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

An **obligating event** is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.

A **legal obligation** is an obligation that derives from:

(a) a contract (through its explicit or implicit terms);

(b) legislation; or

(c) other operation of law.

A **constructive obligation** is an obligation that derives from an entity's actions where:

(a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and

(b) as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

A provision shall be recognised if and only if:

(a) an entity has a present obligation (legal or constructive) as a result of a past event;

(b) payment is probable (more likely than not); and

(c) a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, provision shall not be recognised.

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

Present Obligation

In rare cases where it is not clear whether there exists a present obligation, a past event is deemed to give rise to a present obligation if, after taking account of all available evidence, it is more likely that a present obligation may exist at the end of the reporting period.

Measurement

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time.

Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the liability. However, even in such a case, the entity considers other possible outcomes.

Best estimate - The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. In reaching its best estimate, the entity should take into account the risks and uncertainties that surround the underlying events.

Time value of money - Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Future events - Future events that may affect the amount required to settle an obligation shall be reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

- Provisions for one-off events (restructuring, environmental clean-up, settlement of a lawsuit) are measured at the most likely amount.
- Provisions for large populations of events (warranties, customer refunds) are measured at a probability-weighted expected value.
- Both measurements are at discounted present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability.
- In measuring a provision consider future events as follows:
  - forecast reasonable changes in applying existing technology;
  - ignore possible gains on sale of assets;
  - consider changes in legislation only if virtually certain to be enacted.

Expected disposal of assets - Gains from the expected disposal of assets shall not be taken into account in measuring a provision.

Reimbursements - Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement should be recognised when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. In the statement of profit and loss, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

Onerous contracts

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision. This Standard defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

Restructuring

A provision for restructuring costs is recognised only when the general recognition criteria for provisions are met.

With respect to restructuring obligation, the Standard provides guidance for application of general recognition conditions that need to be complied with for recognition of restructuring provision and identification of expenses that are in the nature of restructuring cost.

A restructuring is :

- sale or termination of a line of business;
- closure of business locations;
- changes in management structure; or
- fundamental reorganisations.

Restructuring provisions should be recognised as follows:

- Sale of operation: recognise a provision only after a binding sale agreement.
- Closure or reorganisation: recognise a provision only after a detailed formal plan is adopted and has started being implemented, or announced to those affected. A board decision of itself is insufficient.
- Future operating losses: provisions are not recognised for future operating losses, even in a restructuring.
- Restructuring provision on acquisition: recognise a provision only if there is an obligation at acquisition date.

Restructuring provisions should include only direct expenditures necessarily entailed by the restructuring, not costs that associated with the ongoing activities of the entity.

Contingent liabilities and assets

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognised because:

    (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

    (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

An entity shall not recognise contingent assets or liabilities.

Appendix A of Ind AS 37 provides guidance on (a) how a contributor account for its interest in a fund and (b) when a contributor has an obligation to make additional contributions, for example, in the event of the bankruptcy of another contributor or if the value of the investment assets held by the fund decreases to an extent that they are insufficient to fulfil the fund's reimbursement obligations, how that obligation be accounted for. The Appendix prescribes that the contributor shall recognise its obligation to pay decommissioning costs as a liability and recognise its interest in the fund separately unless the contributor is not liable to pay decommissioning costs even if the fund fails to pay. When a contributor has an obligation to make potential additional contributions, this obligation is a contingent liability that is within the scope of Ind AS 37. The contributor shall recognise a liability only if it is probable that additional contributions will be made.

Appendix B of Ind AS 37 provides guidance on the recognition, in the financial statements of producers, of liabilities for waste management under the European Union's Directive on Waste Electrical and Electronic Equipment (WE&EE), in respect of sales of historical household equipment.

This Appendix addresses neither new waste nor historical waste from sources other than private households. The liability for such waste management is adequately covered in Ind AS 37. However, if, in national legislation, new waste from private households is treated in a similar manner to historical waste from private households, the principles of this Appendix apply by reference to the hierarchy in paragraphs 10-12 of Ind AS 8. The Ind AS 8 hierarchy is also relevant for other regulations that impose obligations in a way that is similar to the cost attribution model specified in the EU Directive.

Appendix C to Ind AS 16 addresses the accounting for a liability to pay a levy if that liability is within the scope of Ind AS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. The Appendix prescribes that obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

Ind AS 38, Intangible Assets

The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Standard. This Standard requires an entity to recognise an intangible asset if, and only if, specified criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires specified disclosures about intangible assets.

Intangible assets meeting the relevant recognition criteria are initially measured at cost, subsequently measured at cost or using the revaluation model, and amortised on a systematic basis over their useful lives (unless the asset has an indefinite useful life, in which case it is not amortised).

An **intangible asset** is an identifiable (either being separable or arising from contractual or other legal rights), non-monetary asset without physical substance.

Intangible assets can be acquired:

- by separate purchase as part of a business combination;
- by a government grant;
- by exchange of assets; and
- by self-creation (internal generation).

An intangible asset shall be recognised only if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and

(b) the cost of the asset can be measured reliably.

An entity shall assess the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

An intangible asset shall be measured initially at cost.

Separately acquired intangible assets

The cost of a separately acquired intangible asset comprises:

(a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and

(b) any directly attributable cost of preparing the asset for its intended use.

Intangible asset acquired in a business combination

As per Ind AS 103, *Business Combinations*, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. If an asset acquired in a business combination is separable or arises from contractual or other legal rights, sufficient information would exist to measure reliably the fair value of the asset.

In accordance with this Standard and Ind AS 103, an acquirer recognises at the acquisition date, separately from goodwill, an intangible asset of the acquiree, if it meets the definition and recognition criteria for an intangible asset irrespective of whether the asset had been recognised by the acquiree before the business combination. This means that the acquirer recognises as an asset in-process research and development project of the acquiree if the project meets the definition of an intangible asset.

❖ Internally generated goodwill shall not be recognised as an asset.

Research phase

Intangible asset arising from research (or from the research phase of an internal project) shall not be recognised. Expenditure on research (or on the research phase of an internal project) shall be recognised as an expense when it is incurred.

Development phase

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised only if, an entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) its intention to complete the intangible asset and use or sell it.

(c) its ability to use or sell the intangible asset.

(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance shall not be recognised as intangible assets.

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria and the condition relating to development phase. Ind AS 38 prohibits reinstatement of expenditure previously recognised as an expense.

Recognition of Expenses

Expenditure on an intangible item shall be recognised as an expense when it is incurred unless:

(a) it forms part of the cost of an intangible asset that meets the recognition criteria; or

(b) the item is acquired in a business combination and cannot be recognised as an intangible asset. If this is the case, it forms part of the amount recognised as goodwill at the acquisition date (see Ind AS 103).

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

Measurement of intangible assets

An entity shall choose either the cost model or the revaluation model as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.

Cost model

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Revaluation model

After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations under this Standard, fair value shall be measured by reference to an active market. Revaluations shall be made with such regularity that at the end of the reporting period the carrying amount of the asset does not differ materially from its fair value

The revaluation model is applied after an asset has been initially recognised at cost. However, if only part of the cost of an intangible asset is recognised as an asset because the asset did not meet the criteria for recognition until part of the way through the process, the revaluation model may be applied to the whole of that asset. Also, the revaluation model may be applied to an intangible asset that was received by way of a Government grant and recognised at a nominal amount

Treatment of Revaluation Gains and Losses

If an intangible asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase should be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an intangible asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in profit or loss. However, the decrease should be recognised in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset.

Useful life

Useful life is:

(a) the period over which an asset is expected to be available for use by an entity; or

(b) the number of production or similar units expected to be obtained from the asset by an entity.

The accounting for an intangible asset is based on its useful life. An intangible asset with a finite useful life is amortised, and an intangible asset with an indefinite useful life is not.

Many factors are considered in determining the useful life of an intangible asset.

Review of Useful Life Assessment

The useful life of an intangible asset that is not being amortised should be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate

Derecognition

An intangible asset should be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It should be recognised in profit or loss when the asset is derecognised (unless Ind AS 116 requires otherwise on a sale and leaseback). Gains should not be classified as revenue.

The disposal of an intangible asset may occur in a variety of ways (e.g. by sale, by entering into a finance lease, or by donation). The date of disposal of an intangible asset is the date that the recipient obtains control of that asset in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115, *Revenue from Contracts with Customers*. Ind AS 116 applies to disposal by a sale and leaseback.

Appendix A of Ind AS 38 provides guidance on whether the web site is an internally generated intangible asset that is subject to the requirements of Ind AS 38; and the appropriate accounting treatment of such expenditure. The Appendix prescribes that an entity's own web site that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of Ind AS 38. Any internal expenditure on the development and operation of an entity's own web site shall be accounted for in accordance with Ind AS 38. The nature of each activity for which expenditure is incurred (eg training employees and maintaining the web site) and the web site's stage of development or post-development shall be evaluated to determine the appropriate accounting treatment. A web site that is recognised as an intangible asset under this Appendix shall be measured after initial recognition by applying the requirements of Ind AS 38. The best estimate of a web site's useful life should be short.

Ind AS 40, Investment Property

The objective of this Standard is to prescribe the accounting treatment for investment property and related disclosure requirements.

Definitions

Investment property is property (land or a building, or part of a building, or both) held (by the owner or by the lessee as a right of use asset) to earn rentals or for capital appreciation or both, rather than for:

(a) use in the production or supply of goods or services or for administrative purposes; or

(b) sale in the ordinary course of business.

Owner-occupied property is property held (by the owner or by the lessee as a right-of-use asset) for use in the production or supply of goods or services or for administrative purposes.

An owned investment property should be recognised as an asset only when:

(a) it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and

(b) the cost of the investment property can be measured reliably.

An owned investment property should be measured initially at its cost. Transaction costs should be included in the initial measurement.

An investment property held by a lessee as a right-of-use asset shall be measured initially at its cost in accordance with Ind AS 116.

When a lessee measures fair value of an investment property that is held as a right-of-use asset, it shall measure the right-of-asset, and not the underlying property at fair value.

An entity should adopt as its accounting policy the cost model to all of its investment property. After initial recognition, an entity should measure investment property:

(a) in accordance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, if it meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale);

(b) in accordance with Ind AS 116, *Leases* if it is held by a lessee as a right of use asset and is not held for sale in accordance with Ind AS 105; and

(c) in accordance with the requirements in Ind AS 16 for cost model in all other cases.

The Standard requires all entities to measure the fair value of investment property, for the purpose of disclosure.

Transfer

An entity should transfer a property to, or from, investment property only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Disposal

An investment property should be derecognised (eliminated from the balance sheet) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

When an entity decides to dispose of an investment property without development, it should continue to treat the property as an investment property until it is derecognised (eliminated from the balance sheet) and should not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and should not be reclassified as owner-occupied property during the redevelopment.

Gains or losses arising from the retirement or disposal of investment property should be determined as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognised in profit or loss (unless Ind AS 116 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up should be recognised in profit or loss when the compensation becomes receivable.

Disclosures

The owner of an investment property provides lessors' disclosures about leases into which it has entered as required by Ind AS 116. A lessee that holds an investment property as a righ-of-use asset provides lessees' disclosures as required by Ind AS 116 and lessors' disclosures as required by Ind AS 116 for any operating leases into which it has entered.

This Standard required an entity to disclose:

(a) its accounting policy for measurement of investment property.

(b) when classification is difficult, the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.

(c) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.

(d) the amounts recognised in profit or loss for rental income from investment property and direct operating expenses arising from investment property that generated rental income during the period as well as that did not generate rental income during the period.

(e) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

(f) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

An entity shall also disclose the depreciation methods used; the useful lives or the depreciation rates used, the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period and a reconciliation of the carrying amount of investment property at the beginning and end of the period and the fair value of investment property.

In the exceptional cases, when an entity cannot measure the fair value of the investment property reliably, it shall disclose:

(i) a description of the investment property;

(ii) an explanation of why fair value cannot be measured reliably; and

(iii) if possible, the range of estimates within which fair value is highly likely to lie.

Ind AS 41, Agriculture

The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for +sale or for conversion into agricultural produce or into additional biological assets.

Agricultural produce is the harvested product of the entity's biological assets.

A **bearer plant** is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

A **biological asset** is a living animal or plant.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.

Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

A **group of biological assets** is an aggregation of similar living animals or plants.

Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

An entity should recognise a biological asset or agricultural produce only when:

(a) the entity controls the asset as a result of past events;

(b) it is probable that future economic benefits associated with the asset will flow to the entity; and

(c) the fair value or cost of the asset can be measured reliably.

A biological asset should be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably, in which case it should be measured at its cost less any accumulated depreciation and any accumulated impairment losses.

Agricultural produce harvested from an entity's biological assets should be measured at its fair value less costs to sell at the point of harvest.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset should be included in profit or loss for the period in which it arises.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell should be included in profit or loss for the period in which it arises.

An unconditional government grant related to a biological asset measured at its fair value less costs to sell should be recognised in profit or loss when, and only when, the government grant becomes receivable.

An entity is required to make disclosures as prescribed in the Standard.

List of applicable Indian Accounting Standards

Sr. No.	Ind AS	Name
1.	101	First-time Adoption of Indian Accounting Standards
2.	102	Share-based Payment
3.	103	Business Combinations
4.	104	Insurance Contracts
5.	105	Non-current Assets Held for Sale and Discontinued Operations
6.	106	Exploration for and Evaluation of Mineral Resources
7.	107	Financial Instruments: Disclosures
8.	108	Operating Segments
9.	109	Financial Instruments
10.	110	Consolidated Financial Statements
11.	111	Joint Arrangements
12.	112	Disclosure of Interest in Other Entities
13.	113	Fair Value Measurement
14.	114	Regulatory Deferral Account
15.	115	Revenue from Contracts with Customers
16.	116	Leases
17.	1	Presentation of Financial Statements
18.	2	Inventories
19.	7	Statement of Cash Flows
20.	8	Accounting Policies, Changes in Accounting Estimates and Errors
21.	10	Events after the Reporting Period
22.	12	Income Taxes
23.	16	Property, Plant and Equipment

24.	19	Employee Benefits
25.	20	Accounting for Government Grants and Disclosure of Government Assistance
26.	21	The Effects of Changes in Foreign Exchange Rates
27.	23	Borrowing Costs
28.	24	Related Party Disclosures
29.	27	Separate Financial Statements
30.	28	Investments in Associates and Joint Ventures
31.	29	Financial Reporting in Hyperinflationary Economies
32.	32	Financial Instruments: Presentation
33.	33	Earnings per Share
34.	34	Interim Financial Reporting
35.	36	Impairment of Assets
36.	37	Provisions, Contingent Liabilities and Contingent Assets
37.	38	Intangible Assets
38.	40	Investment Property
39.	41	Agriculture

Ind AS Implementation Initiatives

The Institute of Chartered Accountants of India (ICAI) being the premier accounting body in India has been engaged in formulation of Indian Accounting Standards (Ind AS). Apart from formulation of Ind AS, the ICAI has been taking various initiatives to get the members ready for implementation of Ind AS. For this purpose, the ICAI had constituted a Committee, namely, Ind AS Implementation Committee in the year 2011. The Committee has been entrusted with the task of providing guidance to the members on Indian Accounting Standards (Ind AS). For this purpose, the Committee has been making relentless efforts in making this transition to Ind AS smooth through its various initiatives such as issuance of Educational Materials on Ind AS containing Frequently Asked Questions. For addressing implementation related queries in a timely and speedy manner, an Ind AS Technical Facilitation Group (ITFG) has been formed which is working hard in providing timely clarifications to members and others concerned. Apart from this, the Ind AS Implementation Committee organises Certificate Course on Ind AS, conducts In-house training programmes on Ind AS for regulatory bodies such as C&AG, IRDAI, CBDT, various departments of ministries etc. and other corporate entities, develops e-learning modules on Ind AS, organises seminars, awareness programmes on Ind AS and series of webcasts on Ind AS.

Educational Material on Ind AS

In order to provide guidance to members on Ind AS and to ensure implementation of these Standards in the same spirit in which these have been formulated, the Committee issues Educational Material on Ind AS, which contains summary of the respective Standard and Frequently Asked Questions (FAQs) which are expected to be encountered while implementing the Standards. Educational Materials on following Ind AS have so far been issued by the Committee:

- Educational Material on Ind AS 1, Presentation of Financial Statements (Revised 2016)
- Educational Material on Ind AS 2, Inventories (Revised 2016)
- Educational Material on Ind AS 7, Statement of Cash Flows (Revised 2016)

- Educational Material on Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors
- Educational Material on Ind AS 10, Events after the Reporting Period
- Educational Material on Ind AS 16, Property, Plant and Equipment
- Educational Material on Ind AS 18, Revenue (Revised 2017)
- Educational Material on Ind AS 27, Separate Financial Statements and Ind AS 28, Investments in Associates and Joint Ventures
- Educational Material on Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets (Revised 2016)
- Educational Material on Ind AS 101, First-time Adoption of Indian Accounting Standards
- Educational Material on Ind AS 103, Business Combinations
- Educational Material on Ind AS 108, Operating Segments
- Educational Material on Ind AS 110, Consolidated Financial Statements
- Educational Material on Indian Accounting Standard (Ind AS) 111, Joint Arrangements
- Educational Material on Indian Accounting Standard (Ind AS) 115, Revenue from Contracts with Customers

Certificate Course on Ind AS

An extensive Certificate course on Ind AS is being organised by the Ind AS Implementation Committee for educating members about Ind AS. The duration of the course is 12 days. Classes are held at weekends. Apart from the comprehensive theoretical aspects, this course sharpens the expertise and excellence of the members of the ICAI through multiple case studies across the industry and service sector. A certificate is awarded to the participants after attending and satisfactorily completing the course and passing the examination. Certificate Course on Ind AS exam is conducted on second Sunday of every quarter end (i.e. March, June, September and December). For further details about the course, click on the following link: http://www.icai.org/post.html?post_id=3562&c_id=266.

Ind AS Technical Facilitation Group (ITFG)

Pursuant to the issuance of roadmap for Ind AS implementation, Ind ASs are applicable to certain companies from 1st April, 2016 on mandatory basis. Following which, various issues related to the applicability of Ind AS/Implementation under Companies (Indian Accounting Standards) Rules, 2015, are being raised by preparers, users and other stakeholders.

Considering the need to address various issues raised on urgent basis an Ind AS Technical Facilitation Group (ITFG) has been constituted. The Group issues clarification bulletins addressing implementation issues from time to time. These clarifications are very useful to the members of the profession and to other concerned stakeholders in proper understanding and implementation of Ind AS and its roadmap. The Group is continuously in receipt of various issues on Ind AS and the same are being considered to be addressed at the earliest.

So far, 23 ITFG Clarification bulletins have been brought out addressing 162 issues.

Awareness programmes on Ind AS

The Committee also organises one/two days awareness programme on Ind AS at various locations across the Country. In these awareness programmes, training on the basic Standards which form the premise for preparation and presentation of financial statements under Ind AS, such as, Ind AS related to presentation of financial statements, consolidation, business combinations, financial instruments, revenue recognition, first-time adoption etc. is imparted. Difference between Ind AS and AS is also specifically covered in order to educate the members and stakeholders about how accounting under Ind AS would be different from AS. These awareness programmes are very helpful for the participants in getting ready for implementing Ind AS.

Ind AS training programmes for Regulators, Corporates and other organizations.

The Committee also organises in-house training programmes on Ind AS for various regulators, organisations and corporate houses.