TOPIC - 1

ROAD MAP OF INDAS

IMPORTANT CASES:

Case - 1

Company X, on standalone basis, had a net worth of above Rs. 250 crore but below Rs. 500 crore in financial year 2013-14 as well as financial year 2014-15 and is expected to exceed Rs. 500 crore in financial year 2015-16.

Whether the Company X be required to comply with Ind AS from financial year 2017-18 i.e. under Phase II, given that the net worth as on 31st March 2014 was below Rs. 500 Crore and the Company X was a company existing as on 31st March 2014 and was already falling under the threshold as on 31st March 2014 itself irrespective of the fact that the net-worth as on 31st March 2016 might be above Rs. 500crore.

(Answer: IND AS will be applicable from the financial year beginning from 1st April, 2016 - Phase I if expectation meets. If doesn't meet then Phase II)

Case – 2
(ITFG Clarification Bulletin 1, Issue 2)

Company A is a listed company and has three Subsidiaries Company X, Company Y and Company Z. As on 31st March 2014, the net worth of Company A is Rs 600 Crores, net worth of Company X is Rs 100 Crores, Company Y is Rs 400 Crores and Company Z is Rs 210 Crores. All the three subsidiaries are non-listed public companies.

Sub - Case A During the financial year 2014-15, Company A has sold off its entire investment in Company X on 31st December 2014. Therefore, Company X is no longer a subsidiary of Company A for the purposes of preparation of financial statements as on 31 March 2015. Should Company X prepare its financial statements as per the Companies (Accounting Standards) Rules, 2006 or the Companies (Indian Accounting Standards) Rules, 2015?

Sub - Case B During the financial year 2015-16, Company A has sold off its investment in Company Y on 31st December, 2015. Therefore, Company Y is no longer a subsidiary of Company A for the purposes of preparation of financial statements as on 31 March 2016. Should Company Y prepare its financial statements as per the Companies (Accounting Standards) Rules, 2006 or the Companies (Indian Accounting Standards) Rules, 2015?

Sub - Case C During the financial year 2016-17, Company A has sold off its investment in Company Z on 31st December 2016, therefore company Z is no longer a subsidiary of Company A for the purposes of preparation of financial statements as on 31 March 2017. Should Company Z prepare its financial statements as per the Companies (Accounting Standards) Rules, 2006 or the Companies (Indian Accounting Standards) Rules, 2015?

(Answer: CASE A & B – NO Ind AS BS of Subsidiaries X & Y; CASE C – Subsidiary Z has to prepare its FS as per Ind AS)

Case – 3
(ITFG Clarification Bulletin 2, Issue 2)

Company X Ltd. and Company Y Ltd. registered in India having net worth of Rs 600 crores and 100 crores respectively are subsidiaries of a Foreign Company viz., ABC Inc., which has net worth of more than Rs. 500 crores in financial year 2015-16. Whether Company X Ltd. and Y Ltd. are required to comply with Ind AS from financial year 2016-17 on the basis of net worth of the parent Foreign Company or on the basis of their own net worth?

(Answer: Foreign Company – Not required to Comply with Ind AS. Company X – will follow Ind AS & Company Y will not follow Ind AS, but foreign company's net worth would not be the basis for deciding the applicability)

Case – 4
(ITFG Clarification Bulletin 12, Issue 6)

ABC & Co. incorporated in US with limited liability, has established a branch office in India, with the permission of the RBI, to provide consultancy service in India. The branch office remits the amounts earned by it to ABC & Co. (i.e. Head office) net of applicable Indian taxes and subject to RBI guidelines.

AS on April 1, 2016, it has more than 500 crore balance as "Head Office account". Whether the India branch office of ABC Co. will be required to comply with IndAS ?

(Answer: Branch office of a foreign co. is not covered under rule 6 since branch is not incorporated under the Co. Act. Therefore, branch office of ABC & Co. is not required to comply with Ind AS.)

Case – 5
(ITFG Clarification Bulletin 11, Issue 7)

A Ltd. is a first time adopter of IndAS. It has incorporated a partnership firm with B Ltd. namely, M/s A&B Associates. Whether IndAS will be applicable to M/s A&B Associates by virtue of the fact that Ind AS is applicable to A Ltd.?

(Answer: Ind AS is not applicable to Partnership entity as it is not Incorporated under the Act. However, partnership firm will be required to provide financial statements for the purpose of Consolidation.)

Case – 6
(ITFG Clarification Bulletin 6, Issue 2)

Company X Ltd. is being covered under Phase I of Ind AS and needs to apply Ind AS from financial year 2016-17. Company Y which is an associate company of Company X Ltd. is a charitable organization and registered under section 8 of the Companies Act, 2013.

Whether company Y is required to comply with Ind AS from financial year 2016-17?

(Answer: Section 8 companies are incorporated under Co. Act, 2013 and are required to comply with the provisions of Co. Act, 2013, therefore Co. Y will be required to apply Ind AS from the financial year 2016-17)

Case – 7
(ITFG Clarification Bulletin 3, Issue 8)

As on March 31, 2014, Company A is a listed company and has a net worth of 50 Crore. As on March 31, 2015, the company is no more a listed company. Whether Company A is required to comply with Ind AS from the FY 2017-18.

(Answer: Before the mandatory applicable date (i.e. 17-18) company A ceases to be a listed company. Accordingly, it will not be required to apply Ind AS from FY 17-18)

Student Notes:-