CA FINAL – FINANCIAL REPORTING (OLD) (PAPER 1)

ABC ANALYSIS FOR REVISION

FOR NOVEMBER 2018 ATTEMPT

Most Important Category – A	**Most Common Category – B**	**Less Important Category – C**
ACCOUNTING STANDARDS: AS 2 – Inventories AS 10 – PPE AS 15 – Employee Benefits AS 19 – Leases AS 20 – EPS IndAS 109 – Financial Instruments (Compound Finan. Instruments, Hedge, Derivative Futures/Options) (Note no. 1) Consolidation (Note no. 2) Amalgamation (Note no. 3) AS 27 – Joint Venture (Joint Entities) Share Based Payments (Equity settled with cash alternative or modification) Mutual Fund (Dividend equilisation, NAV calculation) Valuation of Shares Valuation of Brand Value Added Statements Difference between AS & IndAS (refer my short notes on important differences in this same sheet)	ACCOUNTING STANDARDS: AS 11 – Foreign Exchange AS 17 – Segment Reporting AS 22 – Taxes on Income AS 25 – Interim Fin. Reporting AS 28 – Impairment of Assets AS 23 – Equity Method AS 27 – Joint Operations (journal entries) Economic Value Added NBFC Valuation of Goodwill Valuation of Business Examples of Other Comprehensive Incomes (OCI) Refer last page of this sheet	ACCOUNTING STANDARDS: AS 12 – Govt. Grants AS 13 – Investments AS 16 – Borrowing Cost AS 26 – Intangible Assets AS 29 – Provision, Human Resource Reporting Carves ins Carves Outs

Note 1:
Most Focus Area in Financial Instruments:

1. Compound Financial Instruments
2. Modification in Compound Financial Instruments after initial recognition (question from New Syllabus book)
3. Cash Flow Hedge
4. Derivative Forwards/Futures/Options – Accounting
5. Debt Securitisation
6. Impairment of Financial Assets

Note 2:
Most Focus Area in Consolidation

1. Two or more subsidiaries
2. Multiple Acquisitions
3. Treatment of Dividend, Revaluation of Fixed Assets, Bonus Issue

Note 3:
Most Focus Area in Corporate Restructuring (question wise)

Cover following questions from Practice Manual (2017 Jan. Edition)

1. Demerger – Question 2
2. Question 8
3. Question 9
4. Question 12
5. Question 13, 15
6. Question 17, 18, 20
7. Question 24, 25, 27

QUESTIONS OF MAY 18

AS 16 – BORROWING COST (5 MARKS)
AS 22 – ACC. FOR TAXES (5 MARKS)
AS 22 – IMPAIRMENT OF ASSETS (5 MARKS)
NBFC – VALUATION OF INVESMTMENTS (5 MARKS)
AMALGAMATION – BOOKS OF TRANSFEREE & TRANSFEROR (16 MARKS)
CONSOLIDATION (AS 21) AND ASSOCIATE (AS 23) – (16 MARKS)
SHARE BASED PAYMENTS – SAR (8 MARKS)
FINANCIAL INSTRUMENTS – STAFF ADVANCE (8 MARKS)
VALUATION OF BUSINESS – CASH FLOWS APPROACH (10 MARKS)
VALUATION - LEVERAGE EFFECT ON GOODWILL (6 MARKS)
ECONOMIC VALUE ADDED – (8 MARKS)
HUMAN RESOURCE REPORTING – (8 MARKS)
DIFFERENCE BETWEEN AS 3 & INDAS 7 (4 MARKS)
NBFC – PROVISIONS – (4 MARKS)
AS 9 (4 MARKS)
DIFFERENCE BETWEEN AS 29 & INDAS 37- (4 MARKS)
CDT – (4 MARKS)

MAJOR DIFFERENCES BETWEEN AS 1/5 & INDAS 1

BASIS OF DIFFERENCE	AS – 1 & AS -5	IND – 1
Concept of OCI	No Such Term Defined	New Term known as OCI – Other Comprehensive Income is introduced. OCI - Items which are not recognized in the statement of Profit or loss as per any other IND ASs. Components of OCI Revaluation Profit on PPE, Actuary Gain/Loss, FVTOCI, Cash Flow Hedge FV Gain/Loss.
Going Concern	No such guidance	Assessment of Going Concern assumption should be based on all available future information which is **at least 12 months** from the end of reporting period.
Consistency	Accounting Policies can be changed subject to following conditions: (a) When such change is required by Law/Statue (b) Accounting Standard requires such changes (c) For better presentation of Financial Statements	**Consistency:** Presentation and Classification of items shall be consistent from one period to next unless: (a) It is apparent that such change would be more appropriate; or (b) An IND AS requires such Change.
Current Assets covered Cash and	Cash and Cash equivalent is always considered as Current	Cash and Cash equivalents is considered as CA, unless it is restricted for being exchanged

Cash equivalent	Assets	or used to settle liability for at least 12 months after the reporting period.
Breach of LT Loan provision	No guidance	Breach of provision of long term loan arrengment on or before reporting date – if rectified even after bs date then continue to treat as lt. If not rectified then consider as st on bs date
Extra – Ordinary items	AS 5 requires Extra Ordinary Classification for specific items of Incomes and Expenses	Extra Ordinary Classification is prohibited

MAJOR DIFFERENCES BETWEEN AS 2 & IND AS 2

BASIS OF DIFFERENCE	AS – 2	IND – 2
Inventory of Service Providers	AS 2 does not contain any specific provision regarding cost of inventory of service provider.	Cost of Inventory of service providers shall be measured at the cost of their production which consist of Labour and Other cost of personnel directly engaged in providing the services, including supervisory personnel, and attributable overheads.
Subsequent Recognition	AS – 2 does not have specific provision regarding this.	When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which related revenue is recognised. The amount of any written down of inventories to NRV and all losses of inventories shall be recognised as an

		expense in the period the written down or loss occur.
Inventory held by Commodity Broker	This aspect is not there in the existing standard.	Ind AS 2 does not apply to measurement of inventories held by commodity broker – traders who measure their inventories at Fair Value less Costs to Sell.
Inventories acquired on deferred settlement Terms.	AS – 2 does not considers finance element in a transaction of acquisition of inventory.	When inventories are acquired on deferred settlement basis and if it contain finance element then such element (difference between purchase price for normal credit terms and the amount paid) is recognised as an expense over the period of the financing.
Subsequent Assessment of NRV	AS – 2 does not cover reversal of inventories.	When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in NRV because of changed economic circumstances, the amount of the written down value is reversed but reversal is limited to the amount of original written down.
Machinery Spares	Inventories do not include spare parts, servicing equipment and standby equipment which meet the definition of PPE as per AS 10	Ind AS 2 does not contain specific explanation in respect of such spares.

MAJOR DIFFERENCES BETWEEN AS 5 & IND AS 8

BASIS OF DIFFERENCE	AS – 5	IND - AS 8
Extra ordinary Items	AS – 5 defines extraordinary items as incomes and expenses which are not expected to recur frequently or regularly and which are clearly distinct from ordinary activities. Ex. Refund of GG VRS payment.	Since Ind AS 1 prohibits the presentation of any income or expense as Extraordinary item therefore Ind AS 8 not not deal with this issue.
Change in Accounting Policy	Change in accounting policy is permissible when such change is required by Statue.	Ind AS 8 does not allow to change accounting policy if change is required by Statue.
Prior Period Items	AS 5 defines PPI as Income or Expenses which arise in current period as a result of Errors or Omissions in the preparation of Financial statements of one or more prior periods.	Ind AS 8 uses the term "Errors" and relates it to errors or omissions arising from a failure to use or misuse of reliable information and error includes frauds.
Rectification of Material Prior period Items	Prospective Effect	Retrospective effect subject to limited exceptions where it is impracticable to determine the period specific effects.
Defintions of Accounting Policies	It means the specific accounting principles and the methods of applying those principles.	It broadens the definition to include bases, conventions, rules and practices applied by an entity in the preparation and presentation of financial statements.
Exceptions in Retrospective Accounting of Changes in	AS 5 does not specify how change in accounting policy	Ind AS 8 requires that change in Accounting policies should be accounted for

Accounting Policies	should be accounted for.	with "Retrospective effect subject to limited exceptions viz., where it is impracticable to determine the period specific effects or the cumulative effect of applying a new accounting policy.

MAJOR CHANGES in IND AS 11 wrt AS 7

BASIS OF DIFFERENCE	AS – 7	IND AS – 11
Inclusion of Borrowing Cost	AS 7 includes borrowing costs as per AS 16, Borrowing Costs, in the costs that may be attributable to contract activity in general and can be allocated to specific contracts	Ind AS 11 does not specifically make reference to Ind AS 23.
Fair Value	AS 7 does not recognise fair value concept as contract revenue is measured at consideration received/receivable	Ind AS 11 requires that contract revenue shall be measured at fair value of consideration received/receivable.
Service Concession Arrangements	AS 7 does not deal with accounting for Service Concession Arrangements	Appendix A of Ind AS 11 deals with accounting aspects involved in such arrangements

MAJOR CHANGES IN IND AS 18 WRT AS 9

BASIS OF DIFFERENCE	AS – 9	IND AS – 18
Definition of Revenue	Revenue is gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise	**Revenue** is the ***gross inflow of economic benefits*** during the period arising in the course of the ordinary activities of an entity when those inflows result in

	from: • the sale of goods, • from the rendering of services, and • from the use by others of enterprise resources yielding interest, royalties and dividends.	**increases in equity**, *other than increases relating to contributions from equity participants.*
Agency relationship	No Guidance	IND AS 18 sets criteria that, individually or in combination, indicate that an entity is acting as principal: • The entity has the primary responsibility for providing the goods or services to customer or for fulfilling the order. • The entity has the inventory risk before or after the customer order, during shipping or on return. • The entity has latitude in establishing prices, either directly or indirectly. The entity bears the customer's credit risk on the receivable due from the customer of the service.
Measurement of Revenue	Revenue is recognised at the nominal amount of ***consideration receivable.***	The revenue shall be measured at ***fair value of consideration received or receivable***.
Deferred cash inflows	No Guidance	When the cash inflow is ***deferred*** or postponed to

		future, then the fair value of consideration received might be less than its nominal amount. In this case, the fair value of consideration received is determined by ***discounting future cash flows*** to their present value using the ***imputed rate of interest***.
Recognition of Interest	The recognition of revenue from interest on **TIME PROPORTION BASIS**.	Interest shall be recognized using the **EFFECTIVE INTEREST METHOD** as set out in IND AS 109 & 32

MAJOR DIFFERENCES BETWEEN AS 11 AND IND AS 21

BASIS	AS 11	IND AS 21
Exchange diff. arising on translation of LTFCMI	AS 11, Gives an option to recognize exchange diff. arising on translation of certain LTFCMI from foreign currency to reporting currency ***directly to equity*** (FCMIT Diff A/c) or if it is related to acquisition of FA then exchange diff. can be recognized as a part of the cost of the asset.	Ind AS 21 does not apply to LTFCMI recognized in the Financial Statements before beginning of first Ind AS financial reporting period as per the previous GAAP i.e. AS 11. Such an entity may continue to apply the accounting policy so opted for such LTFCMI as per AS 11
Approach for translation of Foreign Operation	AS 11 is based on Integral and Non Integral Foreign operations approach for accounting of Foreign Operation.	Foreign to Functional (Difference transfer to P&L) and then Functional to Presentation if presentation currency is different (Difference transfer to FCTM i.e. OCI)
Presentation Currency	There is no such term defined here.	Ind AS 21 - Presentation currency can be different from local currency and it gives detailed guidance in this regard.
Types of Currencies	Reporting Currency and	Functional Currency, Foreign

	Foreign Currency	Currency and Presentation Currency

MAJOR DIFFERENCES BETWEEN AS 12 and IND AS 20

BASIS OF DIFFERENCE	AS 12 Accounting for GG	IND AS 20 Accounting for GG & Disclosure of Govt. Assistance
Govt Assistance	It does not deal with govt assistance	Ind AS 20 deals with govt assistance which do not fall within the definition of govt. grants.
Grant for Non Depreciable Assets	The amount of grant should be shown as Capital reserve which is a part of shareholders fund. It further requires that if a grant requires fulfillment of certain obligations the grant should be credited to income over the same period over which cost of meeting such obligations is charged to income.	Ind AS 20 is based on the principle that all govt. grants would normally have certain obligations attached to it. Therefore this grant is required to be deferred over the period over which obligations are required to be fulfilled.
Non Monetary Grant	If acquired at concessional rate then Actual Acquisition cost. If acquired free of cost then Nominal Value.	This standard requires measurement of such grants only at their Fair Value. (Nominal Value option is not available)
Grants related to Assets	Standard gives an option to present the grant either by setting up the grant as deferred income or by deducting the grant from the carrying amount of Asset.	Under this standard grant shall be presented only by setting up the grant as deferred income. (Deduction option is not available)
Loans at concessional rate	AS 12 does not deal with this issue.	Ind AS 20 requires that loans received from a govt. that have a below

		market rate of interest should be recognised and measured in accordance with Ind AS 109 (i.e. by considering effective interest rate approach)

MAJOR DIFFERENCES BETWEEN AS 15 & IND AS 19

BASIS OF DIFFERENCES	AS 15	IND AS 19
Constructive obligation	AS 15 does not deal with Constructive Obligation	Employee benefits arising from Constructive obligations are also covered.
Recognition of actuarial gains or losses	Actuarial Gains or Losses are recognised immediately in the P&L A/c	This standard requires to recognize Actuarial Gain or Loss in OCI
Discounting rate	Discount rate should be based on Market Yields on High Quality Corporate Bonds. If there is no deep market in such bonds, Market Yields on Govt. Bonds can be taken for Discount Rate.	Discount rate shall always be calculated by reference to the Market Yields on Government Bonds.

Constructive Obligation: An Obligation to pay that arises out of entity's actions rather than a contract. It may typically occur from past conduct.
Example: Established Pattern of Past Practice, published policies, or specific statement by which entity has indicated to other parties that it will accept certain responsibilities and as a result of which entity has created a valid expectation on the part of those parties that it will discharge their responsibilities.

MAJOR CHANGES IN IND AS 23 AS COMPARE TO EXISTING AS 16

BASIS OF DIFFERENCE	IND AS 23	AS 16
QA measured at Fair Value	Ind AS 23 does not applies to such assets. (such as Biological Assets under Ind AS 41)	This standard is applicable to such assets also.
Inventories	Ind AS 23 is not applicable to Borrowing costs directly attributable to acquisition, construction or production of those **inventories that are manufactured, or otherwise produced in large quantities on a repetitive basis** that takes substantial period of time to get ready for its intended sale.	AS 16 is applicable to borrowing costs related to all inventories that requires substantial period of time to bring them in sealable condition.
Application of Effective interest method	Ind AS 23 specifically requires to calculate interest expenses using effective interest rate method as described in Ind AS 109 by considering ancillary costs and discounts/premiums relating to borrowings as a component of interest expense.	Effective interest rate method is not applicable under this standard.
Hyperinflationary Economies	That part of borrowing cost which compensates for inflation should be expensed (not capitalized in respect of qualifying asset) (Ind AS 29)	Here this point is not considered since there is no standard for hyperinflationary economies.
Weighted Avg Rate for Parent and Subsidiary	This standard allows to include all borrowings of parent and subsidiary while calculating WA Capitalization rate in some cases. In some cases only borrowings of subsidiary are considered for WA rate of its own borrowings.	This provision is not covered in AS 16

Disclosure of Capitalization Rate	Ind AS 23 required to disclose the capitalization rate used to determine the amount of capitalization.	AS 16 does not have this requirement.
Explanation of Substantial period of Time	Not Covered	Covered.

MAJOR CHANGES IN IND AS 108 AS COMPARE TO EXISTING AS 17

BASIS OF DIFFERENCE	IND AS 108	AS 17
Determination of segments	Segments are identified based on how the financial information is regularly reviewed by the CODM.	AS 17 requires an entity to identify two types of segments- business and geographical, using a risk and rewards approach.
Measurement	Same measurement basis as used by CODM- reconciliation to financial statements needed. Terms such as segment assets, Segment revenue, segment asset and segment liability are not defined.	Measurement basis in conformity with financial statements. Segment revenue, segment expense, segment result, segment asset and segment liability have been defined.

MAJOR CHANGES IN IND AS 17 AS COMPARE TO EXISTING AS 19

BASIS OF DIFFERENCES	INDAS – 17	AS – 19
LAND	Ind AS 17 does not have such scope exclusion. It has specific provisions dealing with leases of land and building applicable.	AS 19 excludes leases of land from its scope.
Treatment of initial direct costs under Ind AS 17 differs from the treatment		

prescribed under the existing standard.		
Finance Lease Non-manufacturer/ Non-dealer Lessor	Interest rate implicit in the lease is defined in such a way that the initial direct costs included automatically in the finance lease receivable; there is no need to add them separately.	Either recognised as expense immediately or allocated against the finance income over the lease term.
Operating lease- Lessor accounting	Added to the carrying amount of the leased asset and recognized as expense over the lease term on the same basis as lease income	Either deferred and allocated to income over the lease term in proportion to the recognition of rent income, or recognized as expense in the period in which incurred.
Sale and Lease Back transactions	Ind AS 17 retains the deferral and amortisation principle, it does not specify any method of amortisation.	Deferred and amortised in the proportion of Depreciation of the leased asset.

LEASE OF LAND AND BUILDING: (IND AS 17)

- When a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in accordance with the general criteria discussed above. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life.
- Whenever necessary in order to classify and account for a lease of land and buildings, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element of the lease at the inception of the lease.
- If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

For a lease of land and buildings under which the present value of the minimum lease payments allocated to the land at the inception of the lease is immaterial, the land and buildings may be treated as a single unit for the purpose of lease classification and classified as a finance or operating lease in accordance with the general criteria discussed above. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

MAJOR DIFFERENCE BETWEEN AS 20 AND IND AS 33

BASIS	AS 20 – EPS	INDAS 33 – EPS
Options Held by the entity on its shares	AS 20 does not deal with the options such as Written Put Options, Purchased Options etc	IndAS 33 deals with Options for Calculating Diluted EPS
Presentation of EPS	Basic and Diluted EPS is to be separately presented for Continuing and Discontinuing Operations	No such requirement
Effect of Extra Ordinary Items of Income & Expenses	Since Extraordinary Item Classification is prohibited by IndAS 1 therefore no requirement to disclose EPS with or without ExtraOrdinary Itemes	AS 20 requires to disclose EPS with and without Extraordinary items

MAJOR DIFFERENCE BETWEEN AS 22 AND IND AS 12

BASIS	AS 22 – Accounting for Taxes on Income	IND. AS 12 – Income Taxes
Calculation base	Deferred tax is computed on Timing differences.	Deferred Tax is computed for Temporary differences.
Approach	It Follows Profit and Loss A/c Approach – Compares Revenue items as per Accounting Books and Income Tax.	It Follows Balance Sheet Approach – Compares Carrying amount of Assets and Liabilities as per Accounting Books and Tax base.
Recognition of DT in OCI	No specific guidance in AS 22.	Current Tax and DT is to be recognized in OCI or directly in equity if the items on which CT and DT is calculated is recognized in OCI or in Equity.
Recognition of DTA	DTA is recognized only to the extent that there is *virtual certainty supported by convincing evidence* that	DTA is recognized if it is *probable* that future taxable profit will be available against which the

	sufficient future taxable income will be available against such deferred tax assets can be realised. For all other unsed tax credits/timing differences – DTA is recognized if there is *reasonable certainty.*	unused tax losses and tax credits can be utilized.
DT on Revaluation of Assets	DT on revaluation is ignored as it is considered as permanent difference.	DT is recognized as per Balance Sheet approach through Equity.
DT on unrealized intra group gains/losses	No recognition	DT is recognized at buyer's Tax Rate.

MAJOR DIFFERENCE BETWEEN AS 25 AND IND AS 34

BASIS	AS 25	INDAS 34
Definition of Complete Set of Financial Statements	It does not include any previous Balance Sheet	It includes Balance Sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items of Financial Statements.
Interim Financial Report – Content	Condensed BS, Condensed Statement of P&L and Condensed Statement of Cash Flows	Condensed BS, Condensed Statement of P&L and Condensed Statement of Cash Flows & Condensed Statement of Changes in Equity
Reversal of Impairment Loss	No such prohibition for reversal of impairment loss of Goodwill	IndAS 34 prohibits to revers the impairment loss of goodwill recognized in the previous interim period.
Contingent Assets	AS 25 requires to furnish information on Contingent Liabilities	Furnish information on Contingent Liabilities and Assets Both.
If IFR prepared on Complete Set Basis	AS 25 does not contain any requirement	IFR should explicitly reflect the fact that it is prepared by complying all the IndAS

DIFFERENCE BETWEEN AS 26 AND IND AS 38

BASIS	IND AS 38	AS 26
Payment deferred beyond normal credit term	On acquisition of Intangible Assets, if payment is deferred beyond normal credit terms, the difference between the amount paid and the amount recognised is Interest expense to be amortised over the period of credit unless it is capitalized as per Ind AS 23 (AS 16)	There is no such provision in the existing standard.
Useful Life	The rebuttable presumption of 10 years is not in this standard. Here the useful life can even be indefinite and in such case it should not be amortised but should be tested for Impairment.	There is an assumption that useful life of an Intangible Asset is always finite, and includes a rebuttable presumption that useful life can not exceed 10 years.
Change in method of amortization	This change would be treated as Change in Accounting Estimate.	The change will be treated as change in Accounting Policy.
Valuation Model	This standard permits the entity to choose either Cost model or revaluation model.	Revaluation Model is not permitted.

MAJOR DIFFERENCE BETWEEN AS 28 AND INS AS 36

AS – 28	BASIS OF DIFFERENCE	IND AS 36
Higher of Value in Use & Net Selling Price	**Recoverable Amount**	Higher of Value in Use & Fair Value less cost of disposal
There are no such Intangibles therefore no specific requirement	**Intangible Assets having Indefinite useful life**	Irrespective of whether there is an indication of impairment, an entity shall test an intangible asset with indefinite useful life annually.

It follows Bottom up & Top down approach for allocation of Goodwill	**Impairment of Goodwill**	The Goodwill is allocated to CGU's or group of CGU's that are expected to benefit from the synergies of the business combination from which it arose i.e. there is no bottom up and top down approach
It can be reversed in subsequent period if it is caused by specific external event of an exceptional nature.	**Reversal of Impairment Loss on Goodwill**	Prohibited
AS 28 does not specifically exclude Biological Assets	**Biological Assets eg. Live stocks, cattle, and living plants.**	IND AS 36 specifically excludes Biological Assets relating to Agricultural Activities because there is a separate IND AS 41
AS 28 does not apply to Financial Assets	**Financial Assets**	IND AS 36 applies to the Financial Assets which are classified as Subsidiaries, Associates and Joint Ventures.

MAJOR DIFFERENCE BETWEEN AS 29 AND INS AS 37

IND AS 37	BASIS OF DIFFERENCE	AS 29
This standard requires creation of provision in respect of Constructive obligation also.	**Constructive Obligation**	Provision is created from normal business practices and customs.
It allows Discounting of amount of provisions if effect of time value of money is material	**Discounting Provisions**	AS 29 prohibits discounting the amounts of provisions.
It requires disclosure of Contingent Assets when the inflow of economic benefit is probable.	**Disclosure of Contingent Assets**	Disclosure of Contingent Asset is allowed only in the report of approving authority but prohibits disclosure of the same in the Financial Statements.

APPLICABILITY OF IND AS (INDIAN ACCOUNTING STANDARDS)

Who is the regulating Authority for applicability of Ind AS to corporate?

Ministry of Corporate Affairs (MCA) is the regulatory authority and has issued a notification dated 16th Feb 2015 announcing the Companies (Indian Accounting Standards) Rule, 2015 for phase wise roadmap for adoption and applicability of all 39 Indian Accounting Standards (Ind AS) for companies other than Banking and Insurance Companies and NBFCs.

The application of Ind AS is mainly based on the listing status and net worth of a company. As per the roadmap for implementation of Ind AS, all listed companies (*except companies listed on SME exchanges*) and companies having a net worth of ₹250 crore or more shall be required to adopt Ind AS.

What is the Phase wise compliance of IND AS

Phase-I: Obligation to Comply with Ind AS from 1st April, 2016

In accordance with clause (ii) of sub- rule (1) of Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015, the following companies shall comply with Ind AS w.e.f. April 2016:

(a) Companies listed/in process of listing on Stock Exchanges in India or Outside India having net worth of **<u>₹500 crore or more</u>**;

(b) Unlisted Companies having net worth ≥ ₹500 crore;

(c) Holding (Parent), subsidiary, joint venture or associate companies of above.

COMPLIANCE	CURRENT FY	COMPARATIVE PERIOD	TRANSITION DATE FOR OPENING IND AS BS
Voluntary Compliance (Optional)	FY 15-16 i.e. year ending 31st March 2016	FY 14-15 i.e. year ending 31st March 2015	01/04/2014
Mandatory Compliance	FY 16-17 i.e. year ending 31st March 2017	FY 15-16 i.e. year ending 31st March 2016	01/04/2015

Phase-II: Mandatory Compliance of Ind AS from 1st April, 2017

Clause (iii) of sub- rule (1) of Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 states that the following companies shall comply with Ind AS for the accounting periods beginning on or after 1st April, 2017:

(a) Companies listed/in process of listing on Stock Exchanges in India or Outside India having net worth of **<u>less than Rs. 500 crore</u>**;
(b) Unlisted companies having net worth of ≥ Rs.250 crore but < Rs.500 crore;
(c) Holding, Subsidiary, Associate and J.V. of Above.

Thus, from April 2017 Ind AS shall apply to all listed companies irrespective of their net whereas the unlisted companies shall be required to comply with Ind AS only if their net worth is equal to or exceeding Rs. 250 crore. In other words, the companies meeting the above threshold for the first time as on 31st March, 2018 shall apply Ind AS for the financial year 2018-19 onwards.

COMPLIANCE	IND AS CURRENT FY	IND AS COMPARATIVE PERIOD	TRANSITION DATE FOR OPENING IND AS BS
Voluntary Compliance (Optional)	FY 16-17 i.e. year ending 31st March 2017	FY 15-16 i.e. year ending 31st March 2016	01/04/2015
Mandatory Compliance	FY 17-18 i.e. year ending 31st March 2018	FY 16-17 i.e. year ending 31st March 2017	01/04/2016

Note that the comparative information i.e. comparative figures for the preceding accounting period is required in both phase for the period ending 31st March 2016/2017 or thereafter. You should also note that the Rule do not mention the net worth criteria for holding, subsidiary, joint venture or associate companies and therefore even smaller companies in this category will be covered for the purpose of applicability of Ind AS.

What will be the Net Worth for the above purpose?

Net worth of Companies for the purpose of Ind AS

The term **Net Worth** shall have the meaning assigned to it in clause (57) of Section 2 of the Companies Act, 2013. For the purposes of calculation of net worth of companies, the following principles shall apply, namely:-

(a) The net worth shall be calculated in accordance with

i) the stand-alone financial statements of the company as on 31st March, 2014; or

ii) the first audited financial statements for accounting period which ends after 31st March, 2014;

(b) *for companies which are not in existence on 31st March, 2014 or an existing company falling under any of thresholds specified in sub-rule (1) for the first time after 31st March, 2014, the net worth shall be calculated on the basis of the first audited financial statements ending after that date in respect of which it meets the thresholds specified in sub-rule (1).*

Net Worth = Total Paidup Share Capital + Free Reserves (Excluding Revaluation Res.) + Sec. Prem A/c – Accumulated Losses – Deferred Expenditures & Misc Exp. (excluding written back of depreciation)

Other Points :

- Ind As once required to be complied with in accordance with Companies (Indian Accounting Standards) Rules, 2015, shall apply to both standalone financial statements and consolidated financial statements.

- For companies which are not in existence on 31st March, 2014 or an existing company falling under any of thresholds specified for the first time after 31st March, 2014, the net worth shall be calculated on the basis of the first audited financial statements ending after that date in respect of which it meets the thresholds specified.

- Overseas subsidiary, associate, joint venture and other similar entities of an Indian company may prepare its standalone financial statements in accordance with the requirements of the specific jurisdiction, provided that such Indian company shall prepare its consolidated financial statements in accordance with Ind AS either voluntarily or mandatorily if it meets the criteria.

- Indian company which is a subsidiary, associate, joint venture and other similar entities of a foreign company shall prepare its financial statements in accordance with the Ind AS either voluntarily or mandatorily if it meets the criteria.

IND AS FOR BANK, INSURANCE COMPANIES AND NBFCS (Notification Date 18th Jan 2016)

S.No.	Entities	For Accounting Period Beg. Frm 1st April 2018 onwards	For Accounting Period Beg. Frm 1st April 2019 onwards
1	(a) Scheduled Commercial Banks (excluding RRBs) (b) All India Term lending refinancing Institutions (EXIM, NABARD, SIDBI) And (c) Insurance Companies	Mandatory	NA
2	Non Banking Financial Institutions (NBFCs)	Having Net Worth of Rs. 500 Cr. or More Holding, Subsidiary, JV or Associates of the	NBFCs whose equity/debt instruments are listed or in process of listing and having Net Worth

		above	Less than Rss. 500 Cr. Unlisted NBFCs, Having Net worth of Rs. 250 Cr. or more but less than Rs. 500 Cr. Holding, Subsidiary, JV or Associates of the above

Other Points:

1. Voluntary adoption is not permitted for BANKs/NBFCs/INSURERS
2. Entities not covered in the roadmap shall continue to apply Accounting Standards at present.

ITEMS WHICH ARE SPECIFICALLY REQUIRED TO BE TRANSFER TO OTHER COMPREHENSIVE INCOME (OCI) as per INDAS:

Selective List:

RELEVANT INDAS	*PARTICULARS OF ITEMS*
INDAS 16 – PPE	Revaluation Profit of PPE – known as Revaluation Reserve
INDAS 19 – EMPLOYEE BENEFITS	Actuarial Gains and Losses on DBP and PLAN ASSETS
INDAS 21 – EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES	Exchange Difference on translation of Functional Currency To Presentation Currency – also called FCTR
INDAS 109 – FINANCIAL INSTRUMENTS	Financial Assets categorized under FVTOCI
INDAS 109 – FINANCIAL INSTRUMENTS	FV Gain/Losses under Cash Flow Hedge
INDAS 109 - FINANCIAL INSTRUMENTS	Equity Shares not Held For Trading – Option to designate as FVTOCI Parmanently
INDAS 109 - FINANCIAL INSTRUMENTS	Fair Value Gain or Loss on Net Investment in Foreign Operation and Derivative Instrument thereof
INDAS 103 – BUSINESS COMBINATIONS	NET ASSETS acquired less PURCHASE CONSIDERATION = OCI (CR)
INDAS 12 – INCOME TAXES	Current Tax & Deferred Tax is to be recognized in OCI or directly in Equity if the items on which CT & DT is calculated belongs to OCI