VIRTUAL COACHING CLASSES
ORGANISED BY BOS, ICAI

FINAL LEVEL
PAPER 1: PRESENTATION OF FINANCIAL STATEMENTS

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What is Ind AS ?

- Ind AS are set of accounting standards notified by Ministry of Corporate Affairs (MCA), converged with International Financial Reporting Standards (IFRS), these accounting standards are formulated by Accounting Standard Board (ASB) of Institute of Chartered Accountants of India (ICAI).

- **Convergence** means alignment of the standards of different standard setters with a certain rate of compromise, by adopting the requirements of the standards either fully or partially.

- Indian Accounting Standards are almost similar to IFRS but with few carve outs so as to make them suitable for Indian Environment.

- Ind AS are named and numbered in the same way as the corresponding International Financial Reporting Standards (IFRS).

1. Preparation & presentation of financial statements
2. Components of financial statements
3. Requirements under Schedule III and Guidance note
4. Key disclosures
5. Key principles
6. Key Ind AS Schedule III vs IGAAP Schedule III
7. Carve out

Preparation & presentation of financial statements

Preparation & presentation of financial statements

Objective :

- To prescribe basis for preparation of financial statements
- To ensure comparability with different entities

Schedule III
–
Companies Act, 2013
(General instructions)

Ind AS 1
–
Presentation of Financial statements

Guidance note
–
Issued by ICAI on Ind AS schedule III of Companies Act, 2013

MCA on April 06, 2016, amended Schedule III:

The amendment divides Schedule III into two parts i.e. Division I and II (also applicable for consolidated financial statements)

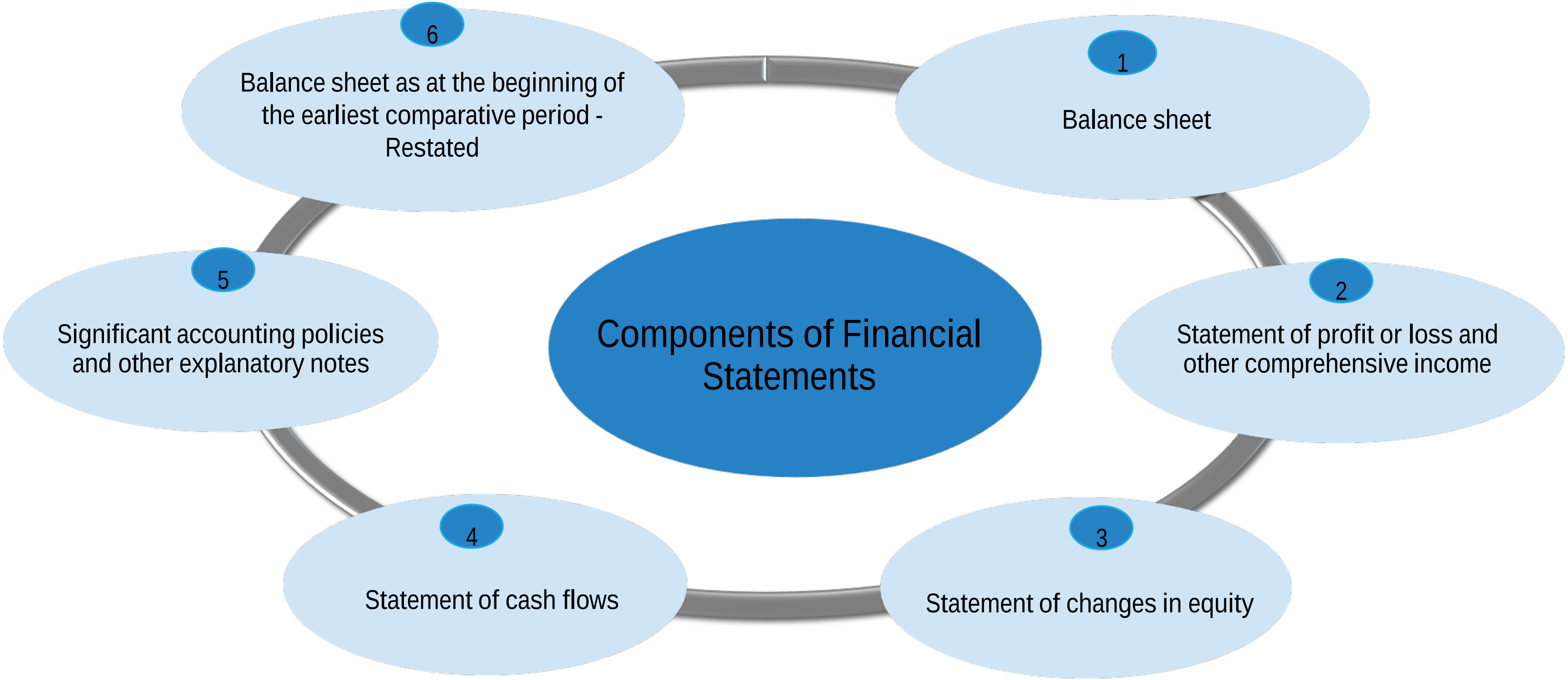
- Division I for AS compliant companies
- Division II for Ind AS compliant companies

Preparation & presentation of financial statements

Section	Descriptions
• Section 129	▪ Company to prepare financial statements in accordance with AS notified under section 133 and as per Schedule III.
• Section 133	▪ Central Government may prescribe the accounting standards as recommended by the Institute of Chartered Accountants of India.

Components of financial statements

Components of financial statements



Illustrative disclosures in Ind AS Financial Statements

Financial statements

- Balance sheet
- Statement of profit and loss
- Statement of changes in equity
- Statement of cash flows

Notes to the Financial statements

- Significant accounting policies
- Critical estimates and judgements

Notes to the balance sheet

- Property, plant and equipment
- Investment properties
- Intangible assets
- Financial assets
- Deferred tax assets
- Other non-current assets
- Inventories
- Other current assets
- Equity share capital and other equity
- Financial liabilities
- Provisions
- Deferred tax liabilities
- Current tax liabilities
- Other current liabilities

Notes to the statement of profit and loss

- Revenue from operations
- (a) Other income
  (b) Other gains/(losses)
- (a) Cost of materials consumed
- (b) Changes in inventories of WIP, stock-in-trade and finished goods
- Employee benefit expense
- Depreciation and amortisation
- Other expenses
- Finance costs
- Income tax expense

Illustrative disclosures in Ind AS Financial Statements

Financial instruments and risk management

- Fair value measurements
- Financial risk management
- Capital management

Group information, acquisitions and disposals

- Segment information
- Business combinations
- Discontinued operation
- Related party transactions

First-time adoption of Ind AS

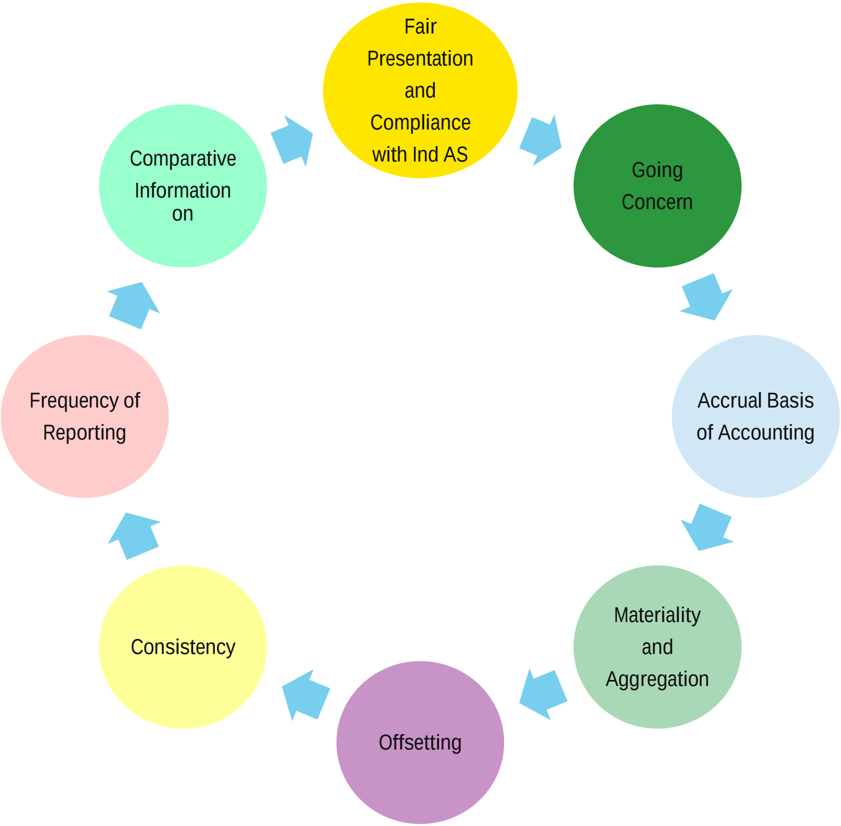
- Exemptions and exceptions availed
- Reconciliation of equity and total comprehensive income
- Notes to first-time adoption

Other information

- Contingent assets / liabilities
- Commitments
- Events occurring after the reporting period
- Share-based payments
- Earnings per share
- Offsetting financial assets and liabilities
- Additional information required by Schedule III

Key features of Financial Statements

Key features of Financial Statements



1. Fair presentation and compliance with Ind AS

- An explicit and unreserved statement of compliance

- Cannot rectify inappropriate accounting policies by disclosure

2. Going Concern

- Ind AS 1 states that it is management's responsibility to:

<u>Assess</u> the entity's ability to continue as a going concern

<u>Prepare</u> financial statements on a going concern basis

Disclose material uncertainties which may affect the going concern concept.

3. Accrual basis of accounting

- An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.
- When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Framework.

4. Materiality and aggregation

- An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial except when required by law.
- If a line item is not individually material, it is aggregated with other items. An item that is not sufficiently material to warrant separate presentation may warrant separate presentation in the notes.
- An entity need not provide a specific disclosure required by an Ind AS if the information is not material except when required by law.

5. Offsetting

- Ind AS 1 requires that an entity should not offset assets and liabilities or income and expenses, UNLESS required or permitted by an Ind AS.
- Following are some of the examples :

#	Particulars	Remarks
1	Offsetting of deferred tax assets and liabilities	▪ Allowed as per the principles of Ind AS 12.
2	Measuring inventories net of obsolescence allowances	▪ This is not offsetting. ▪ This is the measurement principle governed by Ind AS 2
3	Measuring trade receivables net of doubtful debts allowances	▪ This is not offsetting. ▪ This is the measurement principle governed by Ind AS 109.
4	Revenue net of any trade discounts and volume rebates.	▪ Allowed as per the measurement principles of Ind AS 115.

6. Consistency of presentation

1. An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:

2. The consistency of presentation can be changed in the following scenario :

   - Due to the significant change in the nature of the entity's operations or a review of its financial statements, it is apparent that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in Ind AS 8; or

   - an Ind AS requires a change in presentation.

Example :

- A significant acquisition or disposal, or a review of the presentation of the financial statements, might suggest that the financial statements need to be presented differently.
- An entity changes the presentation of its financial statements only if the changed presentation provides information that is reliable and more relevant to users of the financial statements and the revised structure is likely to continue, so that comparability is not impaired.
- When making such changes in presentation, an entity reclassifies its comparative information.

7. Frequency of reporting

- Present a complete set of financial statements (including comparative information) at least annually.
- If period is longer or shorter than one year, disclose, in addition to the period covered by the financial statements:
  - the reason for using a longer or shorter period, and
  - the fact that amounts presented in the financial statements are not entirely comparable

8. Comparative information

For all previous periods	• **Numerical** comparative information • **Narrative** comparative information
Reclassification	• Reclassify comparative amounts unless impracticable • Disclose nature, amount and reason for reclassification
If impracticable to reclassify	• Reason for not classifying • Nature of adjustments that would have been made if amounts had been reclassified

9. Change in accounting policy, retrospective restatement or reclassification

Requirement for a third balance sheet

- Ind AS 1 requires an entity to include a balance sheet as at the beginning of the preceding period if the reporting entity has:
  - Retrospectively applied an accounting policy,
  - Retrospectively restated items in the financial statements,
  - Reclassified items in the financial statements,

- An additional balance sheet is required as at the beginning of the preceding period only if the change has a material effect on that additional statement.

Format of balance sheet and statement of profit & loss

Balance sheet – Assets – Schedule III

Particulars	Note no.	Current year	Previous year
ASSETS			
(1) Non-current assets			
(a) Property, Plant and Equipment			
(b) Capital work-in-progress			
(c) Investment Property			
(d) Goodwill			
(e) Other Intangible assets			
(f) Intangible assets under development			
(g) Biological Assets other than bearer plants			
(h) Financial Assets			
(i) Investments			
(ii) Trade receivable			
(ii) Loans			
(iii) Others(to be specified)			
(i) Deferred tax assets (net)			
(j) Other non-current assets			
(2) Current assets			
(a) Inventories			
(b) Financial Assets			
(i) Investments			
(ii) Trade receivables			
(iii) Cash and cash equivalents			
(iv) Bank balances other than (iii) above			
(v) Loans			
(vi) Others (to be specified)			
(c) Current Tax Assets (Net)			
(d) Other current assets			
TOTAL			

New nomenclature / concepts

Balance sheet – Assets – Schedule III

Particulars	Note no.	Current year	Previous year
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share capital			
(b) Other Equity			
Liabilities			
(1) Non-current liabilities			
(a) Financial Liabilities			
(i) Borrowings			
(ii) Trade payable			
(ii) Other financial liabilities (other than those specified in item (b), to be specified)			
(b) Provisions			
(c) Deferred tax liabilities (Net)			
(d) Other non-current liabilities			
(3) Current liabilities			
(a) Financial Liabilities			
(i) Borrowings			
(ii) Trade payables			
(A) Total outstanding dues of MSMEs			
(B) Total outstanding dues of creditors other than MSMEs			
(iii) Other financial liabilities			
(b) Other current liabilities			
(c) Provisions			
(d) Current Tax Liabilities (Net)			
TOTAL			

New nomenclature / concepts

Statement of profit and loss – Schedule III

Particulars	Note no.	Current year	Previous year
I. Revenue from operations			
Other income			
Total revenue			
II. Expenses: Cost of materials consumed Purchases of stock-in-trade Changes in inventories of finished goods, stock-in-trade and work-in-progress Employee benefits expense Finance costs Depreciation and amortisation expense Other expenses Total expenses			
III Profit before exceptional items and tax (I – II)			
IV Exceptional items			
V Profit before tax (III - IV)			
VI Tax expense: 1. Current tax 2. Deferred tax			

Classification based on nature of expenses

Statement of profit and loss – Schedule III

Particulars	Note no.	Current year	Previous year
VII. Profit/ (loss) for the period from continuing operations (V - VI)			
VIII. Profit/ (loss) from discontinued operations			
IX. Tax expense of discontinued operations			
X. Profit/ (loss) from discontinued operations (after tax) (VIII - IX)			
XI. Profit/ (loss) for the period (VII + X)			
XII. Other Comprehensive Income A (i) Items that will not be reclassified to profit or loss (ii) Income tax relating to items that will not be reclassified to profit or loss B (i) Items that will be reclassified to profit or loss (ii) Income tax relating to items that will be reclassified to profit or loss			
XIII. Total Comprehensive Income for the period (XI + XII)			
XIV. Earnings per equity share (for continuing operation): (1) Basic (2) Diluted			
XV. Earnings per equity share (for discontinued operation): (1) Basic (2) Diluted			
XVI. Earnings per equity share(for discontinued & continuing operations): (1) Basic (2) Diluted			

Separate section in statement of profit and loss

Other Comprehensive Income

Other comprehensive income

- Other comprehensive income comprises items of income and expense that are not recognised in profit or loss as required or permitted by other Ind AS.
- Certain examples of items in Other Comprehensive Income.

OCI Items	
To be reclassified to Profit or loss in subsequent periods	Not to be reclassified to Profit or loss in subsequent periods
1. Gain or loss on hedge of a net investment	1. Re-measurement gains/ (losses) on defined benefit plans
2. Net movement on cash flow hedges	2. Revaluation of PPE and Intangibles
3. Net (loss)/gain on FVTOCI debt securities	3. Net (loss)/gain on FVTOCI equity Securities
4. Exchange differences on translation of foreign operations	4. Capital reserve (common control transaction)
5. Share of profit or loss in Associates and Joint ventures	5. Share of profit or loss in Associates and Joint ventures

- Current tax and deferred tax relating to the items recognised in OCI shall be recognised in OCI only.

Requirements under Schedule III and Ind AS 1

Key considerations for preparation of financial statements

- Comparative information :
  - Financial Statements shall contain the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes to the financial statements.

- Specific disclosures required by any Act :
  - Where any Act or Regulation requires specific disclosures to be made in the standalone financial statements of a company, the said disclosures shall be made in addition to those required under this Schedule.

- Materiality :
  - Financial Statements shall disclose all ‘material’ items, i.e., the items if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. <u>Materiality depends on the size or nature of the item or a combination of both, to be judged in the particular circumstances.</u>

- Additional disclosure requirement :
  - The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Indian Accounting Standards.

Key considerations for preparation of financial statements

- Rounding off :

Turnover	Rounding off
(i) Less than INR 100 Cr	▪ To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(ii) INR 100 Cr or more	▪ To the nearest, lakhs, millions or crores, or decimals thereof.

Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

- Specific disclosures to be made as per the requirement of any Act / Regulation.
- Cross-referencing to related information in notes to accounts.

Current and non-current assets

- An entity shall classify an asset as current when:

a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

b) it holds the asset primarily for the purpose of trading;

c) it expects to realise the asset within twelve months after the reporting period; or

d) the asset is cash or a cash equivalent (as defined in Ind AS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

An entity shall classify all other assets as non-current

Operating cycle

- The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.
- Time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months.
- Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period.

Current and non-current assets

- An entity shall classify a liability as current when:

a) it expects to settle the liability in its normal operating cycle;
b) it holds the liability primarily for the purpose of trading;
c) the liability is due to be settled within twelve months after the reporting period; or
d) 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 liabilities as non-current

Property, Plant and Equipment, Goodwill and Other Intangible Assets

Disclosure of Property Plant and Equipment, Goodwill and other intangible assets

Particulars	Freehold Land	Leasehold land	Building	Plant and equipment	Total	Software	Goodwill
Cost							
At 1 April 2018	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-
At 31 March 2019	-	-	-	-	-	-	-
Additions during the year	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-
At 31 March 2020	-	-	-	-	-	-	-
Depreciation							
At 1 April 2018	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-
At 31 March 2019	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-
At 31 March 20	-	-	-	-	-	-	-
Net book value							
At 1 April 2018	-	-	-	-	-	-	-
At 31 March 2019	-	-	-	-	-	-	-
At 31 March 2020	-	-	-	-	-	-	-

Property, Plant and Equipment, Goodwill and Other Intangible Assets

- Reconciliation : Company can disclose the information regarding gross block of assets, accumulated depreciation and provision for impairment under previous GAAP, as an additional information by way of a note forming part of the financial statements

- Land and building are presented as two separate classes of property, plant and equipment.

- Assets under lease shall be separately specified under each class of assets.

- Word "Property, Plant and Equipment" to be used instead of "Tangible Assets".

- As per schedule III, Goodwill to be shown separately on the face of balance sheet and should not be treated as a part of intangible assets.

- As per Ind AS 101, Entity can elect to measure items of PPE / intangibles at the date of transition to Ind AS at:
  - ✓ Fair value / revaluation as deemed cost or
  - ✓ Previous GAAP carrying value as deemed cost

  The deemed cost considered on the date of transition shall become the new 'gross block'.

- Present value of Decommissioning cost will be part of respective asset, i.e. for assets for which there is asset retirement obligation.

Leases

Presentation of right of use assets in balance sheet

Particulars	Amount
Assets	
Non current assets	
(a) Property, plant and equipment	XXX
(b) Right-of-use assets	XXX
(c) Other non current assets	XXX
Total non current assets	**XXX**

Presentation of lease liabilities in balance sheet

Equity and liabilities	
Liabilities	
Non current liabilities	
(a) Borrowings	XXX
(b) Lease liabilities	XXX
Current liabilities	
(a) Borrowings	XXX
(b) Lease liabilities	XXX
(c) Trade payables	XXX

Leases

Presentation of interest, depreciation and other lease related expenses

Particulars	Amount
Depreciation charge for right-of-use assets	XXX
Interest expense on lease liabilities	XXX
Expense relating to short-term leases	XXX
Expense of low-value lease items	XXX
Expense relating to variable lease payments not included in lease liabilities	XXX

Apart from above, an entity needs to present the following income/expense it its statement of profit/loss:

- Income from sub-leasing right-of-use assets
- Gains or losses arising from sale-and-leaseback transactions

Presentation in Cash flow statement

- Total cash outflow for leases

Inventories

Inventories

- Inventories shall be classified as:

Particulars	Amount
Raw material	XXXX
Work in progress	XXXX
Finished goods	XXXX
Stock-in-trade (in respect of goods acquired for trading)	XXXX
Stores and spares	XXXX
Other (specify nature)	XXXX
Total	XXXX

- Goods in transit shall be disclosed under relevant sub-head.
- <u>Mode of valuation of each inventory</u> shall be disclosed separately.

Financial Assets

Investments

- Non current and current investments shall be Classification as:

Particulars	Amount
Investment in equity shares (Quoted / unquoted)	-
Investment in preference shares (Quoted / unquoted)	-
Investment in government securities (Quoted / unquoted)	-
Investment in mutual fund (Quoted / unquoted)	-
Investment in debentures/bonds (Quoted / unquoted)	-
Other investments (specify nature) (Quoted / unquoted)	-
Total	-

- Under each classification detail is to be given of bodies corporates that are: <u>Investment in subsidiaries, associates, joint ventures and structured entities.</u>
- The following needs to be disclosed in case of Investments:
  (a) Aggregate amount of quoted investments
  (b) Aggregate amount of unquoted investments
  (c) Aggregate amount of impairment in value of investments

Financial Assets

Trade Receivables

- Non-current/current trade Receivables, shall be sub-classified as:

Particulars	Amount
Secured, considered good	XXXX
Unsecured, considered good	XXXX
Which have significant increase in credit risk	
Credit impaired	XXXX
Subtotal	XXXX
Less: Allowance for bad and doubtful debts	XXXX
Total	XXXX

- Debt due by director or other officer to be disclosed separately.
- Ind AS Schedule III does not require presentation of trade receivables outstanding for a period exceeding six months from the date they are due for payment.
- The amount of credit loss that is expected on that trade receivable will be disclosed as ‘doubtful’. Remaining amount shall be disclosed as ‘good’.

Financial Assets

Loans

- Non-current/current loans, shall be sub-classified as:

Particulars	Amount
Security deposits	XXXX
Loan to related parties	XXXX
Other loans (specify nature)	XXXX
Total	XXXX

- Above shall be classified as secured, unsecured and doubtful.
- The amount of credit loss that is expected on that loan will be disclosed as ‘doubtful’.

Other financial assets

- Bank deposits with more than 12 months maturity should be classified under ‘Other Financial Assets’. The maturity should be construed as remaining maturity of more than 12 months.

Financial Assets

Cash and cash equivalents

- Cash and cash equivalents will be sub-classified as:

Particulars	Amount
Balance with banks	
- in current accounts	XXXX
- In EEFC accounts (Exchange earners foreign currency)	XXXX
Deposit with original maturity of less than 3 months	XXXX
Cash on hand	XXXX
Total	XXXX

- Following to be disclosed separately:
  - ✓ Earmarked balance with bank
  - ✓ Balance with bank held as margin money
  - ✓ Repatriation restriction on cash and bank balance
- <u>Bank balances other than cash and cash equivalents</u> shall be disclosed separately on the face of the Balance Sheet.
- <u>Bank overdraft</u> will be included in borrowings. However, for cash flow purpose, same will form the part of cash and cash equivalents.

Other Assets

Other assets (non financial)

- Other assets Non-current/current shall be sub-classified as:

Particulars	Amount
Capital advances	XXXX
Advances to related parties	XXXX
Prepayments	XXXX
Other advances (specify nature)	XXXX
Total	XXXX

- Capital advances will always be classified ‘non-current assets’.
- Advances (other than financial asset) are required to be classified under ‘other non-current/current assets’ which were previously being classified under ‘Long term/Short term loans and advance’.

Tax related assets and liabilities

- Year wise assessment for tax assets or liabilities.
- If tax paid exceeds the amount of tax due for those periods, then such excess tax shall be recognised as an asset.

Equity - Statement of changes in equity

Unlike Indian GAAP, Ind AS 1 requires the presentation of Statement of changes in equity. The statement comprises of the following sections:

a. Equity share capital

Balance at the beginning of the reporting period	Changes in equity share capital during the year	Balance at the end of the reporting period

b. Other equity

Format of other equity is as given below:

Particulars	Share application money pending allotment	Equity component of compound financial instruments	Reserve and Surplus				Debt instruments through OCI	Equity Instruments through OCI	Effective portion of Cash Flow Hedges	Revaluation Surplus	Forex Gain / Loss on foreign operation	Other items of OCI	Total
			Capital Reserve	Securities Premium Reserve	Other Reserves	Retained Earnings							
Opening Balance													
Profit / loss for the year													
OCI													
Total OCI													
Adjustments :-													
Transfer to retained earnings													
Others													
Closing Balance													

Equity - Statement of changes in equity

- Equity Share Capital: For each class of equity share capital:
  (a) Number and amount of shares authorised;
  (b) Number of shares issued, subscribed and fully paid, and subscribed but not fully paid;
  (c) Par value per share;
  (d) Reconciliation of the number of shares outstanding at the beginning and at the end of the period;
  (e) Rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;
  (f) Shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;
  (g) Shares in the company held by each shareholder holding more than 5% shares specifying the number of shares held;
  (h) Shares reserved for issue under options and contracts or commitments for the sale of shares or disinvestment, including the terms and amounts;
  (i) calls unpaid
  (j) forfeited shares

- ‘Other Reserves’ shall be classified in the notes as-
  (a) Capital Redemption Reserve;
  (b) Debenture Redemption Reserve;
  (c) Share Options Outstanding Account; and
  (d) Others – Specify the nature and purpose of each reserve

- Debit balance of statement of profit and loss shall be shown as a negative figure under the head ‘retained earnings’.

Financial Liabilities

Borrowings

1. Non-current and current borrowing will be classified as:

Particulars	Amount
Bonds and debentures	XXXX
Term loan from banks and others	XXXX
Deferred payment liabilities	XXXX
Loan from related parties	XXXX
Liability component of a compound financial instruments	XXXX
Other loans (specify nature)	XXXX
Total	XXXX

- In case of long term borrowing terms of repayment of term loans and other loans shall be disclosed.
- Borrowings shall also include 'Liability component of compound financial instruments'.
- Preference shares shall be classified as 'Equity' or 'Liability'.
- Deferred payment liability includes for which payment is to be made on deferred credit terms. E.g. deferred payment for acquisition of Property, Plant and Equipment, etc.
- Ind AS require an entity to disclose only those breaches made during the reporting period, which permitted the lender to demand accelerated repayment and, were not remedied on or before the end of the reporting period.

Financial Liabilities

Trade payables

- Non-current and current trade payables will be classified as:

Particulars	Amount
1) Trade payable due to MSMED	XXXX
2) Trade payable due to other than MSMED	
- Due to related parties	XXXX
- Due to others	XXXX
Total	XXXX

- Trade payables of non-current in nature are required to be disclosed separately on the face of the balance sheet under head ‘Non-current liabilities’, sub head ‘Financial liabilities’.
- The Micro, Small and Medium Enterprises Development (MSMED) disclosure to be provided.

Financial Liabilities

Other financial liability

- Other financial liability Non-current and current will be classified as:

Particulars	Amount
Current maturity of long term debt (Only current financial liability)	XXXX
Interest accrued	XXXX
Unpaid dividends	XXXX
Unpaid matured deposits and interest accrued thereon	XXXX
Unpaid matured debentures and interest accrued thereon	XXXX
Others (specify nature)	XXXX
Total	XXXX

Provisions

Provisions

- Provisions non-current and current will be classified as:

Particulars	Amount
Provision for employee benefits:	
Provision for gratuity	XXXX
Provision for compensated absence	XXXX
Provision for cash settled share based payments	XXXX
Other provisions:	
Provision for warranty	XXXX
Provision for decommissioning	XXXX
Provision for litigations	XXXX
Total	XXXX

- Unconditional right to defer – compensated absence:
  In case of accumulated leave outstanding, when employees has right to avail the leave at any time during the year the same needs to be classified as "current" even though the same is measured as 'other long-term employee benefit' as per Ind AS-19 Employee Benefits.

Deferred tax assets/liabilities

Deferred tax assets/liabilities

- Other liabilities non-current and current will be classified as:

Particulars	Amount
Deferred tax assets relates to the following:	
Provision for employee benefits	XXXX
Carry forward tax loss and Unabsorbed depreciation	XXXX
Provision for decommissioning	XXXX
MAT Credit entitlement	XXXX
Deferred tax liability relates to the following:	
Property, plant and equipment	XXXX
Fair valuation of mutual fund	XXXX
Total deferred tax assets/(liabilities) (Net)	XXXX

- MAT credit entitlement to be grouped with Deferred tax asset (net).
- Effective tax reconciliation need to be prepared.

Other liabilities

Other liabilities (non financial)

- Other liabilities non-current and current will be classified as:

Particulars	Amount
Deferred revenue	XXXX
Prepaid expenses	XXXX
Deferred asset (discounted portion of security deposit paid)	XXXX
Others (specify nature)	XXXX
Total	XXXX

- Others may include liabilities in the nature of statutory dues such as Withholding taxes, Service Tax, VAT, Excise Duty, Goods and Services Tax (GST), etc.

Revenue

Revenue from operations

- Revenue from operations will be classified as:

Particulars	Amount
Sale of products	XXXX
Sale of services	XXXX
Other operating revenues	XXXX
- Rental income	XXXX
Total	XXXX

- The term “other operating revenue” is not defined. This would include either its principal or ancillary revenue generating activities, but which is not revenue arising from sale of products or rendering of services.
- <u>Excise duty will be part of sale of products.</u>

Other income

Other income

- Other income will be classified as:

Particulars	Amount
Interest income	XXXX
Dividend income	XXXX
Other non-operating income (net of expenses directly attributable to such income)	XXXX
Total	XXXX

- ‘Interest Income’ for financial assets measured at amortized cost and for financial assets measured at FVOCI, calculated using effective interest method, should be presented in separate line items under Other Income’.

Employee benefit expenses

- Employee benefit expenses will be classified as:

Particulars	Amount
Salaries and wages	XXXX
Contribution to provident and other funds	XXXX
Share based payments to employees	XXXX
Staff welfare expenses	XXXX
Total	XXXX

- Where a separate fund is maintained for Gratuity payouts, contribution to Gratuity fund should be disclosed under the sub-head Contribution to provident and other funds.
- Penalties paid to the statutory authorities are not in the nature of ‘contribution’ and should not be part of ‘Contribution to provident and other funds’.

Finance costs

Finance costs

- Finance costs will be classified as:

Particulars	Amount
Interest	-
Dividend on redeemable preference shares	-
Exchange differences regarded as an adjustment to borrowing cost	-
Other borrowing cost (specific nature)	-
Total	-

- Interest on financial liabilities measured at amortized cost need to be calculated as per the effective interest method.
- Other includes unwinding of the discount on financial liabilities and provisions (provision for decommissioning liability).
- Finance charges on finance leases that are in the nature of interest expense.
- Net interest on net defined benefit liability which reflects the change in net defined benefit liability that arises from the passage of time.
- Dividend on preferences shares, whether redeemable or convertible, is of the nature of interest expense, only where there is no discretion of the issuer over the payment of such dividends.

Other disclosures

Earning per shares

- Unlike Indian GAAP, Schedule III requires separate disclosure of the earning per share for continuing and discontinuing operations.

Disclosure on account of materiality

- Any item of expenditure which exceed 1% of revenue from operation or Rs.1,000,000 to be disclosed by notes.

Classification of financial assets and liabilities

- As per Ind AS 109 every financial asset will be classified and disclosed as 1) Amortised cost, 2) FVTPL or 3) FVTOCI.
- As per Ind AS 109 every financial liability will be classified and disclosed as 1. amortised cost, or 2. FVTPL

Other disclosures not required under Ind AS Schedule III

Unlike Non-Ind AS Schedule III, Ind AS Schedule III does not require following disclosures:

- **Value of imports calculated on C.I.F basis** by the company during the financial year in respect of:
  I. Raw materials;
  II. Components and spare parts;
  III. Capital goods;

- **Expenditure in foreign currency** during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;

- Total value if all **imported raw materials**, spare parts and components consumed during the financial year and the total value of all **indigenous raw materials**, spare parts and components similarly consumed and the percentage of the each of the total consumption.

- There is **no concept of Prior period items** and any retrospective application of accounting policy. Requires restatement of comparative period.

Key considerations for preparation of consolidated financial statements

- Split between 'non-controlling interests' and 'owners'
  - profit or loss
  - other comprehensive income
  - total comprehensive income
  - statement of changes in equity
- Presentation of 'non-controlling interests' within equity in balance sheet
  - separate from equity of 'owners of the parent'
- Additional information

Additional information - CFS

Name of the entity of the group	Net assets		Share in profit or loss		Share in OCI		Share in total comprehensive income	
	% of consolidated net assets	INR	% of consolidated profit or loss	INR	% of consolidated OCI	INR	% of consolidated total comprehensive income	INR
Parent								
Subsidiaries *(Indian and foreign subsidiary to be specified separately)*								
NCI in all subsidiaries								
Associates *(Indian and foreign associate to be specified separately)*								
Joint ventures (JV) *(Indian and foreign JV to be specified separately)*								

- All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements.
- Disclosure shall be made for the subsidiaries or associates or joint ventures which have not been consolidated in the consolidated financial statements along with the reasons.

Breach of a material provision of long-term loan arrangement

Case	Particulars		Classification
	Borrower' action	Lender's action	
I	Breach on or before balance sheet date	▪ Lender demanded payment on or before balance sheet date	▪ Current
II		▪ Lender demanded payment after balance sheet date but before approval of financial statements	▪ Current
III		▪ Lender agreed not to demand payment on or before balance sheet date	▪ Non-current
IV		▪ Lender agreed not to demand payment after balance sheet date but before approval of financial statements	▪ Non-current
V	Breach on or before balance sheet date	▪ Lender agreed to provide a grace period of atleast 12 months from reporting date	▪ Non-current
VI	Breach on or before balance sheet date	▪ Lender agreed to provide a grace period of less than 12 months from reporting date	▪ Current
VII	Breach after balance sheet date but before approval of financial statements	-	▪ Non-current

Key Difference b/w –
Ind AS III vs Indian GAAP Schedule III

Key Ind AS Schedule III vs IGAAP Schedule III

Area	Ind AS Schedule III	IGAAP Schedule III
BS order	➢ Order for Balance sheet is Assets to liability from Top to Bottom.	➢ Order for Balance sheet is liability to Assets from Top to Bottom.
Additional items in BS	➢ Items like financial assets, financial liabilities, investment property etc.	➢ No such items exists in schedule III.
Cash and bank	➢ Cash and cash equivalent and other bank balances to be shown as a separate heading in BS.	➢ Cash and bank balances will be shown as a single line item in BS.
OCI	➢ Other comprehensive income to be shown as a part profit and loss.	➢ No such requirement.
SOCIE	➢ Statement of changes in Equity as a separate component of financial statement.	➢ No such separate statement. ➢ Form a part of Reserve and surplus.

Difference between Indian GAAP and Ind AS

GAAP Differences

Particulars	Ind AS	Indian GAAP
▪ Explicit Statement of Compliance	▪ An enterprise shall make an explicit statement in the financial statements of compliance with all the Indian Accounting Standards.	▪ No such requirement exists.
▪ Current and Non-current Classification	▪ Ind AS 1 requires presentation and provides criteria for classification of Current / Non- Current assets / liabilities	▪ No such requirement exists under AS. ▪ However, Schedule III provides the guidance on the same.
▪ Inclusion of Comparative Information	▪ As per Ind AS 1, an entity shall include certain comparative information for understanding the current period's financial statements.	
▪ Comparative Balance Sheets	▪ Ind AS 1 requires presentation of balance sheet as at the beginning of the earliest period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in the financial statements, or when it reclassifies items in its financial statements.	
▪ Extraordinary Items	▪ Ind AS 1 prohibits presentation of any item as 'Extraordinary Item' in the statement of profit and loss or in the notes.	▪ Presentation of Extraordinary Item is allowed under Indian GAAP.

GAAP Differences

Particulars	Ind AS	Indian GAAP
▪ Classification of Long -term Loan Arrangement	▪ Ind AS 1 clarifies that long term loan arrangement need not be classified as current on account of breach of a material provision, for which the lender has agreed to waive before the approval of financial statements for issue.	▪ No such requirement exists.
▪ Disclosure of Reclassified Items	▪ In respect of reclassification of items, Ind AS 1 requires disclosure of nature, amount and reason for reclassification in the notes to financial statements.	
▪ Statement of Changes in Equity	▪ Ind AS 1 requires the financial statements to include a Statement of Changes in Equity to be shown as a separate statement, which, inter alia, includes reconciliation between opening and closing balance for each component of equity.	
▪ Statement of Other Comprehensive Income	▪ Ind AS 1 requires that an entity shall present a single statement of profit and loss, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section.	
▪ Classification of Expenses	▪ Ind AS 1 requires classification of expenses to be presented based on nature of expenses.	▪ Same under Indian GAAP.

Carve Out

Carve out

As per IFRS

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

As per Ind AS

- Ind AS 1 clarifies that where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, **<u>the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue,</u>** not to demand payment as a consequence of the breach

Case Studies

Reclassification

Facts

- A Ltd. has a loan with a 7-year term which was originally due for repayment in 2021.
- The loan is carried at amortised costs, including fees of INR 5 lacs, which is amortised to statement of profit and loss over the period of time using the effective rate method.

Question

- If due to certain circumstances, the loan is reclassified to current, what would be the impact of that classification on the un-amortised portion of fees?

Response

- Also to be reclassified

Thank you