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PRESENTATION ON

OVERVIEW OF IND AS INCLUDING CARVE OUTS

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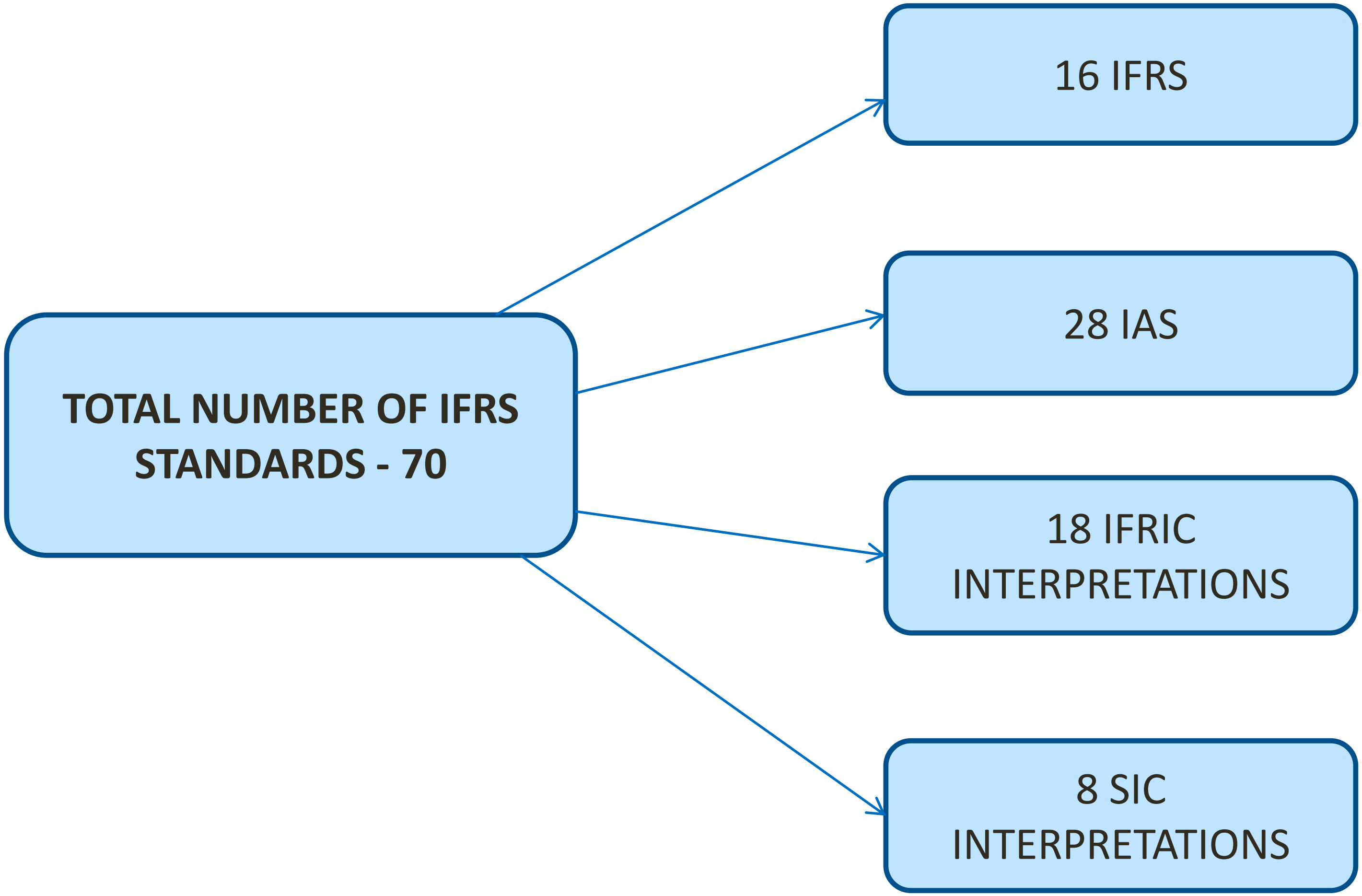
Overview

- Need for International Financial Reporting Standards
- List of Ind AS
- IFRS Convergence road map
- AS' and 'Ind AS' - A Comparison
- Financial Instruments
- Carve-outs

Need for International Financial Reporting Standards?

IFRS comprises of:



IND AS comprises of:

TOTAL NUMBER OF IND AS - 40

- 26+14 Ind AS
- INTERPRETATIONS (as appendices to respective Ind ASs)

List of IND AS :

1. Ind AS 1 Presentation of Financial Statements
2. Ind AS 2 Inventories
3. Ind AS 7 Statement of Cash Flows
4. Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
5. Ind AS 10 Events after the Reporting Period
6. Ind AS 11 Construction Contracts (will be superseded by Ind AS 115)
7. Ind AS 12 Income Taxes
8. Ind AS 16 Property, Plant and Equipment
9. Ind AS 17 Leases
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11. Ind AS 19 Employee Benefits
12. Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance
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14. Ind AS 23 Borrowing Costs

List of IND AS :

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32. Ind AS 106 Exploration for and Evaluation of Mineral Resources
33. Ind AS 107 Financial Instruments: Disclosures
34. Ind AS 108 Operating Segments
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36. Ind AS 110 Consolidated Financial Statements
37. Ind AS 111 Joint Arrangements
38. Ind AS 112 Disclosure of Interests in Other Entities
39. Ind AS 113 Fair Value Measurement
40. Ind AS 114 Regulatory Deferral Accounts

IFRS Deferred

IFRS 15: Revenue from Contracts with Customers

Effective from 1st January 2018

(Ind AS 115 already issued, but deferred vide MCA Notification dated 30th March, 2016)

IFRS 16: Leases

Effective from 1st January 2019
Corresponding Ind AS to be issued

IFRS Convergence road map

For companies other than banking companies, insurance companies and nonbanking finance companies, implementation of Ind AS is as follows:

On voluntary basis:

• For accounting periods beginning on or after 1 April 2015, with the comparatives for the periods ending 31 March 2015 or thereafter.

On mandatory basis:

• For accounting periods beginning on or after 1 April 2016, with comparatives for the periods ending 31 March 2016, or thereafter, for:

– companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of Rs. 500 crore or more;

– companies other than listed and having net worth of Rs. 500 or more;

– holding, subsidiary, joint venture or associate companies of the above companies.

IFRS Convergence road map

On mandatory basis (cont.)

- For accounting periods beginning on or after 1 April 2017, with comparatives for the periods ending 31 March 2017, or thereafter, for:

– companies whose equity and/or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than Rs. 500 crore

– unlisted companies having net worth of Rs. 250 crore or more (less than Rs. 500 crore)

– holding, subsidiary, joint venture or associate companies of the above class of companies.

IFRS Convergence road map

- Scheduled Commercial Banks, (excluding RRBs), Insurers/Insurance Companies and Non-Banking Finance Companies (NBFCs), will start in phased manner from the accounting period beginning 1 April 2018.

- Urban Co-operative Banks (UCBs) and Regional Rural Banks (RRBs) shall not be required to apply Ind AS and shall continue to comply with the existing standards for time being.

‘AS’ and ‘Ind AS’

A Comparison

Key Differences 'AS' and 'Ind-AS'

AS –1 Disclosure of Accounting policies	Ind AS -1 Presentation of financial statements
A complete set of financial statements includes: • balance sheet, • statement of profit and loss, • cash flow statement and • explanatory notes including summary of accounting policies.	**A complete set of financial statements includes:** • a balance sheet at the end of the period • a statement of profit and loss for the period: Comprising of Profit & Loss for the period and **Other Comprehensive Income** • **a statement of changes in equity for the period** • a statement of cash flows for the period • notes, comprising significant accounting policies and other explanatory notes

Key Differences 'AS' and 'Ind-AS'

AS –1 Disclosure of Accounting policies	Ind AS -1 Presentation of financial statements
Structure of Financial Statements:	
Schedule III (Division I) prescribes mandatory formats for balance sheet and statement of profit and loss.	Ind AS-compliant Schedule III (Division II) to the Companies Act, **notified on 6 April 2016.**
Format for presentation: Balance Sheet – Equity, Liabilities and Assets	Balance Sheet – Assets, liabilities and Equity. Further, Financial and Non-Financial Assets/Liabilities are disclosed separately.

Key Differences 'AS' and 'Ind-AS'

Profit or loss i.e. part of 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.

- Changes in revaluation surplus where the revaluation method is used under **Ind AS 16 and Ind AS 38**
- Remeasurement of a net defined benefit liability or asset recognised in accordance with **Ind AS 19**
- Exchange differences from translating functional currencies into presentation currency in accordance with **Ind AS 21**
- Gains and losses on financial assets or from investments in equity instruments designated at fair value through other comprehensive income in accordance with **Ind AS 109**
- The effective portion of gains and losses on hedging instruments in a cash flow hedge under **Ind AS 109**
- The effects of changes in the credit risk of a financial liability designated as at fair value through profit and loss under **Ind AS 109.**
- Changes in the value of certain options and forward contracts as per **Ind AS 109.**

Key Differences 'AS' and 'Ind-AS'

AS-2 Valuation of Inventories	Ind AS-2 Inventories
Scope: Service providers inventory is out of scope.	Inventories of service providers included.
Cost formula: Para 16 of AS-2 specifically Provides that the formula used in determining the cost of an item of inventory should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.	IND AS-2 requires the use of consistent cost formulas 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.

Key Differences 'AS' and 'Ind-AS'

AS-3 Cash Flow Statement	Ind AS-7 Statement of Cash flows
Bank Overdraft: Considered as financing activities	Where bank overdrafts which are repayable on demand form an integral part of an entity's cash management, they are included as a component of cash and cash equivalents.
Extraordinary Items: To be disclosed separately as operating, investing and financing activities.	There is no concept of Extraordinary items in Ind AS.
Change in ownership interest in subsidiary without loss of control: No specific guidance.	Treated as financing activities.

Key Differences 'AS' and 'Ind-AS'

AS-5 Net Profit or loss for the period, prior period items and changes in accounting policies	Ind AS-8 Accounting Policies, Changes in Estimates and Error
Change in Accounting Policy Only if required by statute for compliance with AS or appropriate presentation of F/S on **Prospective** basis. However, change in method of depreciation is given retrospective effect though it is change in policy.	Retrospective application by adjusting opening balance of each affected component of equity for the earliest prior period presented and comparatives. Change in method of depreciation shall be accounted for as a change in an accounting estimate in accordance with Ind AS 8.
Rectification of errors/prior period items: Prospective effect.	Material Prior period items are given Retrospective effect.

Key Differences 'AS' and 'Ind-AS'

AS-4 Contingencies and Events occurring after the Balance Sheet Date	Ind AS-10 Events after the Reporting period
Dividend proposed or declared after BS date but before approval of financial statements: Recorded as provision. *As per revised AS 4 effective 1 Apr 2016, now the treatment of proposed dividend is in line with Ind AS and IFRS*	Recognised in the period when declared. It is a non-adjusting event.

Key Differences 'AS' and 'Ind-AS'

AS-4 Contingencies and Events occurring after the Balance Sheet Date	Ind AS-10 Events after the Reporting period
Classification of financial liabilities in case of refinancing or breach of covenants: No Specific Guidance	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.

Key Differences 'AS' and 'Ind-AS'

AS -22 Accounting for Taxes on Income	Ind AS -12 Income Taxes
Deferred taxes are computed for **timing differences** between the taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent period.	Deferred taxes are computed for **temporary differences** between the carrying amount of an asset or liability . It may comprise of: **(a) Taxable Temporary Differences** – will result in taxable amounts in the future when the carrying amount of the assets is recovered or the liability is settled. **(b) Deductible Temporary Differences** -will result in amounts that are tax deductible in the future when the carrying amount of asset is recovered or the liability is settled.

Key Differences 'AS' and 'Ind-AS'

AS -22 Accounting for Taxes on Income	Ind AS-12 Income Taxes
Recognition of taxes on items recognised directly in equity: No specific guidance	**Recognition of taxes on items recognised in other comprehensive income:** Taxes on items of OCI are recognised in OCI.

Key Differences 'AS' and 'Ind-AS'

Example : Taxable Temporary Difference

- An entity has an item of machinery whose cost is fully tax deductible.
- Depreciation under tax rate is higher that that under Ind AS 16.
- As at the Balance Sheet date:
  - Machinery has been depreciated to INR 500,000 for financial reporting
  - Tax WDV is INR 300,000

Tax base, accounting base and temporary difference is as follows.
Taxable temporary difference will give rise to DTL.

Accounting Base:	INR 500,000
Tax Base:	INR 300,000
Taxable Temporary Difference:	INR 200,000

Key Differences 'AS' and 'Ind-AS'

AS-6 Depreciation Accounting AS-10 Accounting for Fixed Assets	Ind AS-16 Property, Plant and Equipment
Dismantling Costs: No specific provision	The initial estimate of the costs of dismantling and restoring the site is required to be included in respective cost of asset.
Revaluation: Existing AS 10 recognises revaluation of fixed assets. It does not require the adoption of fair value basis as its accounting policy or revaluation of assets with regularity. It also provides an option for selection of assets within a class for revaluation on systematic basis.	Ind AS 16 requires an entity to choose either the **cost model or the revaluation model** as its accounting policy and to apply that policy to an entire class of property plant and equipment. It requires that under revaluation model, revaluation be made with reference to the fair value of items of property plant and equipment.

Key Differences 'AS' and 'Ind-AS'

AS-6 Depreciation Accounting AS-10 Accounting for Fixed Assets	Ind AS-16 Property, Plant and Equipment
Revaluation frequency: No specific requirement for frequency of revaluation.	Frequency of revaluation depends on changes in fair value.
Re-assessment of useful life and depreciation method: Nothing specific.	Requires annual re-assessment.
Replacement: Replacement cost is generally expensed when incurred - capitalised only when future benefit increased beyond previously assessed standard of performance.	Replacement cost is capitalised if recognition criteria is met. Derecognize previous replacement carrying amount.

Key Differences 'AS' and 'Ind-AS'

AS -19 Accounting for Leases	Ind AS -17 Leases
The standard excludes lease arrangements to use land.	Lease arrangements to use land are included in the scope of this standard.
AS -9 Revenue Recognition	**Ind AS -18 Revenue**
Revenue is recognised at the nominal amount of consideration receivable.	Revenue to be measured at fair value of the consideration received or receivable.
Interest is recognised on time proportion basis.	Interest recognised using effective interest rate method as covered in Ind AS 109.
AS -15 Employee Benefits	**Ind AS -19 Employee Benefits**
All actuarial gains or losses are recognised immediately in statement of profit or loss.	The remeasurement of the net defined benefit liability (asset)are recognised in OCI and not reclassified to profit or loss in subsequent period.

Key Differences 'AS' and 'Ind-AS'

AS -12 Accounting for Government Grants	Ind AS -20 Accounting for Government Grants and Disclosure of Government Assistance
Non-monetary grants: Accounted at Nominal value	Accounted at Fair Value.
Grant related to Fixed Asset: Grants related to non-depreciable assets are credited to capital reserves. Grants related to depreciable assets are either treated as deferred income and transferred to P&L in proportion to depreciation or deducted from cost of asset.	Grants related to fixed assets, including non-monetary grants at fair value, should be presented in balance sheet only by setting up the grant as deferred income.
Grants related to Promoter's contribution: Directly credited to shareholder's fund.	Grants are recognised as Income to match with the expenses in respect of related costs for which they are intended to compensate on systematic basis. Not credited to shareholder's fund.

Key Differences 'AS' and 'Ind-AS'

AS -11 The Effects of Changes in Foreign Exchange Rates	Ind AS -21 The Effects of Changes in Foreign Exchange Rates
AS-11 does not define functional currency. Reporting currency is the currency used in presenting the financial statements.	Functional currency is the currency of primary economic environment in which the entity operates. Presentation currency is the currency in which financial statements are presented.
AS-16 Borrowing Cost	**Ind AS-23 Borrowing Costs**
According to the explanation appearing in the definition of the term 'qualifying asset': ordinarily, a period of twelve months is considered as substantial period of time unless a shorter or longer period can be justified on the basis of facts and circumstances of the case.	There is no such explanation in Ind AS 23.

Key Differences 'AS' and 'Ind-AS'

AS-18 Related Party Disclosures	Ind AS-24 Related Party disclosures
Definition of Close member of family: No such definition. Instead the tem "relative" has been defined in relation to an individual as the spouse, son, daughter, brother, sister, father , mother who may be expected to influence, or be influenced by, that individual in dealings with enterprise.	**Close members** are those family members who may be expected to influence or be influenced by that person in their dealings with the entity and include: a) Father, mother, brother, sister b) Children, spouse or domestic partner c) Children of that person's spouse or domestic partner d) Dependents of that person or that person's spouse or domestic partner.

Key Differences 'AS' and 'Ind-AS'

AS-28 Impairment of Assets	Ind AS-36 Impairment of Assets
Annual Impairment Testing: No such requirement unless there is indication of impairment.	For Intangible asset with indefinite useful life, annual impairment testing is required even if no indication of impairment.
Reversal of impairment loss: An impairment loss recognised for goodwill should not be reversed in a subsequent period unless: (a) the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur; and (b) subsequent external events have occurred that reverse the effect of that event.	Ind AS prohibits the recognition of reversals of impairment loss for goodwill.

Key Differences 'AS' and 'Ind-AS'

AS -29 Provisions, Contingent Liabilities and Contingent Assets	Ind AS -37 Provisions, Contingent Liabilities and Contingent Assets
Constructive Obligations: Provisions are not recognised based on constructive obligations.	Provisions are recognised for a legal or constructive obligation when an outflow of resources is probable and it can be estimated reliably.
Discounting of liabilities: Not permitted in existing AS.	Present value of expected expenditure is provided.
Contingent assets: Neither recognised nor disclosed in F/S.	Contingent assets are not recognised but disclosed in financial statements when an inflow of economic benefits is probable.

Key Differences 'AS' and 'Ind-AS'

AS -26 Intangible Assets	Ind AS- 38 Intangible Assets
Measured only at cost.	Measured at either cost or revalued amounts.
Useful life cannot be indefinite.	Useful life may be finite or indefinite.
AS -13 Accounting for Investments	**Ind AS -40 Investment Property**
AS 13 contains limited guidance on investment properties, as per the existing standard enterprise holding investment properties should account for them as per cost model prescribed in AS 10 Property, Plant and Equipment.	Ind AS 40 is a detailed standard dealing with various aspects of investment property accounting.
Measured at Cost less decline other than temporary.	Measured at cost. Detailed disclosure pertaining to Fair value needs to be given.

Key Differences 'AS' and 'Ind-AS'

No Equivalent standard	Ind AS -41 Agriculture
Not applicable	Applies to all biological asset with exception of bearer plants. However, it does apply to produce growing on bearer plants.
Not applicable	All biological assets are measured at fair value less costs to sell. Agricultural produce is measured at fair value less estimated costs to sell at the point of harvest.

Key Differences 'AS' and 'Ind-AS'

No Equivalent standard	Ind AS -101 First time adoption of Indian Accounting Standards
Not applicable	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.

Key Differences 'AS' and 'Ind-AS'

No Equivalent standard	Ind AS -101 First time adoption of Indian Accounting Standards
Not applicable	**Exceptions to the retrospective application of other Ind-ASs:** An entity shall apply the following exceptions: (a) derecognition of financial assets and financial liabilities, (b) hedge accounting, (c) non-controlling interests

Key Differences 'AS' and 'Ind-AS'

AS -14 Accounting for Amalgamations	Ind AS- 103 Business Combinations
Scope: AS 14 deals only with amalgamation.	Ind AS 103 defines business combination which has a wider scope.
Method of Accounting: Under the existing AS 14 there are two methods of accounting for amalgamation. The pooling of interest method and the purchase method.	Ind AS 103 prescribes only the Purchase method for each business combination.
Acquisition Date: The date of amalgamation / acquisition mentioned in the court scheme is the acquisition date	The date on which the acquirer effectively obtains control of the acquiree is the acquisition date.

Key Differences 'AS' and 'Ind-AS'

AS -14 Accounting for Amalgamations	Ind AS- 103 Business Combinations
Accounting for assets and liabilities taken over: Under Purchase Method, acquired assets and liabilities are recognised at their existing book values or consideration is allocated to individual assets and liabilities based on their acquisition date fair values. Under Pooling of Interest method, the assets, liabilities and reserves of the transferor company are recorded by the transferee company at their existing carrying amounts.	Under purchase method, acquired identifiable assets, liabilities and contingent liabilities assumed are recognised at fair value.

Key Differences 'AS' and 'Ind-AS'

AS -14 Accounting for Amalgamations	Ind AS- 103 Business Combinations
Accounting for goodwill: The existing AS 14 requires that the goodwill arising on amalgamation in the nature of purchase is amortised over a period not exceeding five years.	Under Ind AS 103, the goodwill is not amortised but tested for impairment on annual basis in accordance with Ind AS 36.
Contingent consideration: The existing AS 14 does not provide specific guidance on this aspect.	Under Ind AS 103, the consideration the acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

Key Differences 'AS' and 'Ind-AS'

AS -14 Accounting for Amalgamations	Ind AS- 103 Business Combinations
Bargain purchase: Under existing AS 14 the excess amount is treated as capital reserve	Ind AS 103 requires bargain purchase gain arising on business combination to be recognised in OCI and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve.
Common Control Transactions: Existing AS 14 does not prescribe accounting for such transactions different from other amalgamations.	Appendix C of Ind AS 103, deals with accounting for common control transactions. It requires the same to be accounted for using the pooling of interest method.

Key Differences 'AS' and 'Ind-AS'

AS -24 Discontinuing Operations	Ind AS -105 Non-current Assets held for sale and Discontinued Operations
An operation is classified as **discontinuing** at the earlier of: a) the enterprise has entered into a binding sale agreement for sale of the operation (b) the enterprise's board of directors or similar governing body has approved a detailed, formal plan and made an announcement of the plan.	An operation is classified as **discontinued** when it has either been disposed of or is classified as held for sale. For an asset to be classified as held for sale: (a) Available for immediate sale in present condition (b) Sale is highly probable (c) It must genuinely be sold, not abandoned.
AS 24 does not cover non-current assets held for sale, though AS 10 deals with asset held for disposal. Items of fixed assets that have retired from active use and are held for disposal are stated at lower of their net book value and NRV.	Includes non-current assets held for sale. Measured at lower of carrying value and fair value less costs to sell.

Key Differences 'AS' and 'Ind-AS'

AS -17 Segment Reporting	Ind AS -108 Operating Segments
Two set of segments – business and geographic are identified. The dominant source and nature of risks and returns of an enterprise should govern whether its primary segment reporting format will be business segments or geographical segments.	Operating segments are identified based on the financial information that is regularly reviewed by the **Chief Operating Decision Maker** in deciding how to allocate resources and in assessing performance.

Key Differences 'AS' and 'Ind-AS'

AS -21 Consolidated Financial Statements	Ind AS -110 Consolidated Financial Statements
Control: Control is ownership of more than one-half of voting power of the entity or control over the composition of board of directors or governing body.	Control is based on whether an investor has: -powers over the investee -exposure, or rights, to variable returns from its involvement with the investee -ability to use its power over the investee to affect the amounts of the return. Control = Power + Exposure to variability in returns + Link between power and returns (principal/agent relation)

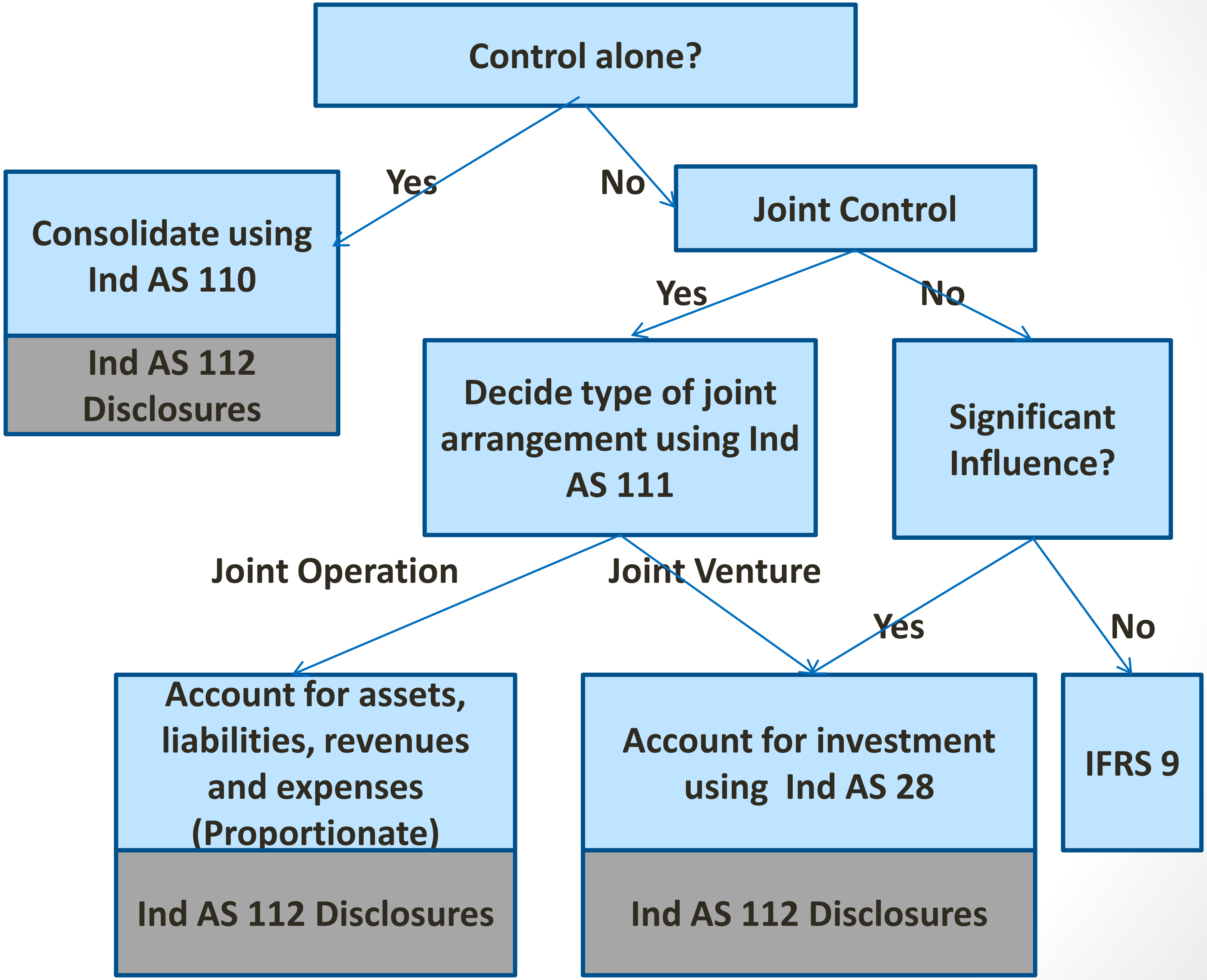
Key Differences 'AS' and 'Ind-AS'

AS -21 Consolidated Financial Statements	Ind AS -110 Consolidated Financial Statements
Minority Interest: 'Minority Interest' is presented in Consolidated Balance Sheet separately from liabilities and below equity of parent's shareholders.	**Non-Controlling Interest:** 'Non-Controlling Interest' is presented in Consolidated Balance Sheet within Equity separately from parent's shareholding equity.
Accounting policies of the entities: CFS should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.	If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Key Differences 'AS' and 'Ind-AS'

AS -27 Financial Reporting of Interests in Joint ventures	Ind AS -111 Joint Arrangements
The standard recognises three forms of joint ventures namely: a) Jointly controlled operations b) Jointly controlled assets c) Jointly controlled entities	Joint arrangement is either a joint operation or a joint venture.
Standard prescribes use of proportionate consolidation method in case of joint venture.	The standard prescribes use of equity method for recognising interest in joint venture as per IndAS 28. In case of Joint operation, recognise its own assets, liabilities and transactions, including its share of those incurred jointly, as per IndAS 111.

Interaction of Ind AS 110, 111, 112 & 28



Key Differences 'AS' and 'Ind-AS'

No equivalent standard	Ind AS -113 Fair Value Measurement
Not applicable.	Applies when another Ind AS requires or permits fair value measurements or discloses about fair value measurements.
Not applicable.	Classification of these measurements is on the basis of "fair value hierarchy" based on nature of inputs: Level 1- quoted prices in active market for identical assets/liabilities Level 2 – inputs other than quoted market prices included within level 1 which are observable for the asset/liability, directly or indirectly Level 3 – unobservable inputs for the asset/liability.

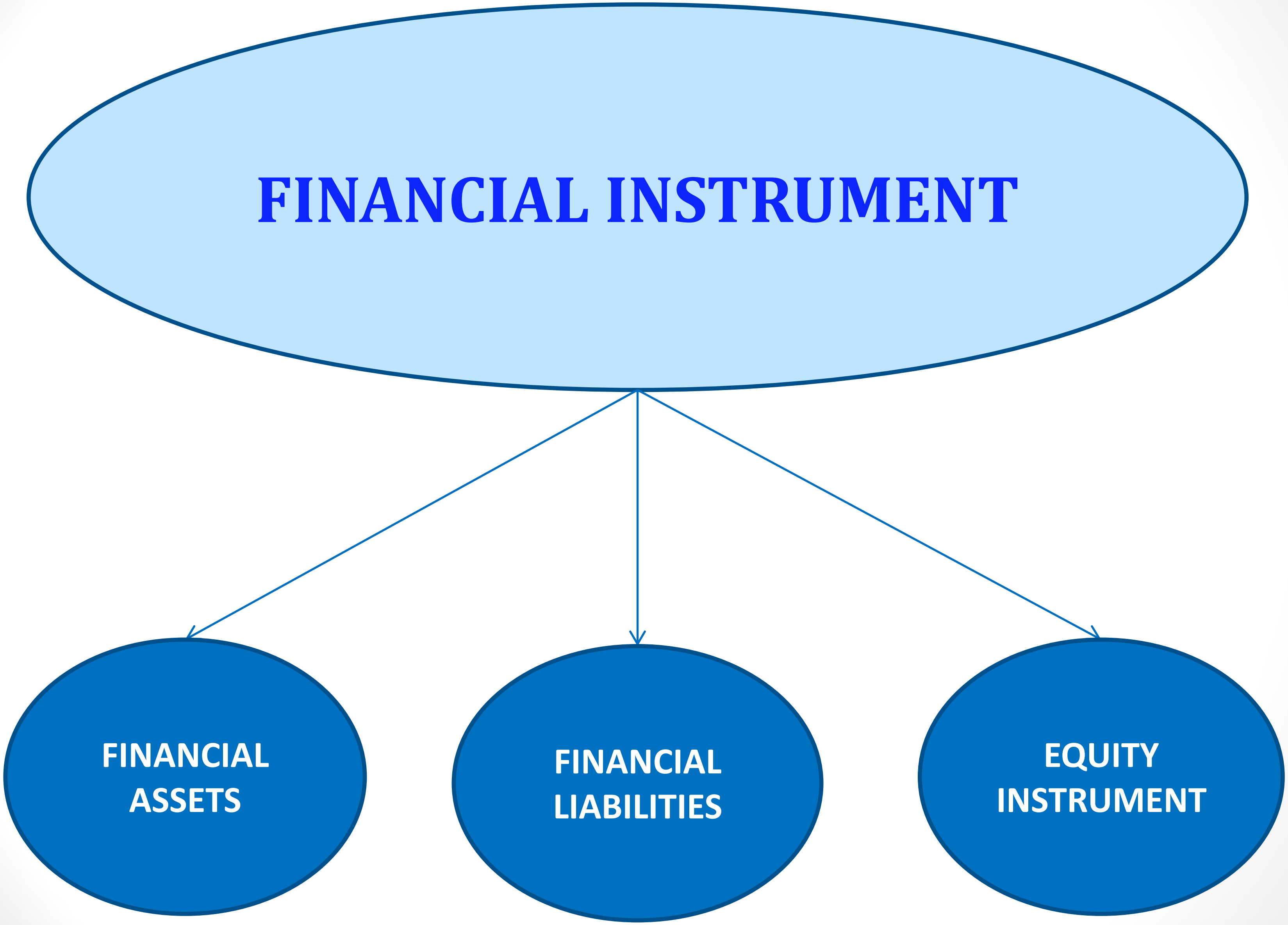
Key Differences 'AS' and 'Ind-AS'

No equivalent standard	Ind AS -113 Fair Value Measurement
Not applicable.	**HIGHEST AND BEST USE: NON FINANCIAL ASSETS** The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities ,within which the asset would be used (eg-CGU). Entity considers the current use and any other use that is financially feasible, legally permissible and physically possible. It is determined from the perspective of market participants, even if the entity intends a different use.

Key Differences 'AS' and 'Ind-AS'

No equivalent standard	Ind AS -114 Regulatory Deferral Accounts
Guidance Note on Accounting for the Rate Regulated Activities (revised), issued by the Institute of Chartered Accountants of India (ICAI) has been followed for such entities.	**Objective:** 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*.
Guidance Note on Accounting for the Rate Regulated Activities (revised), issued by the Institute of Chartered Accountants of India (ICAI) shall be considered to be the previous GAAP.	**Scope:** Permitted to those entities for 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.

Financial Instruments - Definitions



Financial Instruments - Definitions

FINANCIAL ASSETS

Any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

- a contract that will or may be settled in the entity's own equity instruments and is:
  - 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
  - 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.

Financial Instruments - Definitions

FINANCIAL LIABILITIES

Any liability that is:

- a 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; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - 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
  - 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.

Financial Instruments - Definitions

EQUITY INSTRUMENT

- Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.
- Puttable instrument that impose an obligation to deliver a pro-rata of the net assets of the entity only on liquidation.

Financial Instruments - Definitions

DERIVATIVES

Derivatives are contracts with the following characteristics:

- Changes in value in response to changes in a specified underlying item
- Requires little or no initial net investment
- Settled at a future date

Financial Assets - Classification

Contractual cash flows characteristics	Business Model= hold to collect	Business Model= hold to collect and sell	Other Business Model
Cash Flows are solely payments of principal and interest (SPPI)	Amortised cost	FVTOCI	FVTPL
Other types of Cash Flows	FVTPL	FVTPL	FVTPL

Financial Liabilities - Classification

At FVTPL (in any of below cases)	Amortised Cost
Held for trading, including derivative liabilities that are not accounted for as hedging instruments	All other financial liabilities are classified under ‘Amortised cost’
Derivative liabilities that are accounted for as hedging instruments	
Fair value option — designated at inception	

Financial Instruments–Initial Recognition:

Financial Assets, Financial Liabilities & Equity Instrument should be measured upon initial recognition based on Classification

Amortised Cost

- Amortised cost based on Effective Interest Rate (EIR)
- Transaction costs adjusted to initial recognition amount

FVTOCI

- Initial Carrying amount is considered as Fair Value
- Transaction costs adjusted to initial recognition amount

FVTPL

- Initial Carrying amount is considered as Fair Value
- Transaction costs charged to P&L

Financial Assets – Subsequent Measurement

Classification/ Initial Recognition	Profit or Loss	Other Comprehensive Income
Amortised Cost	• Interest revenue using effective interest method • Impairment • Foreign exchange gains & losses • Gain or loss on Derecognition	• NIL
Fair value through OCI (debt instruments)	• Interest revenue using effective interest method • Impairment • Foreign exchange gains & losses	• Fair value change other than those recognised in profit or loss • (amounts accumulated are recycled to P&L upon derecognition)

Financial Assets – Subsequent Measurement

Classification/ Initial Recognition	Profit or Loss	Other Comprehensive Income
Fair value through OCI (investments in equity instruments)	• Dividends	• Changes in fair value and foreign exchange Component • (amounts accumulated never reclassified to P&L)
Fair Value through Profit or Loss	• Changes in Fair value • Gain or loss on Derecognition	• Nil

Financial Instruments – Expected Credit Losses (ECL)

ECL are a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument:

- Maximum period is the maximum contractual period of exposure to credit risk
- Include cash flows expected from collateral and other credit enhancements that are part of contractual terms

ECL shall be measured in a way that reflects:

- Unbiased and probability-weighted outcome: must consider possibility that credit loss will/will not occur
- Time value of money – discount at effective interest rate or an approximation thereof
- Reasonable and supportable information: available without undue cost or effort at the reporting date, reflecting:

  Past events + Current conditions + Future economic conditions

Particular measurement methods are not prescribed

Carve-Outs

Carve outs and reasons

Standard	Carve-out	Objective
Ind AS 101- First-time adoption of Indian Accounting Standards	IFRS-1 defines previous GAAP as the basis of accounting used immediately before adopting IFRS Ind AS 101 defines previous GAAP as used for reporting requirement in India immediately before adopting Ind AS.	To ensure that Companies consider the financials prepared in accordance with Companies (Accounting Standard) Rules, 2006 as previous GAAP.
Ind AS 101- First-time adoption of Indian Accounting Standards	Allowing the use of carrying cost of property, plant and equipment on the date of transition.	Determining fair value on date of transition or retrospective application of Ind AS 16 may impose practical difficulties.

Carve outs and reasons

Standard	Carve-out	Objective
Ind AS 101- First-time adoption of Indian Accounting Standards	Exchange difference arising on translation of long-term foreign currency monetary items to be continued for already recognized differences on date of transition	To allow consistency with the objective of introducing Para 46A of AS 11– which was introduced considering the full convertibility of Indian Rupee
Ind AS 103 – Business Combinations	Capital reserve to be recognized for gain on bargain purchase instead of P&L	Considering the Indian scenario, treatment of capital profit as revenue was removed.

Carve outs and reasons

Standard	Carve-out	Objective
Ind AS 32 – Financial Instruments	As per IAS 32, 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 considered a derivative liability instrument. In Ind AS 32, an exception has been included to the definition of 'financial liability' whereby conversion option in FCCB to acquire fixed number of entity's own equity instruments is classified as equity instrument if the exercise price is fixed in any currency.	Since the number of shares convertible on the exercise of the option remains fixed and the amount at which option is to be exercised in terms of foreign currency is also fixed, merely the difference in the currency should not affect the nature of the derivative.

Carve outs and reasons

Standard	Carve-out	Objective
Ind AS 28 – Investment in Associates and Joint Ventures	IAS 28 requires that for the purpose of applying equity method of accounting in the preparation of investor's financial statements, uniform accounting policies should be used. In other words, if the associate's accounting policies are different from those of the investor, the investor should change the financial statements of the associate by using same accounting policies. The phrase, 'unless impracticable to do so' has been added in the relevant requirements.	Purpose is to exempt IndAS applicability where it may be practically difficult to implement in terms of cost and work involved.

Carve outs and reasons

Standard	Carve-out	Objective
Ind AS 40- Investment Property	Fair value model for investment property is not permitted in Ind AS	To remove different accounting treatments by different companies
Ind AS 17 – Leases	IFRS 17 requires all lease rentals to be charges to statement of profit and loss account on straight line basis. Carve out that escalation in line with expected inflation need not be straight-lined.	Lease arrangements in India contain periodic escalation rent escalation, which covers the Indian inflationary situation.
Ind AS 1 – Presentatio n of Financial Statements	Breach of material covenants in long-term loans, when lender agrees not to demand before the financials statements are approved for issue can be treated as adjusting events and continue to be classified as non-current.	Considering that if breach is rectified before approval of financial statements, it would be appropriate that users are informed about true nature of liabilities being non-current and not current liabilities.


Q&A


Thank You