

PREFACE

In the effort to IFRS convergence and globalization of corporate financial reporting system, the Ministry of Corporate Affairs has notified a set of forty Indian Accounting Standards that includes mostly all accounting standards and interpretations issued by the International Accounting Standards Board along with a roadmap for the first time adoption.

Indian accounting standards are matched paragraph-wise with IFRSs which contain certain carve outs relevant in Indian situations. Critical carve outs are –

- ◆ *Option to adopt the carrying amount of property, plant and equipment as deemed cost;*
- ◆ *Option to continue with deferral of exchange fluctuation loss or gain accounting of AS 11 in the Ind AS system;*
- ◆ *Elimination of fair value option of investment property;*
- ◆ *Elimination of the 'functional classification of expense' option in the statement of profit and loss;*
- ◆ *Elimination of nominal value option in measurement of non-monetary assets acquired through government grants;*
- ◆ *Accounting treatment of bargain purchase gain arising out of business combination;*
- ◆ *Elimination of alternative cash flow classification relating to interest and dividend; and*
- ◆ *Deviating from the meaning of adjusting event in case of breach of loan clause that has been condoned by the lender after the reporting date.*

Schedule III to the Companies Act, 2013 provides formats for the presentation of Balance Sheet, and Statement of Profit and Loss. These formats are required to be modified to comply with the Ind AS presentation requirements of investment property, EPS relating to discontinuing operations and regulatory deferral accounts. Of course, modification of line items of the prescribed formats is otherwise permissible. However, the Schedule III format of the Statement of Profit and Loss requires separate presentation of exceptional and extraordinary items which Ind ASs do not recognise.

Also there is conflict in the definition of subsidiary and associate between the Companies Act, 2013 and Ind ASs which would restrict the scope of consolidation. Presentation of consolidated financial statements as per the Companies Act should necessarily be in respect of those subsidiaries and associates which meet the definitions of the Companies Act and not those of the Ind ASs. Similarly, preference shares will continued to be part of equity irrespective of the meaning attached to the term equity in Ind ASs. Related party disclosure is another area of conflict. It is amazingly confusing to have two sets of definitions for related parties - one for the purpose of controlling transactions and events under section 188 of the Companies Act and disclosures in the Board's report, and another for the purpose of disclosures in the Notes to financial statements.

Important changes effected by the Ind ASs in the existing accounting system are—

- ◆ *Disclosure of key sources of estimation uncertainty, critical managerial judgment in selection of accounting policies and commitments;*
- ◆ *Other comprehensive income;*
- ◆ *Accounting for financial instruments;*
- ◆ *Fair value based derivative accounting;*
- ◆ *Lifetime expected credit loss based impairment of financial assets and simplified hedge accounting;*
- ◆ *Component-wise depreciation and replacement of tangible fixed assets;*
- ◆ *Intangible assets with indefinite useful life;*
- ◆ *Accounting for business combinations at fair value;*
- ◆ *Fair value accounting for share-based payments transactions;*
- ◆ *Performance linked revenue recognition;*
- ◆ *Fair value accounting for provisions; and*
- ◆ *Adoption of income approach government grant, and gross presentation of assets linked to government grant.*

In this book, various concepts of Ind ASs are discussed with illustrations and cases of corporate disclosures from IFRS compliant companies of the EU.

This includes —

- ◆ *Detailed guidance on first time adoption of Indian Accounting Standards;*
- ◆ *Identification of items of other comprehensive income;*
- ◆ *Amortised cost accounting ;*
- ◆ *Presentation of regulatory deferral balances;*
- ◆ *Analysis of below market interest rate loans and government grants;*
- ◆ *Translation of foreign subsidiary;*

- ◆ *Accounting for share-based payment transactions;*
- ◆ *Accounting for business combinations;*
- ◆ *Fair value measurement techniques;*
- ◆ *Accounting for component-wise depreciation and replacement of components;*
- ◆ *Impairment of financial assets;*
- ◆ *Disclosures of operating segment and entity-wide disclosures.*

Chapter-wise worksheets of various numerical examples are available in the author's website www.tpghosh.net. Each Chapter contains an executive summary. A separate book of the author containing Ind AS concepts will be available (October, 2015) for easy understanding of the Ind ASs. Also interested readers may refer to author's Implementation Guidance to Indian Accounting Standards (December, 2015) that contains Ind AS concepts, comparison with existing accounting standards, changes required and detailed guidance to presentation and disclosures.

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I welcome suggestions for further improvement of the book. Please e-mail your views to tpghosh@imtdubai.ac.ae.

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