

Contents



	<i>PAGE</i>
About the author	<i>I-5</i>
Preface to Second Edition	<i>I-7</i>
Chapter-wise list of worked examples	<i>I-11</i>
Chapter-heads	<i>I-19</i>

1 INTRODUCTION AND SUMMARY

1.1	Brief History of Minimum Alternate Tax (MAT) provisions	1
1.2	Introduction of Indian Accounting Standards (Ind AS) in India	2
1.3	What are Indian Accounting Standards (Ind AS)?	2
1.4	Why special considerations for Ind AS under the MAT provisions?	3
1.5	CBDT committee on Ind AS and MAT	5
1.6	Summary of the MAT provisions for Ind AS companies	5
1.7	CBDT Circular 24/2017 dated 25th July 2017	13

2 PRESENTATION OF FINANCIAL STATEMENTS

2.1	Starting point for Book profit calculation	15
2.2	Financial statements with non-March year ends	16
2.3	Date of convergence	19

3 IND AS 2: INVENTORIES

3.1	Purchase of inventories at fair value	21
------------	---------------------------------------	-----------

4 IND AS 8: ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

4.1	Change in Accounting Policy	23
4.2	Accounting for Errors and Prior period items	25

5 IND AS 10: EVENTS AFTER THE REPORTING PERIOD

5.0	Introduction	29
5.1	Proposed Dividend	29
5.2	Demerger schemes	32

6 IND AS 16: PROPERTY, PLANT AND EQUIPMENT

6.1	Cost of Property, Plant and Equipment	39
6.2	First time adoption options for Property, Plant and Equipment	42
6.3	Retrospective Restatement of Property, Plant and Equipment	43
6.4	Previous GAAP Carrying Amount Deemed Cost exemption	44
6.5	Fair value Deemed cost option	50
6.6	Use of Revaluation Model under Ind AS 16	52
6.7	Revaluation Reserve under Indian GAAP, cost model under Ind AS	56
6.8	Spare parts treated as Property, plant and Equipment under Ind AS	57
6.9	Enabling Assets capitalized under Ind AS	59

7 IND AS 17: LEASES

7.0	Introduction	61
7.1	Determining whether an arrangement contains a lease	61
7.2	Land leases	65
7.3	Straight-lining of operating lease rental escalations based on expected general inflation	73

8 IND AS 18: REVENUE

8.1	Recognition of revenue	76
8.2	Multiple element revenue arrangement	79
8.3	Customer sales incentives and customer loyalty schemes	81
8.4	Fair valuation of sale consideration	83
8.5	Gross vs. Net presentation	85

9 IND AS 19: EMPLOYEE BENEFIT

9.1	Recognition of employee benefits	86
9.2	Recognition of Termination benefits	88
9.3	Accounting for Past Service cost	89

10 IND AS 20: ACCOUNTING FOR GOVERNMENT GRANTS AND DISCLOSURE OF GOVERNMENT ASSISTANCE

10.1	Government grants in the nature of promoters' contribution	92
10.2	Presentation of fixed asset-related government grant	94
10.3	Presentation of fixed below-market interest government loan	100

11 IND AS 21 : THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

11.1	Assessment of Functional currency	103
11.2	Translation of Foreign operations	105
11.3	Recognition of exchange differences	110

12 IND AS 27: SEPARATE FINANCIAL STATEMENTS

12.1	Measurement of investments in subsidiaries, associates and joint ventures	113
-------------	---	-----

13 IND AS 36: IMPAIRMENT OF ASSETS

13.1	Reversal of impairment of goodwill	125
-------------	------------------------------------	-----

14 IND AS 37: PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

14.1	Constructive obligations	127
14.2	Asset retirement obligations	129
14.3	Measurement of long-term provisions	132

15 IND AS 38: INTANGIBLE ASSETS

15.1	Useful lives of Intangible assets	135
-------------	-----------------------------------	-----

16 IND AS 40: INVESTMENT PROPERTIES

16.0	Introduction	139
16.1	Measurement of investment properties	139

17 IND AS 102: SHARE BASED PAYMENTS

17.0	Introduction	144
17.1	Measurement of Share-based Payment cost	144

	<i>PAGE</i>
17.2 Graded-vesting Share-based Payment	146
17.3 Group based Share-based Payment	149
17.4 Consolidation of ESOP trust	155

18 IND AS 105: NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

18.1 Classification and measurement as held for sale	156
--	-----

19 IND AS 109: FINANCIAL INSTRUMENTS

19.0 Introduction	161
19.1 Initial measurement of financial assets and financial liabilities	161
19.2 Use of the deemed cost exemption for investment in subsidiary, associate and joint venture in the separate financial statements of the parent	174
19.3 Classification and subsequent measurement of financial assets	178
19.4 Accounting for investment in equity investments	190
19.4A Classification and subsequent measurement of financial liabilities	197
19.5 Accounting for financial guarantee obligations	202
19.6 Hedge accounting	209
19.7 Derecognition of financial assets	212
19.8 Derecognition and modification of financial liabilities	213
19.9 Extinguishment of financial liabilities by issuing equity	222
19.10 Impairment of financial assets	225
19.11 Distinction between Financial liability and Equity	228
19.12 Compound instrument	238
19.13 Accounting for Treasury shares	247
19.14 Transaction cost for Issue of Equity Instrument	249

20 CONSOLIDATED FINANCIAL STATEMENTS AND BUSINESS COMBINATIONS

20.0 Introduction	250
20.1 Purchase price allocation on acquisition	250
20.2 Acquisition-related costs	259
20.3 Contingent consideration and deferred consideration	261
20.4 Contingent consideration v. Employment cost	263
20.5 Common control business combinations	265

21 SERVICE CONCESSION ARRANGEMENTS

21.0	Introduction	269
21.1	Accounting for Service Concessions Arrangements	269
21.2	Revenue-based Amortisation model	276
21.3	Maintenance Obligations	277

22 IND AS 12: INCOME TAXES

22.1	Computation of deferred taxes	280
-------------	-------------------------------	-----

23 IND AS 115: REVENUE FROM CONTRACTS WITH CUSTOMERS

23.1	Revenue Recognition	282
23.2	Identify the Performance Obligation	284
23.3	Contract Combination	285
23.4	Contract Modification	285
23.5	Variable Considerations	286
23.6	Time Value of Money	287
23.7	Contract Costs	287
23.8	Transitional Provisions	288
23.9	Examples Illustrating Application of IND AS 115 and Possible MAT Impact	290

APPENDICES

APPENDIX 1 : Special provision for payment of tax by certain companies	299
APPENDIX 2 : Memorandum to Finance Bill, 2017	306
APPENDIX 3 : CBDT Circular dated 25-7-2017	310
APPENDIX 4 : CBDT Press Release dated 25-7-2017	315
APPENDIX 5 : Revised Form No. 29B	316
KEY TERMS USED	323