



# Winds of Change in AS

---

M P Vijay Kumar FCA, ACMA, FCS

# INSURANCE !!

This presentation should only be read along with the text of Ind AS.

The views expressed are those of the presenter and, therefore, do not necessarily represent the views of either the Council or any Committee(s)/Board(s) of the Council of the Institute of Chartered Accountants of India (ICAI).

# 60 MINUTES

- happening around 5-6 (2)
  - impact- setting expectations 8-11 (4)
  - journey to date 13 (1)
  - **journey notified 15-23 (9)**
  - ind-as count 25 (1)
  - **ind-as change assessment ( brief) 27-29 (3)**
  - **ind-as carve out rationale 31-34 (4)**
  - ind –as changes in the offing 36 (1)
  - Personal 38 (1)
- 
- annexure 1- ifrs vs ind-as 40-45 (5)
  - annexure 2- ind as vs as 47-57 (11)

# HAPPENING AROUND

2 slides (5-6)

# WHIRLWIND?

- **The accounting profession worldwide is going through a sea of changes**
- **On the one hand “The Economist” predicts, accounting to be the worst affected profession in the wake of technology, while on the other, qualified professionals are found wanting across the globe**
- **Business transactions – getting complex with agreements for future performance and multiple covenants**
- **Accounting closely linked to taxation- fair valuations ; TP/BEPS etc**
- **The change only presents ocean of opportunities for global accountants**
- **The key to embracing this change is upgrading our skillsets**

# REGULATORY CHANGES – IMMEDIATE PAST

- **Revision of erstwhile Schedule VI**
- **Companies Act 2013**
- **Income Computation & Disclosure Standards**
- **Ind AS – live – at last !!**
- **Schedule III for Ind AS companies**
- **Upgrade of existing Accounting Standards**

# **IMPACT !!! SETTING EXPECTATION**

3 slides (8-11)

# IND AS IMPACT

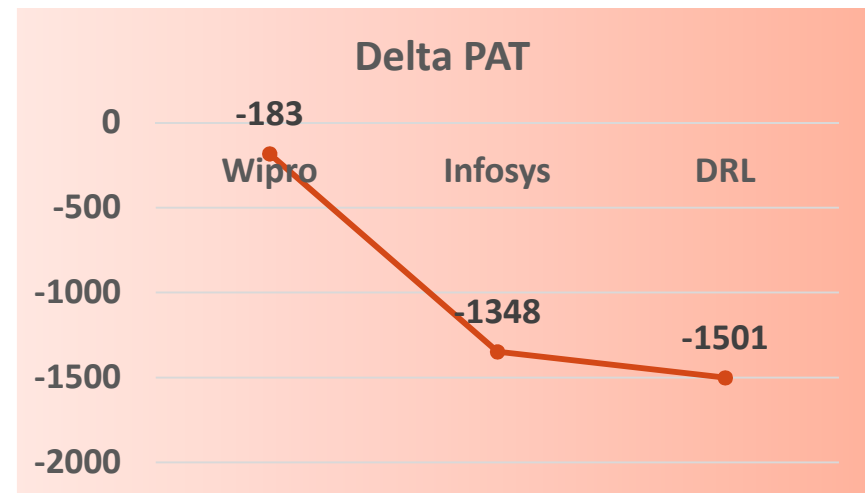
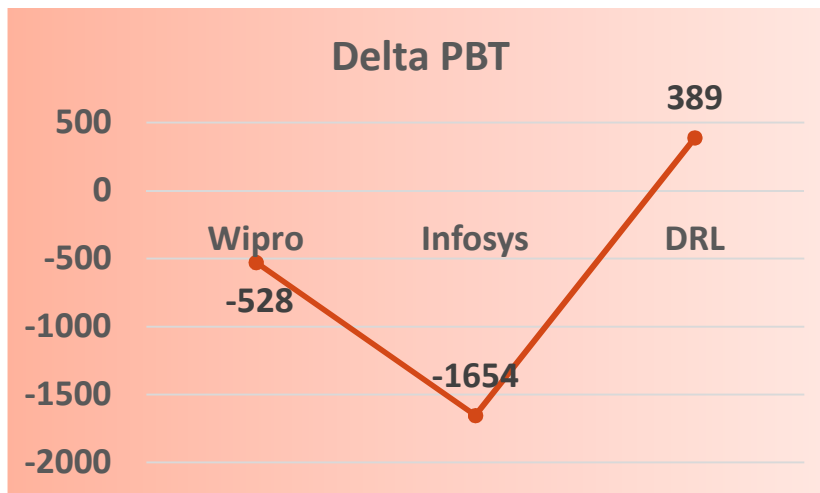
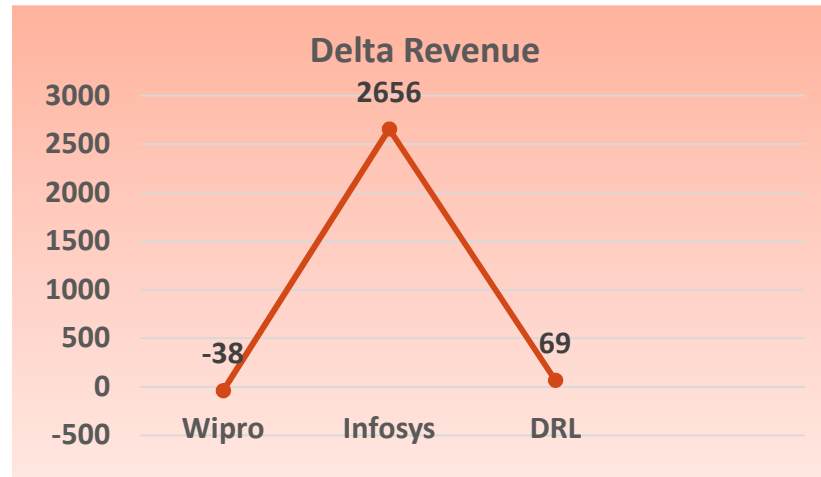
Rs in Mln

	WIPRO			INFOSYS			DRL		
	IGAAP	IFRS	Change	IGAAP	IFRS	Change	IGAAP	IFRS	Change
Revenue	512,478	512,440	(38)	624,410	627,066	2,656	154,639	154,708	69
Profit before Tax	115,247	114,719	(528)	189,820	188,166	(1,654)	26,751	27,140	389
Profit after Tax	89,597	89,414	(183)	136,780	135,432	(1,348)	21,514	20,013	(1,501)
Fixed Assets	58,072	54,206	(3,866)	86,370	104,874	18,504	49,296	53,961	4,665
Working capital	266,434	287,030	20,596	345,640	383,064	37,424	49,833	55,042	5,209
Assets	707,430	724,921	17,491	75,140	750,948	675,808	200,104	207,650	7,546
Networth	446,886	468,302	21,416	578,260	615,384	37,124	117,009	128,336	11,327

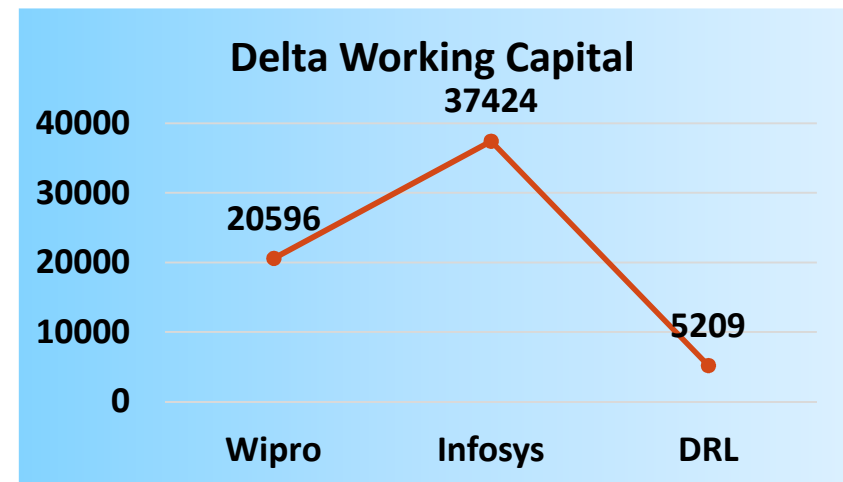
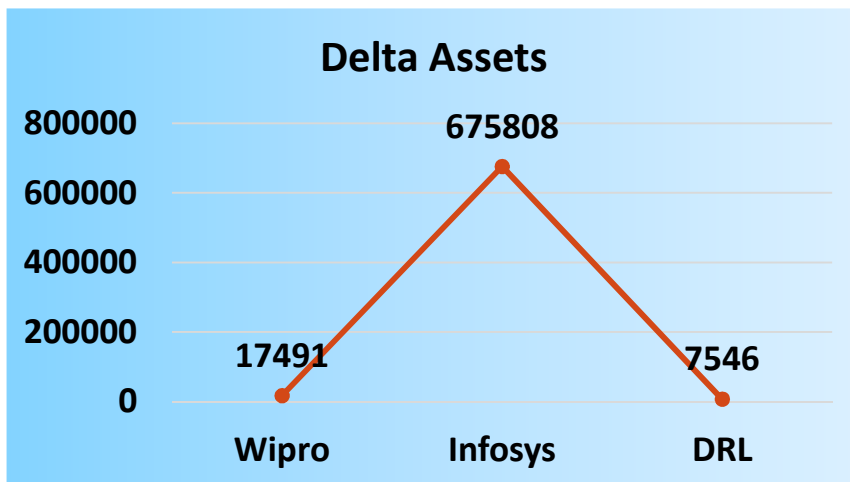
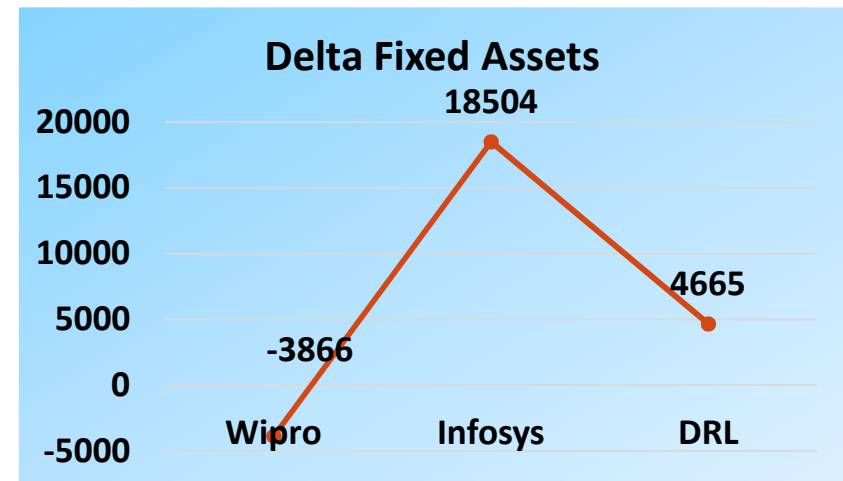
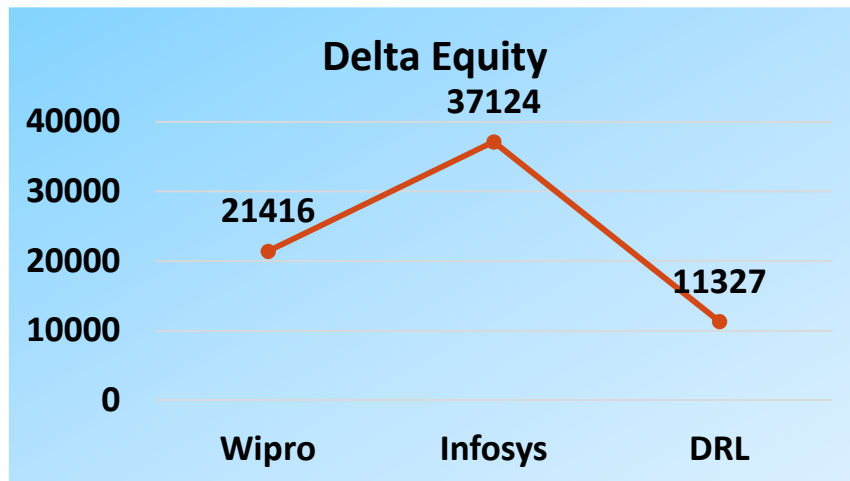
\*Figures as on 31st March 2016



# IFRS AND IGAAP – INCOME STATEMENT



# IFRS AND IGAAP – BALANCE SHEET



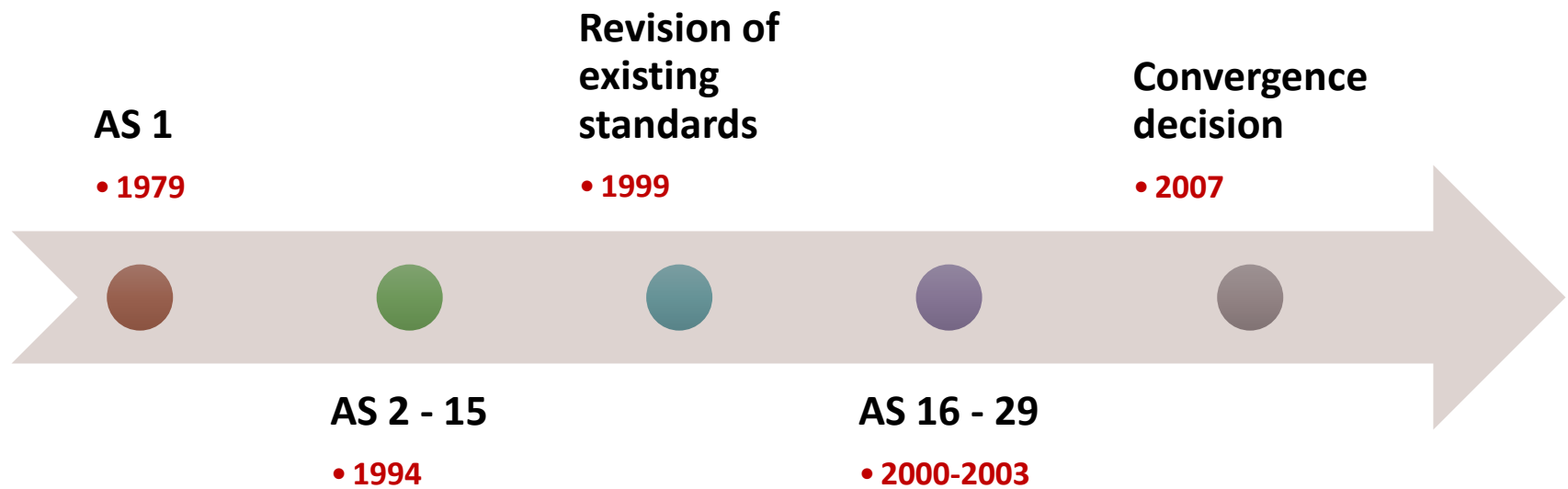
# Q1 IND AS TRANSITION - STUDY

	<b>Increase</b>	<b>Decrease</b>	<b>No change</b>
Revenue	30%	48%	22%
EBITDA	59%	41%	0%
PAT	52%	48%	0%

# JOURNEY TO DATE

1 slides (13)

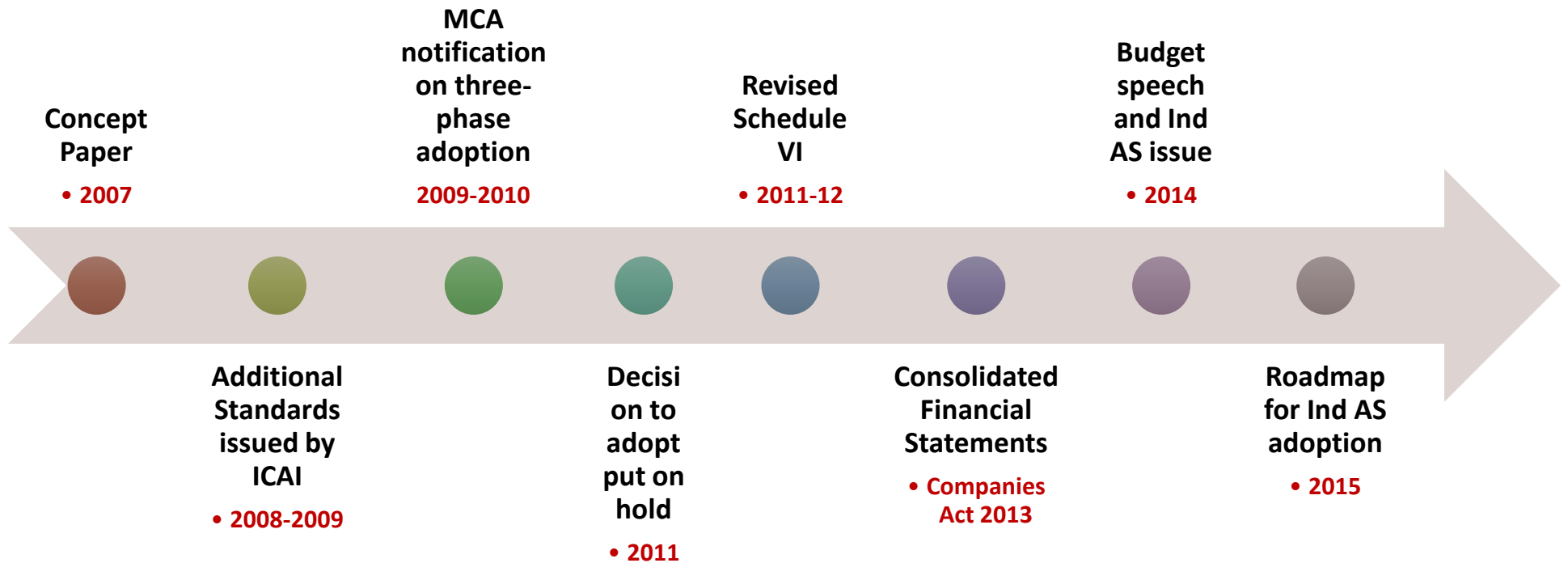
# AS IN TIMELINE



# JOURNEY NOTIFIED

9 slides (15-23)

# THE CONVERGENCE JOURNEY



# CONVERGENCE PROJECT

- Concept paper for convergence with IFRS in 2007
- Convergence is **NOT** migration from Indian Accounting Standards to IFRS
- Convergence is **NOT** adoption of IFRS
- Convergence is *“to design and maintain national accounting standards in a way that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRS””*



# ROADMAP FOR IMPLEMENTATION OF IND AS

**Phase I - 1<sup>st</sup> April  
2015**

**Voluntary basis –  
for all  
companies(with  
comparatives)**

**Phase II – 1<sup>st</sup> April 2016**

**Companies having net  
worth  $\geq$  INR 5 Billion  
Parent, Subsidiary,  
Associate or Joint  
Venture of companies  
covered above**

**Phase III – 1<sup>st</sup> April 2017**

**All listed companies  
not covered in Phase  
II  
Unlisted companies  
with net worth  $>$  INR  
2.5 Billion  
Parent, Subsidiary,  
Associate or Joint  
Venture of companies  
covered above**

**Banking, Insurance and NBFCs have separate roadmap  
Companies listed on SME exchange not required to apply Ind AS  
Companies not covered by roadmap will apply existing AS**

# BFSI -ROADMAP FOR IMPLEMENTATION OF IND AS

## Phase I - 1<sup>st</sup> April 2018

**Scheduled commercial banks, insurance companies, NBFC having net worth  $\geq$  INR 5 Billion**

**Parent, Subsidiary, Associate or Joint Venture of companies covered above**

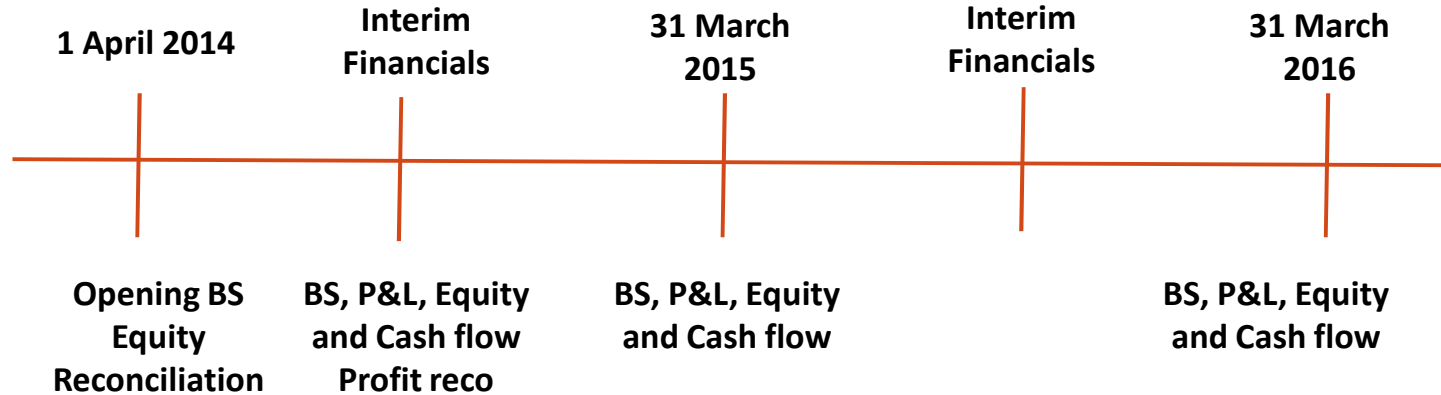
## Phase II – 1<sup>st</sup> April 2019

**Listed NBFC having net worth  $<$  INR 5 Billion, Unlisted NBFC having net worth  $\geq$  INR 2.5 Billion and  $<$  INR 5 Billion**

**Parent, Subsidiary, Associate or Joint Venture of companies covered above**

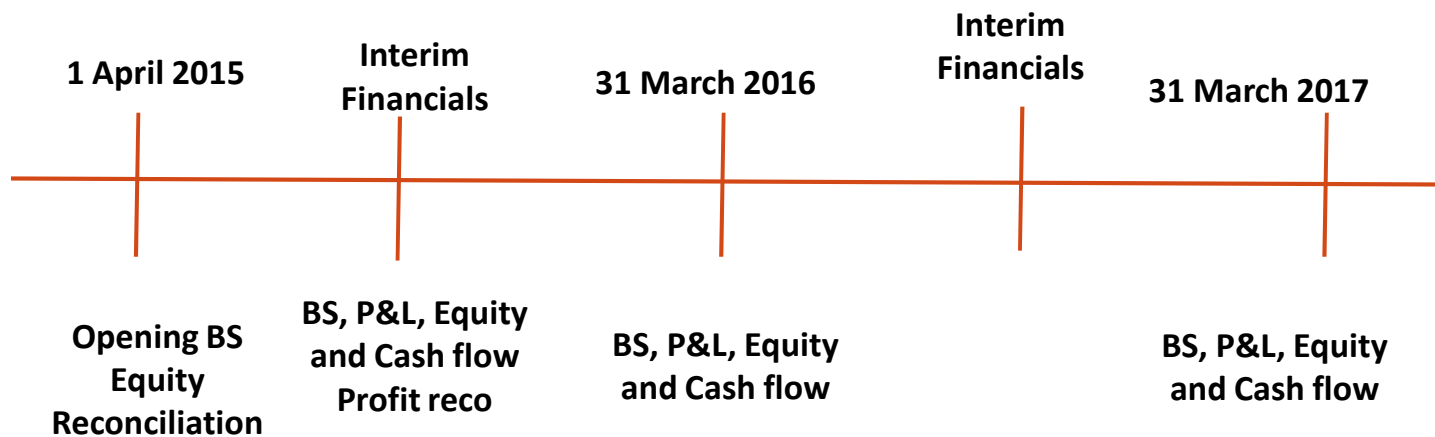
# WHAT THIS MEANS

## ▪ Phase I



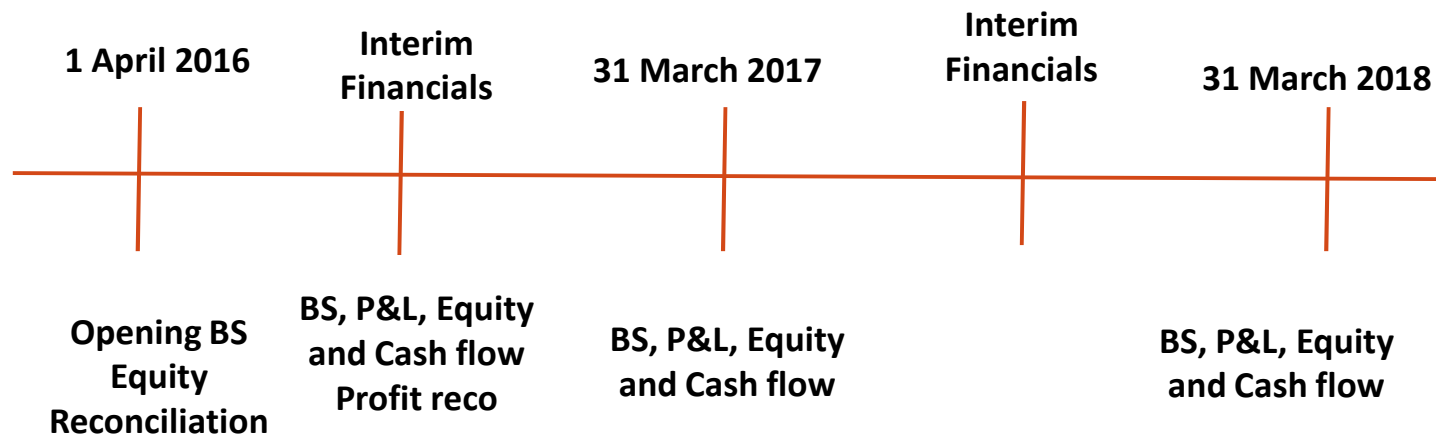
# WHAT THIS MEANS

## ▪ Phase II

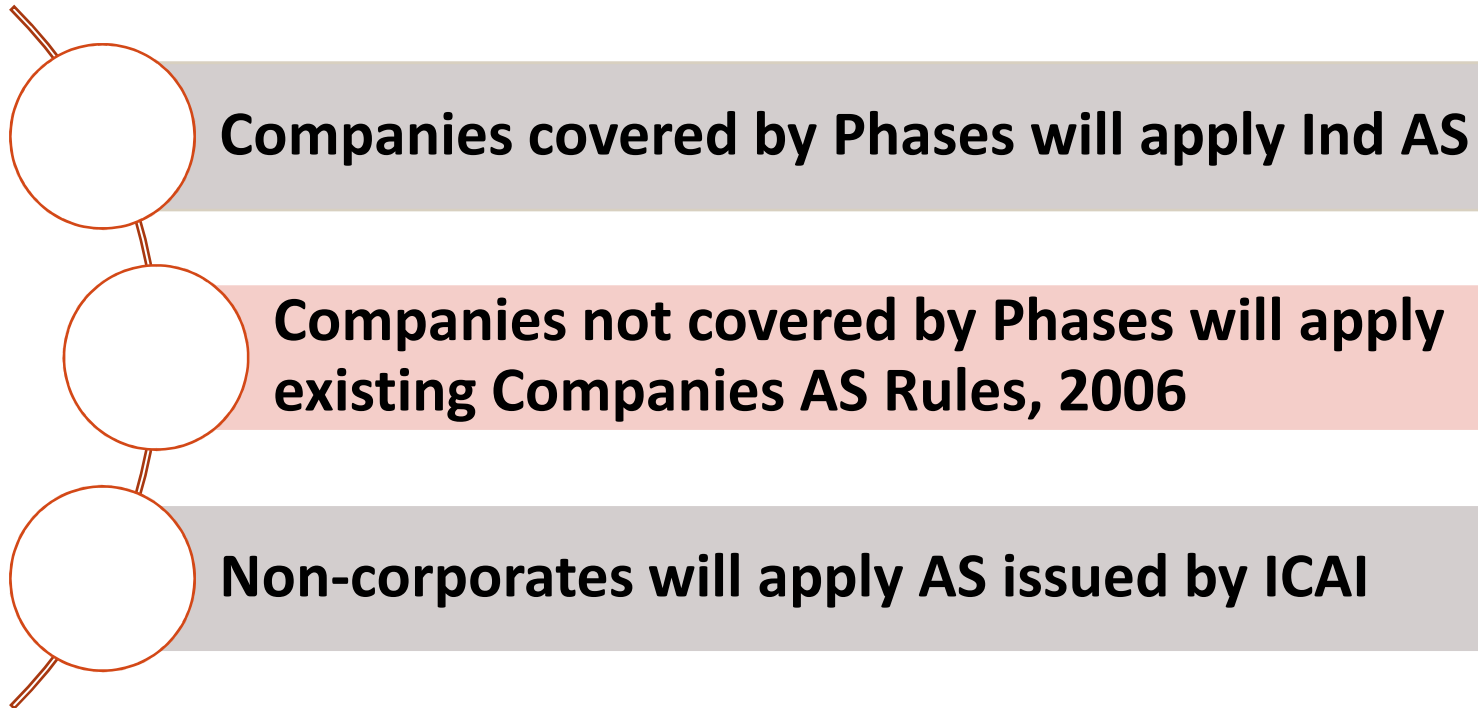


# WHAT THIS MEANS

## ▪ Phase III



# REPORTING LANDSCAPE AFTER CONVERGENCE



The existing standards are being revised to have minimum differences with Ind AS  
**“watch out FY18-19”**

# GLOBALLY THOUGH

**IFRS**

**Companies with  
public  
accountability**

**IFRS for  
SME**

**Companies that do not  
have public  
accountability**

# COUNT

1 slide (25)



# IND AS – COUNT

Particulars	Number
Number of IAS	28
Number of Corresponding Ind AS	26
Number of IFRS	16
Number of Corresponding Ind AS	15
Number of SIC	7
Number of Corresponding Appendix incorporated in Ind AS	6
Number of IFRIC	14
Number of Corresponding Appendix incorporated in Ind AS	13
Total Number of Documents considered for Ind AS	60
IAS 26 and IAS 39 are not issued; IFRS 16 due for issue	

# **IND-AS IMPACT IN BRIEF**

3 slides (27-29)

# IMPACT OF CHANGES (SELECT)

Standard	Change	Treatment
Ind AS 8	Accounting policy change and prior period items	Retrospective application/restatement – third Balance Sheet
Ind AS 10	Dividend treatment	Proposed dividend is not a liability and treated as change in equity
Ind AS 12	Approach	The basis for determining deferred taxes from P&L approach to BS approach – Need for Tax Balance Sheet
Ind AS 103	Method of accounting	No pooling of interest method
	Reverse merger	Acquirer for accounting different from legal acquirer
	Identifiable Intangible Assets	Fair value should be allocated to intangible assets, which would not have been recognized under I GAAP
Ind AS 18 – Appendix	Service concession arrangement	Intangible assets recognition and the amortization policies are different

# IMPACT OF CHANGES (SELECT)

Standard	Change	Treatment
Ind AS 38	Indefinite life intangibles and goodwill	To be tested for impairment annually
Ind AS 17 – Appendix	Determining whether arrangement contains lease	A sub-contracting contract, which operates exclusively for the principal could be subject matter of lease
Ind AS 40	Disclosure of fair values	Fair value of investment property to be disclosed
Ind AS 110	Principles of consolidation	Definition of control is wider and substance-based. No exclusive determination using voting power
Ind AS 115	Disclosure for revenue contracts	Segmental (customer segmentation) disclosure, revenue conversion metrics, major customers to be given
	Principles of revenue recognition	The timing including identification of transaction price is undergoing significant change
IFRS 16	Types of lease	All leases to be taken to Balance Sheet

# SCHEDULE III vs SCHEDULE III

Particulars	Ind AS Schedule III	Non-Ind AS Schedule III
<b>Presentation order</b>	Assets followed by equity and liabilities	<b>Equity followed by liabilities and assets</b>
<b>New elements</b>	<ul style="list-style-type: none"> <li>• Statement of changes in equity</li> <li>• Other comprehensive income</li> <li>• Financial assets &amp; Financial liabilities</li> <li>• Investment Property</li> <li>• Biological assets other than bearer plants</li> </ul>	
<b>Renamed elements</b>	<ul style="list-style-type: none"> <li>• Property, plant and equipment</li> <li>• Other equity</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Tangible Assets</b></li> <li>• <b>Reserves and Surplus</b></li> </ul>
<b>Additional disclosure</b>	<ul style="list-style-type: none"> <li>• Bank deposits with more than 12 months maturity under “other financial assets”</li> <li>• Cash and cash equivalents to include bank overdrafts – for cash flow statement</li> </ul>	

# **IND-AS CARVE OUTS RATIONALE**

4slides (31-34)

# CARVE OUTS AND REASONS

Standard	Scope of carve-out	Carve-out	Objective
Ind AS 101	Transitional provision	Use of Previous GaaP Carrying amount on the date of transition to be carrying amount as per Ind AS	To facilitate first-time adoption without undue cost and efforts
Ind AS 101	Primarily transitional but will have continuing difference	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 – which was introduced considering the full convertibility of Indian Rupee
Ind AS 101	Primarily transitional but will have continuing difference	Amortisation of Intangibles on service concession arrangements to continue on revenue-basis	To facilitate first-time adoption without undue cost and efforts

# CARVE OUTS AND REASONS

Standard	Scope of carve-out	Carve-out	Objective
Ind AS 103	Different treatment	Capital reserve to be recognized for gain on bargain purchase instead of P&L	Considering the Indian scenario, treatment of capital profit as revenue reserve was removed
Ind AS 103	Additional guidance	Scope to include common control transactions – treatment prescribed as in Appendix C	Since no guidance was available in IFRS, this was included.
Ind AS 32	Different treatment	Conversion option in FCCB not to be considered as Equity	Considering the Indian scenario where full convertibility is not available for INR and the nature of such bonds to raise capital abroad



# CARVE OUTS AND REASONS

Standard	Scope of carve-out	Carve-out	Objective
Ind AS 28	Different treatment	When it is impracticable to prepare financial statements using uniform accounting policies for associates, equity method of accounting can be based on existing financials	Considering practical scenario of only significant influence and not control, where associate cannot be forced to adopt Ind AS and in such cases, to avoid burden of cost on the investor
Ind AS 40	Different treatment	Fair value model for investment property is not permitted	To remove different accounting treatments by different companies

# CARVE OUTS AND REASONS

Standard	Scope of carve-out	Carve-out	Objective
Ind AS 17	Different treatment	Escalation in line with expected inflation need not be straight-lined	IFRS 16 on leases has considered this treatment.
Ind AS 1	Different treatment	Breach of 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 the Indian scenario where submission of stock report, receivables statement are considered covenants and will be rectified after the date of BS

# IND-AS CHANGES ON...

1 slides (36)

# CHANGES ON..

- **IFRS 15** – Effective from 1<sup>st</sup> January 2018 – Ind AS 115 already issued
- **IFRS 16** – Effective from 1<sup>st</sup> January 2019 – Corresponding Ind AS to be issued
- **Dividend Distribution tax** - Equity or expense
- **Conceptual framework** – under revision
- **Insurance contracts** – under revision
- **Macro-hedging** – to be issued

# PERSONAL

1 slides (38)

# MY TAKE ON WINDS OF CHANGE ?

- Data is connected from the source to the ledger via cloud-based applications. Accounting is morphing into what economists call "interaction jobs", where technical knowledge is assumed and higher value is applied to a person's ability to interact with internal and external clients, identify problems, come up with alternative solutions, determine which are affordable at this point in time and communicate and influence to deliver an outcome.
- The successful accountants of the future will be strong communicators, possess greater IT skills combined with strategic vision and they will be devoted to ongoing professional development. Globalisation is the future of accounting as more and more businesses require real-time manufacturing and information, mobile marketing and online tools, including the cloud, to expand their customer base internationally. Thus accounting, auditing and finance professionals with knowledge of international standards and regulations will thrive.
- ICAI is geared to this reality and 28 overseas chapters of ICAI is a testimony apart from embracing International accounting and assurance standards. Indian Chartered Accountants, thanks to the rigorous training and enviable forward looking curriculum, possess right insights and foresight to overcome challenges and make the best use of the opportunities.

*Thank You!*

# APPENDIX 1

## IFRS VS IND AS

5 slides (40-45)

In these slides **red font** indicates some difference/carve out

# IFRS VS IND AS

IFRS	Ind- AS
IAS 1 – Presentation of Financial Statements	Ind AS 1 – Presentation of Financial Statements
IAS 2 – Inventories	Ind AS 2 – Inventories
IAS 7 – Statement of Cash flows	Ind AS 7 – Statement of Cash flows
IAS 8 –Accounting Policies, Changes in Accounting Estimates and Prior Period Errors	Ind AS 8 –Accounting Policies, Changes in Accounting Estimates and Prior Period Errors
IAS 10 – Events after reporting period	Ind AS 10 – Events after reporting period
IAS 11 – Construction Contracts	
IAS 12 – Income Taxes	Ind AS 12 – Income Taxes



# IFRS VS IND AS

## IFRS

IAS 16 – Property, Plant and Equipment

IAS 17 – Leases

IAS 18 – Revenue

IAS 19 – Employee Benefits

IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance

IAS 21 – The Effects of Changes in Foreign Exchange Rates

IAS 23 – Borrowing Costs

## Ind- AS

Ind AS 16 – Property, Plant and Equipment

Ind AS 17 – Leases

Ind AS 19 – Employee Benefits

Ind AS 20 – Accounting for Government Grants and Disclosure of Government Assistance

Ind AS 21 – The Effects of Changes in Foreign Exchange Rates

Ind AS 23 – Borrowing Costs

# IFRS VS IND AS

## IFRS

IAS 24 – Related Party Disclosures

IAS 27 – Separate Financial Statements

IAS 28 – Investment in Associates

IAS 29 – Financial Reporting in  
Hyperinflationary Economies

IAS 32 – Financial Instruments  
Presentation

IAS 33 – Earnings per share

## Ind- AS

Ind AS 24 – Related Party Disclosures

Ind AS 27 – Separate Financial  
Statements

Ind AS 28 – Investment in Associates

Ind AS 29 – Financial Reporting in  
Hyperinflationary Economies

Ind AS 32 – Financial Instruments  
Presentation

Ind AS 33 – Earnings per share

# IFRS VS IND AS

## IFRS

IAS 34 – Interim Financial Reporting

IAS 36 Impairment of Assets

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

IAS 38 Intangible Assets

IAS 39 Financial Instruments Recognition and Measurement

IAS 40 Investment Property

IAS 41 Agriculture

IFRS 1 First time adoption of IFRS

IFRS 2 Share based payments

## Ind- AS

Ind AS 34 – Interim Financial Reporting

Ind AS 36 Impairment of Assets

Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets

Ind AS 38 Intangible Assets

Ind AS 40 Investment Property

Ind AS 41 Agriculture

Ind AS 101 First time adoption of Ind AS

Ind AS 102 Share based payments

# IFRS VS IND AS

IFRS	Ind- AS
IFRS 3 Business Combinations	Ind AS 103 Business Combinations
IFRS 4 Insurance Contracts	Ind AS 104 Insurance Contracts
IFRS 5 Non-current Assets held for sale and Discontinued Operations	Ind AS 105 Non-current Assets held for sale and Discontinued Operations
IFRS 6 Exploration for and Evaluation of Mineral resources	Ind AS 106 Exploration for and Evaluation of Mineral resources
IFRS 7 Financial Instruments Disclosures	Ind AS 107 Financial Instruments Disclosures
IFRS 8 Operating Segments	Ind AS 108 Operating Segments
IFRS 9 Financial Instruments	Ind AS 109 Financial Instruments

# IFRS VS IND AS

## IFRS

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IFRS 14 Regulatory deferral Accounts

IFRS 15 Revenue from Contract with Customers

## Ind- AS

Ind AS 110 Consolidated Financial Statements

Ind AS 111 Joint Arrangements

Ind AS 112 Disclosure of Interests in Other Entities

Ind AS 113 Fair Value Measurement

Ind AS 114 Regulatory deferral Accounts

Ind AS 115 Revenue from Contract with Customers

# APPENDIX 2

## IND AS VS AS

11 slides (47-57)

In these slides **red font** indicates major change, **amber font** indicates some changes and **green font** indicates no change

# IND AS VS AS

Ind - AS	AS
Ind AS 1 – Presentation of Financial Statements	Schedule III to Companies Act, 2013 AS 1 – Disclosure of Accounting Policies
Format for presentation – Financial position – Assets, liabilities and Equity Profit or loss – Nature of expenses and function of expenses and OCI Changes in equity, cash flow and notes	Covered by Schedule III Balance Sheet – Equity, Liabilities and Assets Profit and loss – Only Nature of expenses – No OCI Cash flow – new Companies Act Changes in equity and notes not defined
Feature of financial statements – Fair presentation	Features – True and fair view

# IND AS VS AS

Ind - AS	AS
Ind AS 2 – Inventories	AS 2 – Valuation of Inventories
Inventories of service providers included	Service providers inventory is out of scope
Ind AS 7 – Statement of Cash flows	AS 3 – Cash flow Statements
Interest and dividend – operating or financing as appropriate	Only financing activity
Ind AS 8 –Accounting Policies, Changes in Accounting Estimates and Prior Period Errors	AS 5 – Net Profit or loss for the period, prior period items and changes in accounting policies
Hierarchy for selection and application of accounting policies Retrospective restatement –Change AP and prior period errors	Extra-ordinary activities



# IND AS VS AS

Ind - AS	AS
Ind AS 10 – Events after reporting period	AS 4 – Events after Balance Sheet Date
Proposed dividend is non-adjusting event	It is an adjusting event ( from April 16, it is non- adjusting)
Ind AS 11 – Construction Contracts	AS 7 – Construction contracts
Consideration is measured at fair value	No fair valuation of revenue
Ind AS 12 – Income Taxes	AS 22 – Accounting for Taxes on Income
BS approach to measurement of deferred taxed	P&L approach
Ind AS 16 – Property, Plant & Equipment	AS 10 – Property, Plant & Equipment ( from April 16)

# IND AS VS AS

Ind - AS	AS
Ind AS 17 – Leases	AS 19 – Accounting for Leases
Lease of land included	Not included
Ind AS 18 – Revenue	AS 9 – Revenue Recognition
Consideration is measured at fair value	No fair valuation of revenue
Ind AS 19 – Employee Benefits	AS 15 – Employee Benefits
Actuarial gains or losses in Income statement or in OCI	Only P&L

# IND AS VS AS

Ind - AS	AS
Ind AS 20 –Accounting for Government Grants and Disclosure of Government Assistance	AS 12 – Accounting for Government Grants
Non-monetary grants – fair value Promoters’ contribution – Income	Nominal value Capital Reserve
Ind AS 21 – The Effects of Changes in Foreign Exchange Rates	AS 11 – The Effects of Changes in Foreign Exchange Rates
No such classification – Net investment Forward contracts – Financial Instruments	Integral and Non-integral foreign operations Forward contracts accounting
Ind AS 23 – Borrowing Costs	AS 16 – Borrowing Costs

# IND AS VS AS

Ind - AS	AS
Ind AS 24 – Related Party Disclosures	AS 18 – Related Party Disclosures
Ind AS 27 – Separate Financial Statements	
Ind AS 28 – Investment in Associates and Joint Ventures	AS 23 – Accounting for Investment in Associates AS 27 – Reporting of Interests in Joint Ventures
Only Equity method for JV also	Proportionate consolidation
Ind AS 29 – Financial Reporting in Hyperinflationary Economies	
Ind AS 32 – Financial Instruments Presentation	AS 31 – Financial Instruments Presentation
Ind AS 33 – Earnings per share	AS 20 – Earnings per share

# IND AS VS AS

Ind - AS	AS
Ind AS 34 – Interim Financial Reporting	AS 25 – Interim Financial Reporting
Ind AS 36 Impairment of Assets	AS 28 – Impairment of Assets
Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets	AS 29 – Provisions, Contingent Liabilities and Contingent Assets
Provision to be at Present Value	Present value prohibited
Ind AS 38 Intangible Assets	AS 26 Intangible Assets
Cost model with revaluation permitted	Cost model or revaluation model
Ind AS 39 Financial Instruments Recognition and Measurement	AS 30 – Financial Instruments Recognition and Measurement

# IND AS VS AS

**Ind - AS**

**AS**

Ind AS 40 Investment Property

Ind AS 41 Agriculture

Ind AS 101 First time adoption of IFRS

Ind AS 102 Share based payments

GN on Accounting for Employee Share Based Payments

# IND AS VS AS

Indian Accounting Standards	Accounting Standards
Ind AS 103 Business Combinations	AS 14 Accounting for Amalgamations
Covers all acquisitions that will result in control Acquisition of Common control entities out of scope No pooling of interest method Gain on bargain purchase – Profit or loss Reverse merger in books of transferor Principles for identifying business, consideration and recognition elaborate	Only true merger  Applicable  Pooling of interest or purchase Capital Reserve  Based on legal form not substance  Limited to true merger alone

# IND AS VS AS

Indian Accounting Standards	Accounting Standards
Ind AS 105 Non-current Assets held for sale and Discontinued Operations	AS 24 – Discontinued Operations
Includes non-current assets held for sale	Only discontinued operations
Ind AS 106 Exploration for and Evaluation of Mineral resources	GN on Exploration assets
Ind AS 107 Financial Instruments Disclosures	AS 32 Financial Instruments Disclosures
Ind AS 108 Operating Segments	AS 17 Segment Reporting
Based on CODM	Primary and secondary – business and geographic
Ind AS 109 Financial Instruments	



# IND AS VS AS

## Indian Accounting Standards

Ind AS 110 Consolidated Financial Statements

Ind AS 111 Joint Arrangements

Ind AS 112 Disclosure of Interests in Other Entities

Ind AS 113 Fair Value Measurement

Ind AS 114 Regulatory deferral Accounts

Ind AS 115 Revenue from Contract with Customers

## Accounting Standards

AS 21 Consolidated Financial Statements

AS 7 Construction Contracts and AS 9 Revenue Recognition

AS 13 Accounting for Investments