IND AS

OVERVIEW…

M P Vijay Kumar

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).

Agenda – 120 minutes

- Context setting
- What is different in IFRS?
- Convergence Journey
- Roadmap for Convergence
- What does convergence mean?
- Ind AS impact
- Carve-outs from IFRS

*The document is intended to provide a brief overview of the Ind ASs and is not a replacement for original text

Whirlwind?

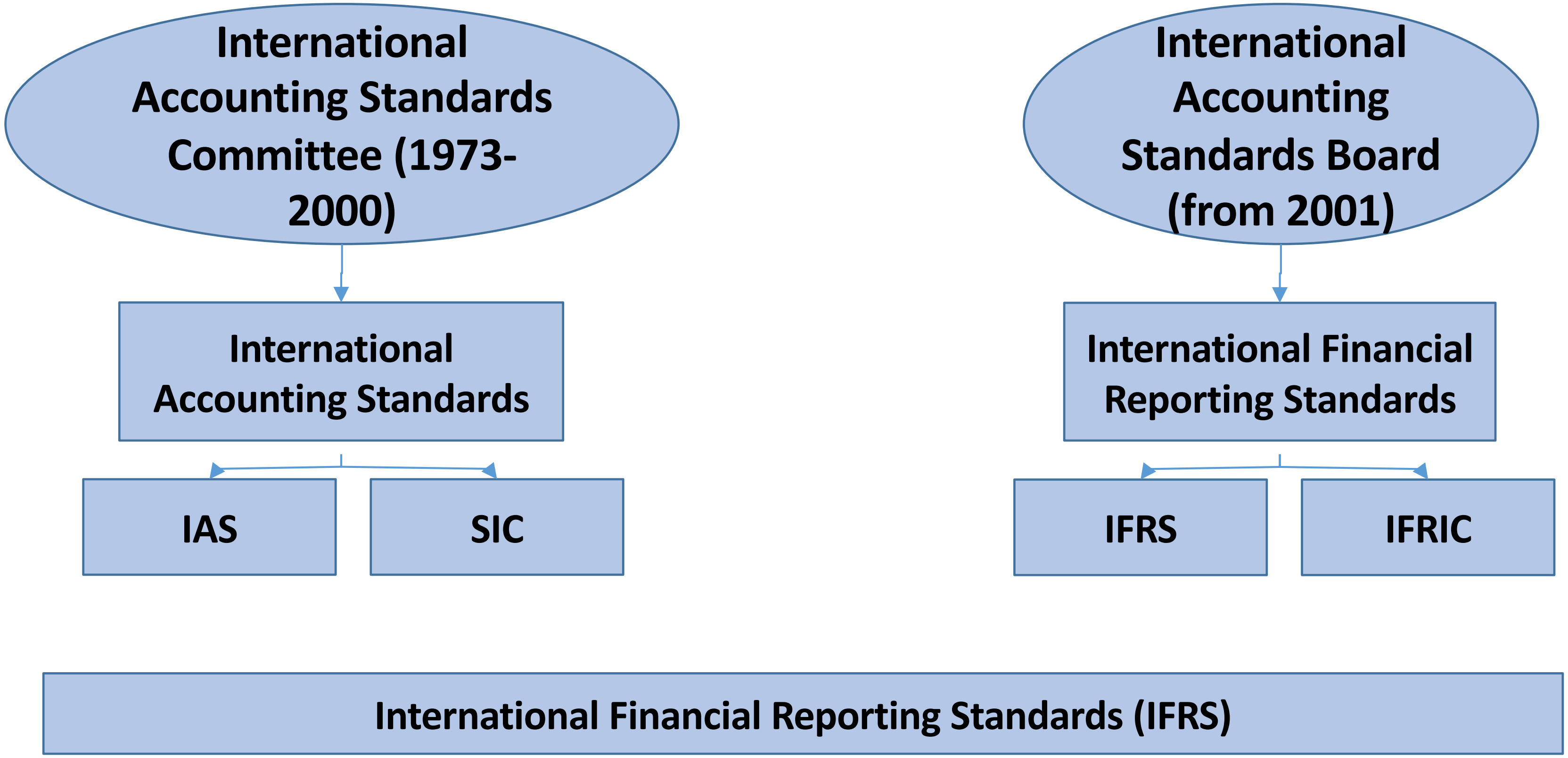
- **The accounting profession worldwide is going through a sea of changes**
- **On the one hand "The Economist" predicts, accounting to be the worst affected profession in the wake of technology, while on the other, qualified professionals are found wanting across the globe**
- **Business transactions – getting complex with agreements for future performance and multiple covenants**
- **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**
  - Format of FS : Current & Non -Current
- **Companies Act 2013**
- **Income Computation & Disclosure Standards**
- **Ind AS – live – at last !!**
- **Schedule III for Ind AS companies**
- **Schedule III for Ind AS companies - NBFC**
- **Revision of existing Accounting Standards**
  - AS 10 already done
  - Others happening as part of a larger project

What is IFRS?

Set of accounting standards issued by a non-profit body called International Accounting Standards Board (IASB)



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IFRS – The number game

IFRS Effective as on 01/01/20	No.	Ind AS Effective as on 01/04/20	No.
IAS	25	Ind AS*	23
IFRS	16	Ind AS	16
Total Standards	**41**	**Total Standards**	**39**
IFRIC	16	Included as Appendix to relevant Ind AS**	14
SIC	5	Included as Appendix to relevant Ind AS**	4
Total Interpretations	**21**	**Total Appendices included in Ind AS**	**18**

*Ind AS corresponding to IAS 26, *Accounting and Reporting by Retirement Benefit Plans* not considered relevant to companies in India, hence not issued.

*IAS 39, *Financial Instruments: Recognition and Measurement,* contains only part relating to hedge accounting which is valid globally as continuation of this is permitted globally. But in India, only IFRS 9 hedge accounting is permitted, hence the part of IAS 39 is not relevant and no equivalent standard issued.

** IFRIC 2, *Members' Shares in Co-operative Entities and Similar Instruments* and SIC 7, *Introduction to Euro*, are considered not relevant to companies in India, hence not issued in India. IFRIC 9, *Reassessment of Embedded Derivatives,* not included as Standard corresponding to IAS 39 not issued in India

(New!!!) Principles governing IFRS

- **There can, and in fact, be no differences in core fundamentals of accounting vis-à-vis I GAAP**
- **The following principles**
  1. **Substance over form -Consolidation is accounting and not just reporting**
  2. **Fair Value**
  3. **Extensive disclosures**
- **Number of choices to be made – dealing with differences of opinions in applications**

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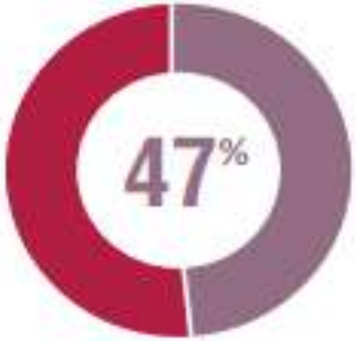
IFRS Standards Global Position

(Source : use-of-ifrs-around-the-world-overview-sept-2018.pdf)

144 of 166
profiled jurisdictions require the use of IFRS Standards

15 of 20
G20 economies require the use of IFRS Standards

86 of 166
profiled jurisdictions require or permit the use of the *IFRS for SMEs*® Standard



35tn of 76tn
The GDP of jurisdictions that require the use of IFRS Standards is $35 trillion of the total world's $76 trillion

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Ind AS – Convergence Journey

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Global Accounting Standard-Setters & Twins of 1973 \«

	Accounting Standard-setting Frameworks or GAAPs			
Accounting Standards for	**Private Sector** *(Twins of 1973)*			**Govt Sector**
Highly Credible Global Frameworks	**IFRS**		**US GAAP**	**IPSAS**
Sub-sets, if any	**IFRSs** (public interest entities like listed companies, banks and similar financial institutions)	**IFRS for SMEs** (SMES estimated to account for 95% of the all companies in the world)	In May 2012, Private Company Council (PCC) established to act as primary advisory body to FASB for SMEissues	
Standard-setting body	**IASB of IFRS Foundation (Since 2001 and by its predecessor IASC *since 1973*)**		**FASB of FAS Foundation *(since 1973)***	**IPSAB of IFAC (since 1997)**

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IFRS Convergence : Ind AS Implementation

Needs High Level Commitment

2006-2007	• **ICAI** developed a **concept paper** on IFRS Convergence or Adoption in India and paved the way of accounting reforms
2009-10	• Prime Minister of India made commitment in G20 Summit at Pittsburgh to converge with IFRS • Road map for Ind AS implementation from 2011 developed by Core group comprising ICAI but it was postponed due to prevailing Global Financial crisis
2014	• Union Finance Minister urged need for convergence with IFRS and announced implementation from 2015-16

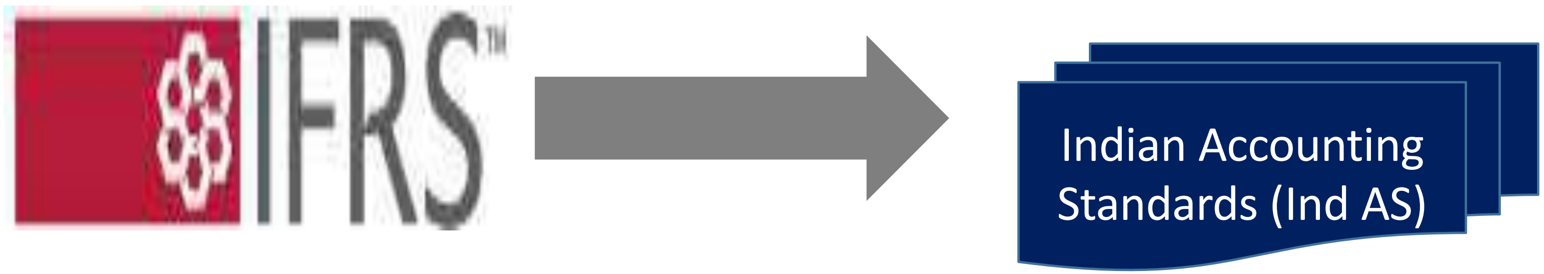
Feb 2015 – Comprehensive Road map of Ind AS Implementation announced

IFRS Convergence: Ind AS Implementation

Convergence and not Adoption

- **India decided to <u>CONVERGE</u> with IFRS and <u>NOT TO ADOPT.</u>**

- **Reasons:**
  - Legal & regulatory environment
  - Indian economic environment
  - Prevailing accounting practices in the country
  - Conceptual Issues



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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"***

Moving towards IFRS

- MCA, in consultation with ICAI, decided to converge & not to adopt IFRSs.

- ICAI formulated Ind AS, notified by MCA in 2015 (amended by Companies (Ind AS) Amendment Rules, 2016) after recommendation of NACAS.

- It was decided to converge early (April 2015..) with IFRS 9, *Financial Instruments*. Internationally, effective from Jan, 2018.

Moving towards IFRS

- **Ind AS are based on and substantially converged with IFRS Standards as issued by the IASB**

- **Ind AS reflects some modifications to IFRS Standards that are generally optional, only four are mandatory, and are of limited scope.**

- **An Appendix to each Ind AS explains 'the major differences, if any, between' the Ind AS and the corresponding IFRS Standard.**

Correlation…

SIMPLE = SIMPLE	COMPLEX = DETAILED
Sale without warranty	Sale with 3 year warranty
Credit of 3 months	Credit of 3 years
Sale without loyalty rights	Sale with loyalty rights
Sale of 5 products: each invoiced separately.	Sale of 5 products: Invoice for 1, 4 given as free (bundled)
Loan repayment diminishing balance	Loan repayment : structured – front or rear loading
Investment in shares	Investment in options/futures
Rent with equal amounts	Rent with holiday, step up, etc

Correlation…

SIMPLE = SIMPLE	COMPLEX = DETAILED
Single business	Multiple business
Trading activity	Construction business
No related party TXN	Related party TXNs
Consistent policies	Change in policies
Ready to use assets	Construction of assets
No M&A	M&A
Less than 50 employees	More than 50 employees

Correlation…

SIMPLE = SIMPLE	COMPLEX = DETAILED
NO Bank finance	Bank finance
NO private equity/ angel investors	Private Equity/ Venture capitalists
Proprietary firm	Partnership firms
Business successful	Business incurring losses
NO litigations	Plenty of litigations
No BOT projects	BOT projects
Organic Growth	Inorganic growth: determination and allocation of consideration

AS in timeline

AS 1
- 1979

AS 2 - 15
- 1994

Revision of existing standards
- 1999

AS 16 - 29
- 2000-2003

Convergence decision
- 2007

The convergence journey

Concept Paper
- 2007

Additional Standards issued by ICAI
- 2008-2009

MCA notification on three-phase adoption

2009-2010

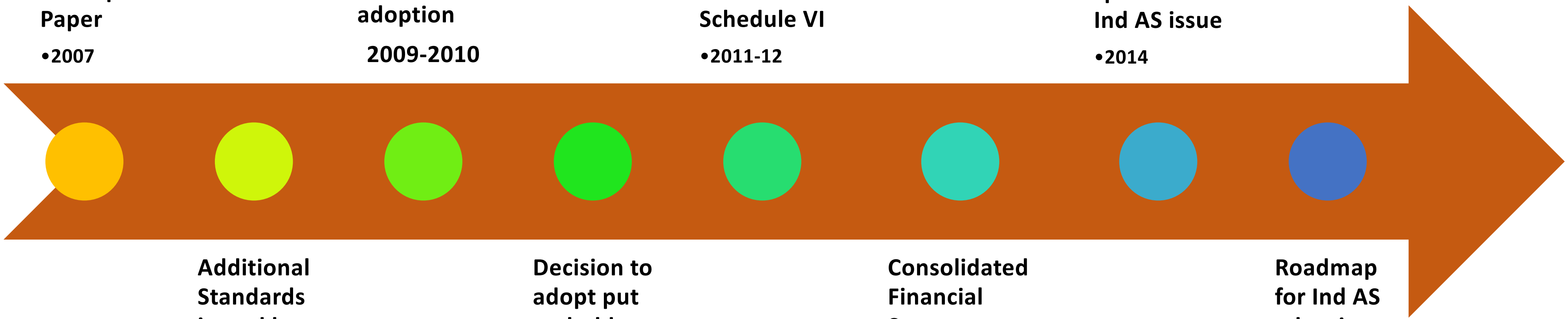
Decision to adopt put on hold
- 2011

Revised Schedule VI
- 2011-12

Consolidated Financial Statements
- Companies Act 2013

Budget speech and Ind AS issue
- 2014

Roadmap for Ind AS adoption
- 2015



IFRS Convergence Adoption : Ind AS Implementation

Comprehensive implementation Road map

Phase	Effective date	Category of companies covered
1	01/04/2015 (FY 2015-16)	**Voluntary Phase: Any company can apply Ind AS for their F/S**
		Mandatory Phase
1	01/04/2016 (FY 2016-17)	**Companies other than Banking, NBFC & Insurance** a) Listed in India or Overseas and Networth > Rs 5 billion b) Unlisted with Networth > Rs 5 billion c) Parent, Subsidiary, Associates and JVs of above entities
2	01/04/2017 (FY 2017-18)	a) All listed companies not covered in Phase 1 b) Unlisted companies with Networth > Rs 2.5 billion
3	01/04/2018 (FY 2018-19)	**NBFCs** a) NBFCs with networth > Rs 5 billion
4	01/04/2019 (FY 2019-20)	**NBFCs** a) Listed with Net worth < Rs 5 billion b) Unlisted NBFCs with Net worth > Rs 2.5 billion
5	???	**Banks** **Insurance companies**

MISSION ACHIEVED

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Roadmap : Implementation on Ind ASs

2015	2016	2017	2018	2019
Any Co.	Specified Co.	Specified Co.	Bank & Insurance	NBFC
Phase I	Phase I	Phase II	Phase I-NBFC	Phase II
Voluntary	Mandatory	Mandatory	Mandatory	Mandadory

Voluntary Adoption is not allowed for Insurance and Banking Cos

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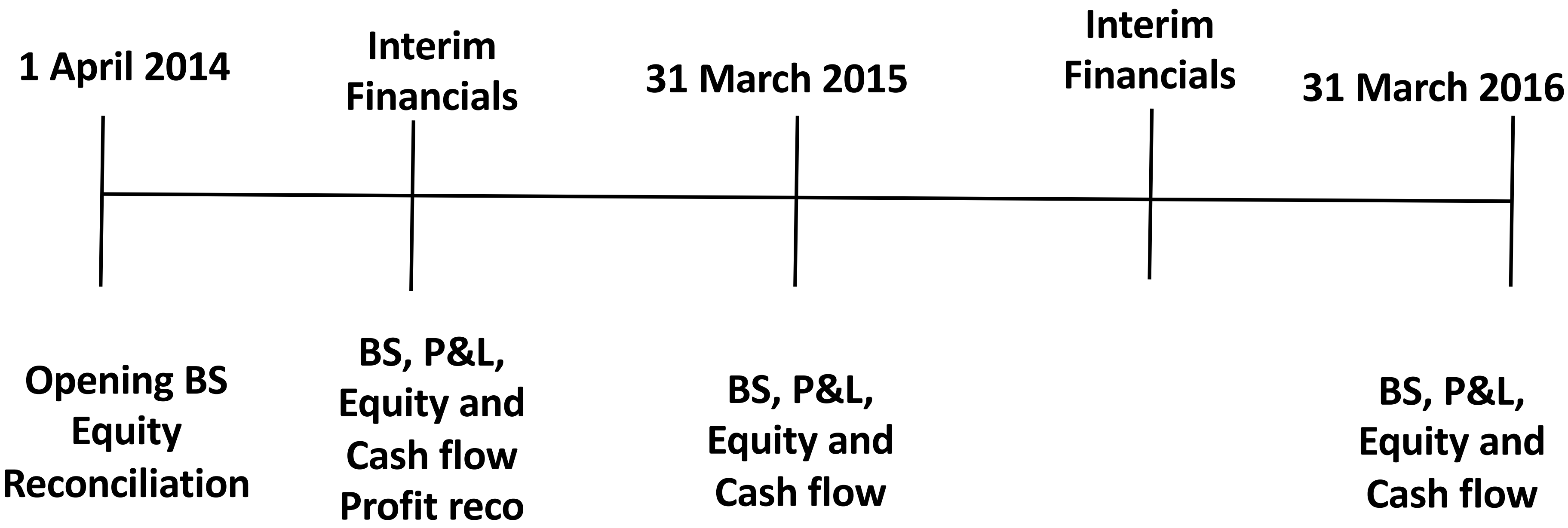
What this means

- **Phase I**



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What this means

- **Phase II**

1 April 2015

Interim Financials

31 March 2016

Interim Financials

31 March 2017

Opening BS
Equity Reconciliation

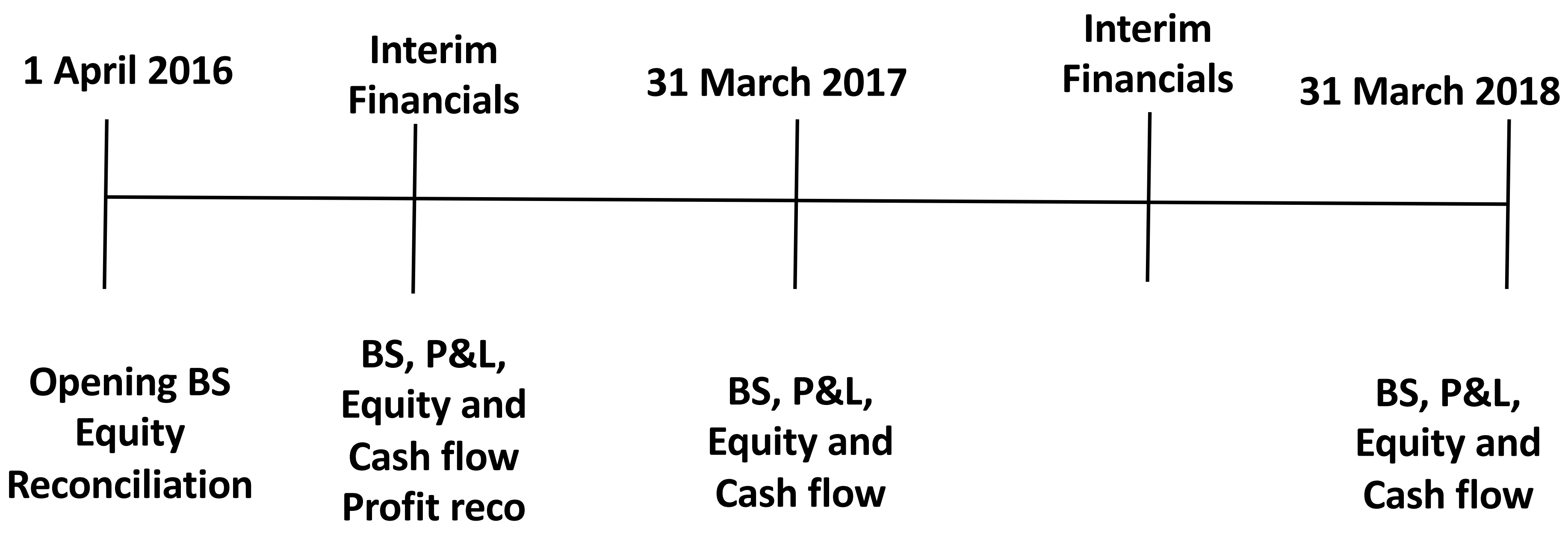
BS, P&L,
Equity and Cash flow
Profit reco

BS, P&L,
Equity and Cash flow

BS, P&L,
Equity and Cash flow

What this means

- **Phase III**



Reporting Landscape after convergence

- Companies covered by Phases will apply Ind AS
- Companies not covered by Phases will apply existing AS (Companies AS Rules, 2006)
- Corporations (not under companies Act) &Non-corporates will apply AS issued by ICAI

Globally though

IFRS

Companies with public accountability

IFRS for SME

Companies that do not have public accountability

Components -Ind AS Financials

Balance Sheet

Statement of Profit /Loss & other Comprehensive Income

Notes to Accounts

Statement of Changes in Equity

Statement of Cash Flow

Stakeholder Participation in standard setting process

IFRS Exposure Drafts (ED) reviewed by **ICAI's Expert Study Groups** and Comments offered to IASB

IFRSs/IFRIC issued by IASB

IFRSs Reviewed/Recommended by **ICAI's Study Groups**

EDs 'Ind AS' approved by ASB for Public Comments

Public Comments analysed/reviewed by **ICAI's Expert Study Groups** and ASB

'Ind AS' Approved by Accounting Standards Board (ASB) /Council of ICAI

'Ind AS' Reviewed/Recommended by NFRA (earlier NACAS)

'Ind AS'
Notified by MCA, GOI under the Companies Act 2013

ICAI plays sheet anchor role in Standard Setting

IMPACT !!!
SETTING EXPECTATION

Study of Impact

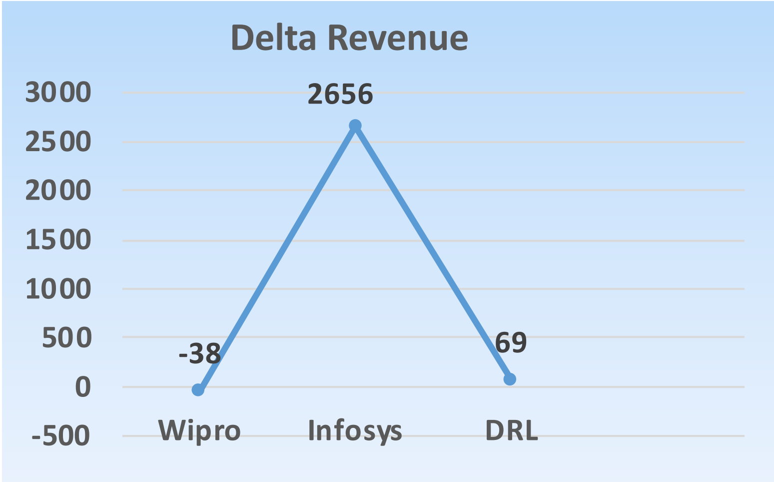
	Tata Motors Ltd			Dr.Reddy Laboratories		
Particulars	Crores	Crores		Crores	Crores	
	IGAAP	IFRS	Diff	IGAAP	IFRS	Diff
Revenue	262,796	262,526	(270)	14,703	14,819	116
Depreciation	13,449	11,046	(2,403)	759	810	51
Tax	6,915	7,642	727	563	598	35
Net Profit	13,986	12,829	(1,157)	2,336	2,212	(124)
Networth	56,694	53,935	(2,759)	9,853	11,130	1,277
Tangible Assets	50,765	53,822	3,057	4,183	4,809	626
Intangible Assets	51,523	53,822	2,299	1,193	1,506	313

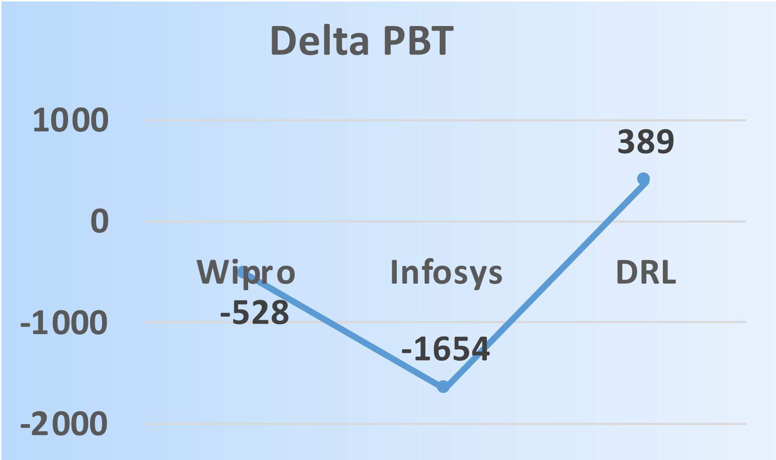
I GAAP in this and next slide here refers to AS and information is for period when these entities followed AS and for overseas filing reported IFRS

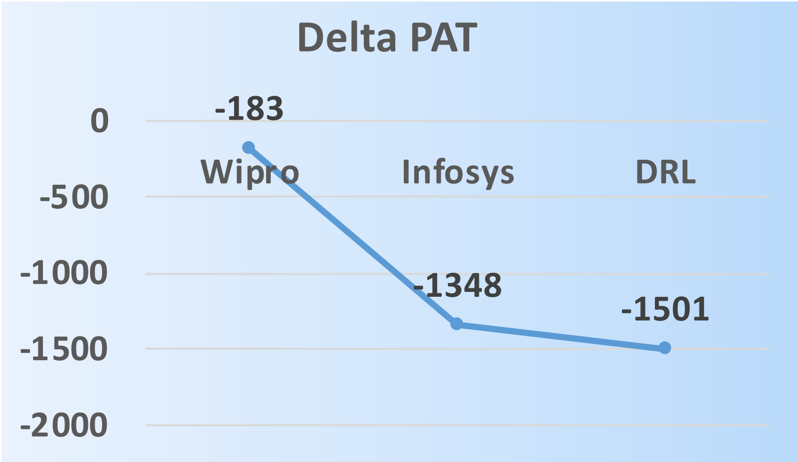
Study of Impact

	Infosys			Wipro Limited		
Particulars	Crores	Crores		Crores	Crores	
	IGAAP	IFRS	Diff	IGAAP	IFRS	Diff
Revenue	47,300	53,137	5,837	46,951	46,954	3
Depreciation	913	1,068	155	1,175	1,282	107
Tax	4,634	4,911	277	2,510	2,462	(48)
Net Profit	12,164	12,279	115	8,661	8,706	45
Networth	48,068	53,448	5,380	37,256	40,963	3,707
Tangible Assets	7,347	8,906	1,559	5,364	5,421	57
Intangible Assets	-	3,642	3,642	5,867	7,600	1,733

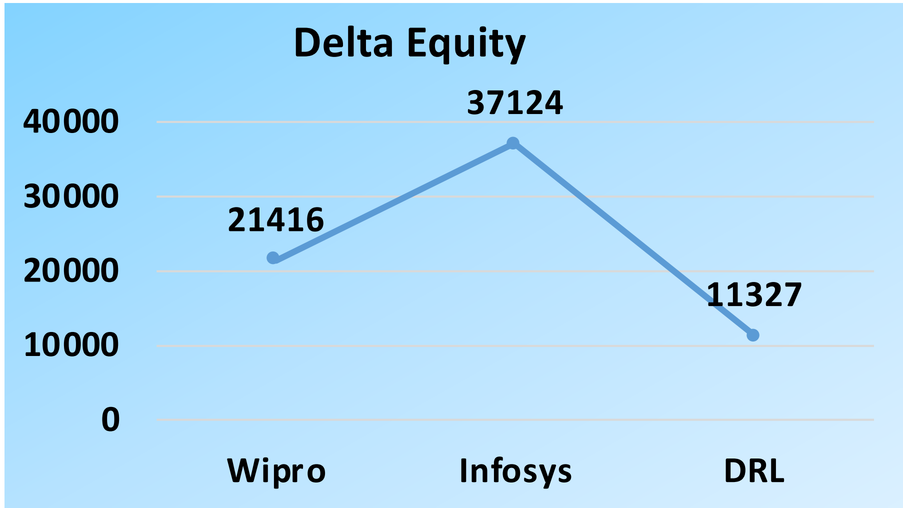
IFRS and IGAAP – Income Statement

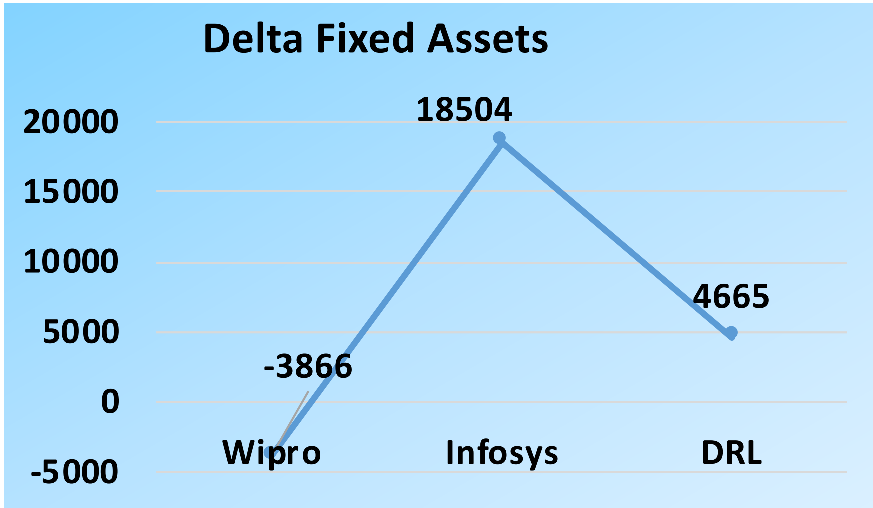


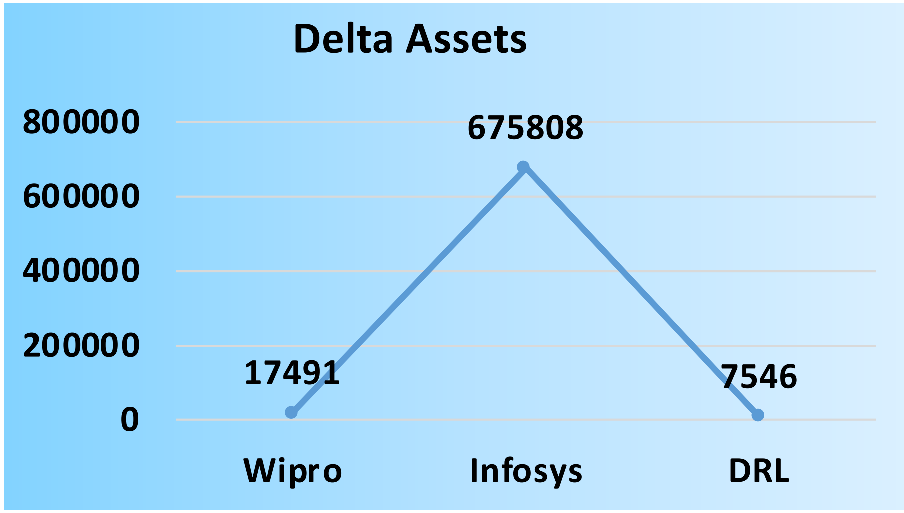


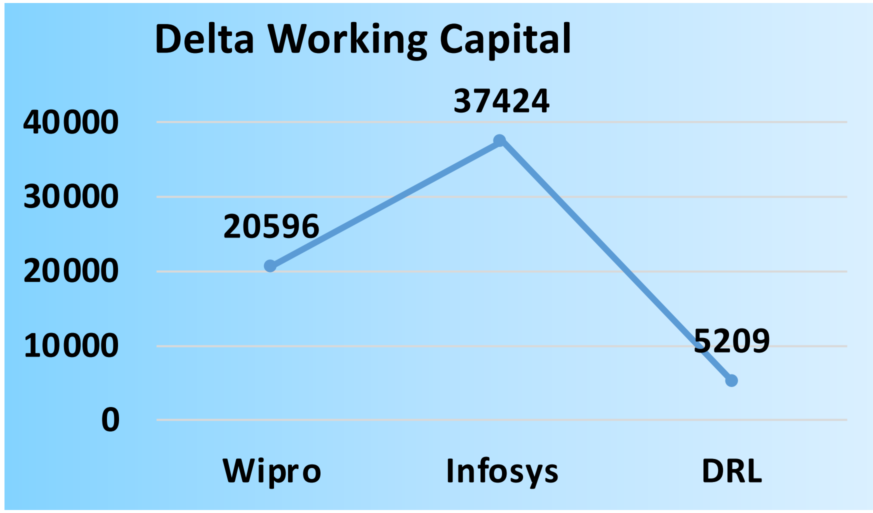


IFRS and IGAAP – Balance Sheet









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Q1 Ind As transition - study

	Increase	Decrease	No change
Revenue	30%	48%	22%
EBITDA	59%	41%	0%
PAT	52%	48%	0%

Standard-wise indexation of issues covered in ITFG Clarification Bulletins

Ind AS	Issues directly dealing with the Standard	Total Issues
Ind AS 7	Issue 77	1
Ind AS 8	Issue 78	1
Ind AS 12	Issue 79, 80, 81, 82, 83, 84 & 85, ITFG Bulletin Issue 2	8
Ind AS 16	Issue 86, 87, 88, 89, 90, 91, 92, 93 & 94	9
Ind AS 17	Issue 95, 96, 97, 98 & 99	5
Ind AS 18	Issue 100, 101, 102 & 103	4
Ind AS 20	Issue 104, 105, 106, 107 & 108	5
Ind AS 21	Issue 109 & 110	2
Ind AS 23	Issue 111 & 112	2
Ind AS 24	Issue 113 & 114	2
Ind AS 27	Issue 115 & 116	2
Ind AS 28	Issue 117	1
Ind AS 32	Issue 118, 119, 120, 121, 122, 123, 124 & 125	8

Standard-wise indexation of issues covered in ITFG Clarification Bulletins

Ind AS	Issues directly dealing with the Standard	Total Issues
Ind AS 33	Issue 126 &127	2
Ind AS 37	Issue 128	1
Ind AS 38	Issue 129	1
Ind AS 101	Issue 25 to Issue 51, ITFG Bulletin 18 (issue 1 & 4)	28
Ind AS 103	Issue 52, 53, 54 &55	4
Ind AS 107	Issue 56 & 57	2
Ind AS 108	Issue 58	1
Ind AS 109	Issue 59 to 72, ITFG Bulletin 18: Issue 3	14
Ind AS 110	Issue 73, 74, 75 & 76	4
Total issues related to Standards		107
Other issues related to roadmap, net-worth and Schedule III to the Companies Act, 2013		30
Total Issues		**137**

Educational Material on Ind AS

17 Educational Materials on 18 Ind AS	
Ind AS	Name of the Standard
Ind AS 1	Presentation of Financial Statements
Ind AS 2	Inventories
Ind AS 7	Statement of Cash Flows
Ind AS 10	Events after the Reporting period
Ind AS 16	Property, Plant and Equipment
Ind AS 18	Revenue
Ind AS 27 & Ind AS 28	Ind AS 27 Separate Financial Statements and Ind AS 28, Investments in Associates and Joint Ventures

Educational Material on Ind AS

Ind AS	Name of the Standard
Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets
Ind AS 101	First-time Adoption of Indian Accounting Standards
Ind AS 103	Business Combinations
Ind AS 108	Operating Segments
Ind AS 110	Consolidated Financial Statements
Ind AS 111	Joint Arrangements
Ind AS 115	Revenue from Contracts with Customers
Ind AS 116	Leases
Ind AS 38	Intangible Assets

IND-AS
IMPACT IN BRIEF

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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 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 has undergone significant change : 5 step model : control vs R&R
Ind AS 116	Types of lease	Same as Ind AS 17, except that for OL, lessees also need to recognize RTU asset and liability (popularly referred as single accounting model for lessees)

Schedule III (Ind AS) vs Schedule III (AS)

Particulars	Ind AS Schedule III	AS Schedule III
Presentation order	Assets followed by equity and liabilities	Equity followed by liabilities and assets
New elements	• Statement of changes in equity • Other comprehensive income • Financial assets & Financial liabilities • Investment Property • Biological assets other than bearer plants	
Renamed elements	• Property, plant and equipment • Other equity	• Tangible Assets • Reserves and Surplus
Additional disclosure	• Bank deposits with more than 12 months maturity under "other financial assets" • Cash and cash equivalents to include bank overdrafts – for cash flow statement	

IND-AS
IMPACT - CONTINUED

Impact areas

Consolidation

- Concept of de-facto control – consolidation without majority holding or if minority possess veto power
- JV using equity method
- Minority interest at fair value

Financial Instruments

- Initial recognition at fair value net of transaction costs
- Subsequent measurement of Financial Assets at FVTPL/FVTOCI/Amortised cost
- Subsequent measurement of Financial liabilities at FVTPL/Amortised cost
- Debt/equity classification based on substance – compound instruments and preference shares
- Derivatives at FVTPL

Service concession arrangements

- Revenue from such arrangements are recognized based on Construction contracts
- A financial asset or an intangible asset is recognized and not a PPE
- Continue amortization policy as per existing GAAP for the intangible recognized (transition)

Impact areas

Employee Benefits/ESOPs

- ESOPs only at fair value
- Actuarial gains or losses in OCI
- Accounting for ESOPs of parent issued to employees of subsidiary

Property Plant and Equipment

- Depreciation method to be reviewed periodically along with useful life and consequently is not a change in accounting policy
- Cost model or revaluation model
- Using previous GAAP amount as deemed cost (transition choice)

Foreign currency fluctuations

- All prospective transactions and changes to exchange rates should be to profit or loss
- For existing long term monetary items, policy as per previous GAAP can be continued (transition)

Leases

- Evaluation of substance of all the agreements for lease
- Lease of land is operating lease
- No straight lining when increase is expected offset inflation

Impact areas

Business combination

- **All acquisitions at fair value**
- **Identified intangibles and Goodwill**
- **Testing of goodwill for impairment**

Deferred taxes

- **Balance sheet approach**
- **Any change in opening balance sheet will have corresponding impact in deferred taxes**

Dividends

- **Equity dividends directly to equity**
- **Treatment of preference dividend**
- **Treatment of DDT**

Level of impact

Areas of change	Impact on Net worth	Impact on Profitability
Fair valuation of Land and PPE	Significant	Low
Fair valuation of financial instruments	Significant	Moderate
Deferred taxes	Moderate	Significant
Intangible assets and goodwill	Low	Moderate
Reclassification of actuarial gains and losses	Negligible	Significant
ESOPs	Moderate	Moderate
Consolidation of entities	Moderate	Moderate
Foreign currency translation	Moderate	Low

Sectoral impact areas

Area of change	Auto	IT	Pharma	Infra	Telecom	Retail
Revenue recognition	✔	✔		✔	✔	✔
Fair valuation of PPE	✔					✔
Fair valuation of FI (networth)	✔	✔	✔	✔	✔	✔
Fair valuation of FI (Profit or loss)	✔	✔	✔		✔	
Amortisation of Intangibles/Goodwill		✔	✔			
Consolidation	✔	✔	✔	✔		
Capitalisation of exchange differences	✔	✔		✔	✔	
Actuarial gains or losses	✔	✔	✔	✔	✔	✔
ESOPs	✔	✔	✔			
Capitalisation of spares	✔			✔		
Leases					✔	✔
Service concession arrangement				✔		

Overview of Impact Analysis

Ind AS Impact : Quantitative

Ind AS Impact : Qualitative

Ind AS Impact : Survey Questionnaire

Ind AS Impact : Words of Wisdom

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Industry experience- Questionnaire Survey

- Questionnaire Survey' approach was adopted to gauge the stakeholder views about
  - ➢ benefits/challenges of moving to a high quality financial reporting framework converged with globally acceptable standards and
  - ➢ future course of actions regarding 'Ind AS Carve-outs' and timelines for full convergence with or adoption of IFRS Standards.
- Questionnaire covered following questions
  - ✓ Quality and transparency of Ind AS financial statements,
  - ✓ Implementation challenges,
  - ✓ Issues and way forward and
  - ✓ Other Standard specific issues.
- Responses received from 24 companies belonging to different sectors.
- Out of the responses received, 87.5% companies were listed, 41.7% companies had net worth more than 10,000 crores and 50% companies had net worth more than 500 crores but less than 5,000 crores .

Quantitative Analysis

- **Ind AS Impact Analysis - Primarily based on review of consolidated financial statements published as part of annual report for the year 2016-2017**
- **Ind AS Impact Analysis - Covers 170 companies spread across following 15 sectors**

Quantitative Analysis - key financial parameters in absolute and percentage terms

- Revenue for the year March 31, 2016
- Profit after Tax for the year March 31, 2016
- Total Equity as at April 1, 2015 (Ind AS Transition Date)
- Total Tangible Assets (Property, Plant and Equipment as at April 1, 2015 (Ind AS Transition Date)
- Total Intangible Assets as at April 1, 2015
- Total Assets as at April 1, 2015 (Ind AS Transition Date)
- Total Borrowings as at April 1, 2015 (Ind AS Transition Date)

Quantitative Analysis –Impact on Key Financial Parameters in % terms

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Ind AS Impact on Revenue for the year ended March 31, 2016

Amount in ₹ Crore

Sectors	No. of Companies	Ind AS Revenue	AS Revenue	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of Companies	Amount	No. of Companies	Amount	%
Automobile	15	5,71,711	5,78,804	664	3	(7,757)	12	(7,093)	(1.23)
Capital Goods	11	69,976	72,065	1	1	(2,091)	10	(2,089)	(2.90)
Chemicals and Fertizers	9	45,329	50,184	30	1	(4,884)	8	(4,854)	(9.67)
Construction & Buliding Materials	26	2,34,732	2,40,438	963	5	(6,669)	19	(5,706)	(2.37)
Crude Oil & Natural Gas	12	13,89,345	13,94,642	15,098	2	(20,395)	8	(5,297)	(0.38)
FMCG and Consumer Durables	28	2,00,318	2,09,002	720	7	(9,404)	20	(8,684)	(4.15)
Healthcare and Pharmaceuticals	16	1,02,922	1,03,702	650	4	(1,429)	10	(779)	(0.75)
Hotels & Restaurants	3	7,286	7,977	4	1	(695)	2	(691)	(8.67)
IT	15	3,17,058	3,17,063	47	4	(52)	6	(5)	(0.00)
Mining & Mineral products	2	1,07,659	1,08,940	2	1	(1,283)	1	(1,281)	(1.18)
Packaging and Logistics	5	23,772	24,940	522	2	(1,690)	3	(1,168)	(4.68)
Power Generation & Distribution	7	1,70,942	1,76,838	9,562	1	(15,457)	6	(5,896)	(3.33)
Steel	6	2,24,631	2,42,639	0	0	(18,008)	5	(18,008)	(7.42)
Telecom, media and entertainment	10	78,389	87,965	243	1	(9,819)	8	(9,576)	(10.89)
Others	5	17,829	14,619	5,153	1	(1,943)	2	3,210	21.96
Total	170	35,61,901	36,29,818	33,658	34	(1,01,575)	120	(67,917)	(1.87)

Note – No impact of Ind AS on revenue was observed for 16 companies.

M P Vijay Kumar

Key drivers of Impact- Revenue

Increase	Decrease
• Revenue increase due to change in accounting treatment from Agent to Principal basis. • Increase in revenue due to application of Appendix A of Ind AS 11 (Service Concession Arrangements).	• Change in method of accounting for investments in Joint Ventures from Proportionate Consolidation Method to Equity Method. • Change in measurement of revenue, i.e., discounts and sale promotional expenses are netted off from revenue. • Deferral of revenue • Re-assessment of revenue recognition criteria for sale of goods • Change in accounting for Customer Loyalty Programmes • Segregation of financing components from sale price.

Ind AS impact on Profit after Tax (PAT) for the year ended March 31, 2016

Amount in ₹ Crore

Sectors	No. of Companies	Ind AS Revenue	AS Revenue	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of Companies	Amount	No. of Companies	Amount	%
Automobile	15	31,082	29,954	1,743	8	(616)	7	1,127	3.76
Capital Goods	11	1,034	899	234	6	(100)	5	135	14.97
Chemicals & Fertilizers	9	2,409	2,717	95	5	(403)	4	(308)	(11.34)
Construction & Buliding Materials	26	14,465	14,914	381	14	(830)	12	(449)	(3.01)
Crude Oil & Natural Gas	12	73,457	72,963	3,035	5	(2,541)	7	494	0.68
FMCG and Consumer Durables	28	17,761	18,810	138	17	(1,187)	11	(1,049)	(5.58)
Healthcare and Pharmaceuticals	16	12,012	12,246	621	7	(856)	9	(235)	(1.92)
Hotels & Restaurants	3	2	179	8	1	(185)	2	(177)	(98.87)
IT	15	59,229	59,809	111	1	(692)	14	(581)	(0.97)
Mining & Mineral products	2	2,003	2,614	0	0	(611)	2	(611)	(23.39)
Packaging and Logistics	5	1,370	1,474	5	2	(109)	3	(104)	(7.04)
Power Generation & Distribution	7	23,430	24,974	535	2	(2,079)	5	(1,544)	(6.18)
Steel	6	(8,029)	(9,915)	3,030	4	(1,144)	2	1,885	19.02
Telecom, media and entertainment	10	7,420	8,370	33	3	(983)	7	(950)	(11.35)
Others	5	692	554	141	4	(3)	1	138	24.94
Total	170	2,38,335	2,40,564	10,111	79	(12,339)	91	(2,228)	(0.93)

M P Vijay Kumar

Key drivers of Impact- PAT

Increase	Decrease
• Property Plant and Equipment ➢ Capitalisation of spare parts, major repairs & overhaul ➢ Reversal of depreciation consequent to decapitalisation of foreign exchange gains and losses • Financial Instruments: Fair Value gains on investments classified as FVTPL. • Employees Benefits: Actuarial Gains/Losses recognised in OCI. • Decommissioning Liabilities: Reversal of excess provision due to change in estimates of decommissioning liability. • Income Tax Adjustments.	• Financial Instrument • Effective Interest Method: Inclusion of bonds/debentures redemption, premium payable and borrowing cost • Derivatives and Hedge Accounting • Expected Credit Loss • Revenue Recognition for Construction Contracts: change in method of accounting for project costs. • Share of Profits in Associates and Joint Ventures. • Provisions: Unwinding of discounts based on Present Value of long term provision. • Property, Plant and Equipment: Derecognition of certain costs for capitalisation under Ind AS 16. • Foreign Currency Translation Adjustments. • Share Based Payments: Measurement based on Fair Value. • Income Tax Adjustments.

M P Vijay Kumar

Ind AS impact on Equity at the Transition Date (April 01, 2015)

Amount in ₹ Crore

Sectors	No.of Companies	Ind AS Equity	AS Equity	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of Companies	Amount	No. of Companies	Amount	%
Automobile	15	1,54,109	1,46,572	9,008	12	(1,472)	3	7,536	5.14
Capital Goods	11	36,982	38,306	265	6	(1,588)	5	(1,323)	(3.45)
Chemicals & Fertilizers	9	22,616	20,188	2,473	8	(46)	1	2,428	12.03
Construction and Building Materials	26	1,31,641	1,34,657	3,638	19	(6,654)	7	(3,015)	(2.24)
Crude Oil & Natural Gas	12	5,97,710	5,73,688	36,285	8	(12,262)	4	24,023	4.19
FMCG and Consumer Durables	28	84,555	75,189	10,277	22	(911)	6	9,366	12.46
Healthcare and Pharmaceuticals	16	73,410	69,105	4,533	12	(229)	4	4,304	6.23
Hotels & Restaurants	3	6,905	6,378	673	2	(146)	1	527	8.27
IT	15	1,95,689	1,88,348	8,713	9	(1,371)	6	7,341	3.90
Mining & Mineral products	2	74,179	71,602	2,577	2	0	0	2,577	3.60
Packaging & Logistics	5	7,826	8,020	177	4	(372)	1	(194)	(2.42)
Power Generation & Distribution	7	2,24,309	2,27,757	3,466	3	(6,914)	4	(3,448)	(1.51)
Steel	6	1,53,687	1,23,734	32,929	4	(2,977)	2	29,953	24.21
Telecom, media and entertainment	10	87,355	94,760	1,425	4	(8,830)	6	(7,406)	(7.82)
Others	5	8,856	8,348	525	4	(17)	1	508	6.08
Grand Total	**170**	**18,59,829**	**17,86,652**	**1,16,966**	**119**	**(43,789)**	**51**	**73,177**	**4.10**

M P Vijay Kumar

Key drivers of Impact- Equity

Increase	Decrease
• Fair Value gains recognised on financial instruments classified as FVTPL and/or FVOCI • Reversal of Proposed Dividend accrued as liability • Amortisation of borrowing cost using Effective Interest Rate (EIR) under Ind AS 109 • Fair Value of PPE treated as Deemed cost at the transition date • Reversal of losses in Joint Ventures (JV) in excess of ownership interest • Foreign currency translation adjustment due to change in functional currency of subsidiaries • Consolidation of ESOP Trust • Income Tax adjustments	• Re-classification of Preference Shares from Equity to Financial Liability • Change in method of impairment loss (ECL) recognition and measurement for financial assets (Trade Receivables) • Fair Value loss recognised on Financial Instruments classified as FVTPL • De-consolidation of Subsidiaries • De-capitalisation of foreign exchange losses from PPE • Deduction from Equity of Company's shares (own shares) held through Trust • Income tax adjustments

Ind AS Impact on Tangibles Assets (PPE) at the Transition Date (April 01, 2015)

Amount in ₹ Crore

Sectors	No.of Companies	Ind AS Tangibles	AS Tangibles	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of companies	Amount	No. of companies	Amount	%
Automobile	15	1,26,456	1,27,660	1,841	6	(3,045)	8	(1,204)	(0.94)
Capital Goods	11	13,340	14,544	188	4	(1,392)	5	(1,204)	(8.28)
Chemicals and Fertilizers	9	12,390	13,897	17	3	(1,523)	6	(1,506)	(10.84)
Construction & Buliding Materials	26	1,03,479	1,08,087	2,477	11	(7,085)	13	(4,608)	(4.26)
Crude Oil & Natural Gas	12	6,60,724	6,67,143	47,867	2	(54,286)	9	(6,419)	(0.96)
FMCG and Consumer Durables	28	45,768	45,015	2,237	10	(1,484)	10	753	1.67
Healthcare and Pharmaceuticals	16	34,778	34,798	474	7	(495)	8	(20)	(0.06)
Hotels & Restaurants	3	8,647	9,416	0	1	(770)	2	(770)	(8.17)
IT	15	30,022	31,042	2	2	(1,022)	6	(1,020)	(3.29)
Mining & Mineral products	2	78,324	77,551	847	1	(74)	1	773	1.00
Packaging and Logistics	5	4,553	4,288	305	2	(40)	2	265	6.18
Power Generation & Distribution	7	4,07,147	4,28,011	11,378	1	(32,242)	5	(20,864)	(4.87)
Steel	6	2,96,790	2,58,542	39,415	3	(1,167)	3	38,248	14.79
Telecom, media and entertainment	10	81,725	92,019	6,678	3	(16,972)	6	(10,295)	(11.19)
Others	5	6,439	6,411	105	2	(77)	2	28	0.43
Grant Total	**170**	**19,10,582**	**19,18,426**	**1,13,830**	**58**	**(1,21,674)**	**86**	**(7,844)**	**(0.41)**

Note – No impact of Ind AS on tangibles assets has been observed for 26 companies.

M P Vijay Kumar

Key drivers of Impact- Tangible Assets

Increase	Decrease
• Use of Fair Value as Deemed cost for PPE at transition date • Capitalisation of spare-parts, major inspection and overhaul • Recognition of De-commissioning Liability	• Elimination of PPE of JVs due to change in method of accounting from Proportionate Consolidation to Equity Method • PPE relating to Power Purchase agreements treated as Finance Lease resulting in decrease in PPE

Ind AS Impact on Intangibles Assets at the Transition Date (April 01, 2015)

Amount in ₹ Crore

Sectors	No.of Companies	Ind AS Intangible Assets	AS Intangible Assets	Positive Impact		Negative Impact		Net Impact	
				Amount	No.of Companies	Amount	No.of Companies	Amount	%
Automobile	15	59,836	61,493	374	2	(2,031)	7	(1,656)	(2.69)
Capital Goods	11	5,643	5,795	166	2	(318)	5	(152)	(2.62)
Chemicals and Fertizers	9	898	917	2	1	(20)	1	(18)	(2.01)
Construction & Building Materials	26	57,263	83,131	168	4	(26,037)	15	(25,868)	(31.12)
Crude Oil & Natural Gas	12	1,04,382	1,54,644	4,808	4	(55,070)	2	(50,262)	(32.50)
FMCG and Consumer Durables	28	10,355	10,544	140	4	(329)	8	(189)	(1.79)
Healthcare and Pharmaceuticals	16	9,068	9,335	31	3	(297)	6	(266)	(2.85)
Hotels & Restaurants	3	696	94	602	1	(0.22)	2	602	639.89
Information Technology	15	20,682	14,956	6,227	5	(501)	3	5,726	38.29
Mining & Mineral products	2	21,600	17,787	3,812	1	-	-	3,812	21.43
Packaging and Logistics	5	241	139	102	2	-	-	102	72.83
Power Generation & Distribution	7	3,658	5,352	-	-	(1,694)	5	(1,694)	(31.65)
Steel	6	16,012	27,638	0.01	1	(11,626)	3	(11,626)	(42.06)
Telecom, Media and Entertainment	10	42,214	42,855	4,228	1	(4,869)	6	(641)	(1.50)
Others	5	5,221	6,158	26	1	(962)	3	(936)	(15.20)
Total	**170**	**3,57,770**	**4,40,838**	**20,686**	**32**	**(1,03,753)**	**66**	**(83,068)**	**(19)**

Note – No impact of Ind AS on tangibles assets was observed for 72 companies.

M P Vijay Kumar

Key drivers of Impact- Intangible Assets

Increase	Decrease
• Recognition of goodwill due to consolidation of subsidiaries under Ind AS, which did not previously meet consolidated criteria as per AS. • Recognition of Intangible Assets due to application of Appendix A of Ind AS 11 Service Concession Arrangements • Retrospective application of Acquisition Method for Business Combination	• De-consolidation of subsidiaries resulting in decrease in related intangible assets • Application of fair value measurement for certain Intangible assets as at transition date

Ind AS Impact on Total Assets at the Transition Date (April 01, 2015)

Amount in ₹ Crore

Sectors	No. of Companies	Ind AS Total Assets	AS Total Assets	Positive Impact		Negative Impact		Net Impact	
				Amount	No. of Companies	Amount	No. of Companies	Amount	% Change
Automobile	15	4,65,919	4,72,028	2,948	8	(9,056)	7	(6,109)	(1.29)
Capital Goods	11	1,25,369	1,30,293	639	3	(5,564)	7	(4,924)	(3.78)
Chemicals and Fertilizers	9	45,912	45,815	1,491	4	(1,394)	5	97	0.21
Construction & Building Materials	26	4,36,080	4,72,119	3,564	12	(39,604)	14	(36,039)	(7.63)
Crude Oil & Natural Gas	12	12,29,536	12,70,768	5,393	4	(46,625)	8	(41,232)	(3.24)
FMCG and Consumer Durables	28	1,57,519	1,54,611	3,503	20	(595)	8	2,908	1.88
Healthcare and Pharmaceuticals	16	1,32,357	1,30,494	2,389	9	(525)	7	1,864	1.43
Hotels & Restaurants	3	16,518	16,436	439	1	(358)	2	82	0.50
IT	15	2,51,644	2,53,189	1,462	8	(3,007)	7	(1,545)	(0.61)
Mining & Mineral products	2	1,80,971	1,77,603	3,479	1	(111)	1	3,368	1.90
Packaging and Logistics	5	17,895	18,612	97	2	(815)	3	(717)	(3.85)
Power Generation & Distribution	7	5,72,033	5,94,000	3,184	3	(25,150)	4	(21,967)	(3.70)
Steel	6	4,66,531	4,34,015	34,780	2	(2,265)	3	32,516	7.49
Telecom, media and entertainment	10	1,98,949	2,00,745	2,166	3	(3,962)	7	(1,796)	(0.89)
Others	5	25,255	25,453	29	1	(226)	4	(198)	(0.78)
Total	**170**	**43,22,487**	**43,96,180**	**65,562**	**81**	**(1,39,256)**	**87**	**(73,693)**	(1.68)

Note – No impact of Ind AS on Total Assets was observed for 2 companies under Capital Goods and Steel Sectors.

M P Vijay Kumar

Key drivers of Impact- Total Assets

Increase	Decrease
• PPE: Fair value as deemed cost on the transition date • Increase in intangible assets due to recognition of goodwill due to consolidation of subsidiaries • Fair value of financial assets	• Reclassification of subsidiaries as Joint venture, i.e., deconsolidation of subsidiaries in accordance with Ind AS (significant impact due to reversal of goodwill).

Ind AS Impact on Total Borrowings at the Transition Date (April 01, 2015)

(Amount in ₹ Crore)

Sectors	No.of Companies	Ind AS Total Borrowings	AS Total Borrowings	Positive Impact		Negative Impact		Net Impact	
				No.of Companies	Amount	No.of Companies	Amount	Amount	%
Automobile	15	1,14,421	1,18,668	4	100	7	(4,348)	(4,247)	(3.58)
Capital Goods	11	22,472	22,760	1	657	5	(944)	(287)	(1.26)
Chemicals & Fertilizers	9	10,427	12,192	1	1	4	(1,766)	(1,765)	(14.48)
Construction & Buliding Materials	26	1,47,690	1,63,620	9	1,908	17	(17,838)	(15,930)	(9.74)
Crude Oil & Natural Gas	12	3,15,104	3,41,949	2	103	8	(26,948)	(26,845)	(7.85)
FMCG and Consumer Durables	28	25,517	24,682	9	1,117	13	(281)	836	3.39
Healthcare and Pharmaceuticals	16	31,060	30,977	3	327	9	(244)	84	0.27
Hotels & Restaurants	3	4,015	5,156	0	-	2	(1,141)	(1,141)	(22.13)
IT	15	11,972	12,146	4	3	2	(177)	(174)	(1.43)
Mining & Mineral products	2	68,590	67,058	1	1,532	0	0	1,532	2.28
Packaging and Logistics	5	2,001	1,979	1	60	4	(39)	21	1.09
Power Generation & Distribution	7	2,63,377	2,74,665	1	944	5	(12,232)	(11,288)	(4.11)
Steel	6	1,84,333	1,85,763	1	2,725	5	(4,155)	(1,429)	(0.77)
Telecom, media and entertainment	10	49,753	52,890	3	310	6	(3,446)	(3,137)	(5.93)
Others	5	6,680	6,903	1	39	3	(262)	(223)	(3.24)
Total	**170**	**12,57,414**	**13,21,408**	**41**	**9,827**	**90**	**(73,821)**	**(63,994)**	**(4.84)**

Note – No impact of Ind AS on borrowings has been observed for 39 companies

M P Vijay Kumar

Key drivers of Impact- Total Borrowings

Increase	Decrease
• Change in classification and presentation of preference shares as financial liability	• Change in accounting method for joint ventures from proportionate consolidation to equity method • Change in accounting of borrowing costs • Below market interest loans at fair value

Disclosure Analysis

- Ind AS are formulated on clearly articulated principles and require high quality transparent, comparable and understandable financial information in the financial statements.
- In this Context, high level of review of disclosures is done for 75 Companies (Qualitative Analysis)
- Qualitative Analysis - consolidated financial statements published as part of annual report for the year 2016-2017.
- Since banks, non-banking financial companies (NBFCs) or insurance companies have been excluded from preview of Ind AS for the year 2016-17, these sectors not considered.

Ind AS 101: Exemption analysis

Analysed the extent of carve-outs in Ind AS 101, which are available to the first-time adopters, availed by 170 companies.

Exemptions Availed	Companies in No.	in %
PPE/Intangible Assets-CV	139	82%
PPE/Intangible Assets-FV	11	6%
Equity at FVTOCI	61	36%
Leases	75	44%
Business Combinations	120	71%
Share based Payments	55	32%
Financial Instruments - FV	19	11%
Service Concession Arrangements	5	3%
Investment in subsidiaries, JV & Associates-CV	104	61%
Long-term foreign currency monetary items	44	26%
Foreign Currency Translation Reserve	53	31%
Decommisioning Liabilities	14	8%

Impact areas (17-18)

Area	Q1	Q2	Q3
Revenue	2.67%	5.37%	3.50%
EBITDA	0.54%	3.72%	2.63%
Interest	3.77%	0.02%	8.82%
Taxes	3.45%	0.51%	0.75%
PAT	1.28%	1.60%	0.38%

IND-AS
CARVE OUTS RATIONALE

M P Vijay Kumar FCA, FCMA, FCS

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	It was felt more appropriate to recognize as capital reserve and avoid including in P&L lest it be considered for distribution
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	With Ind AS 116, this difference is not there.
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

CARVE-OUTS

- **Efforts towards minimizing the carve-outs as compared to those that existed in the 2011 version of the Ind-AS standards.**

- **ICAI is in dialogue with the IASB to eliminate the remaining carve-outs in a time bound manner**

IND-AS
CHANGES ON…

CHANGES ON..

- **IFRS 17 Insurance Contracts** - Effective from 1st January 2023– Corresponding Ind AS to be issued
- **Primary Financial Statements** - ED issued
- **Macro-hedging** - to be issued
- **Goodwill impairment** - project on

PERSONAL

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.**


ASK
QUESTIONS

THANK YOU!

M P Vijay Kumar