# IFRS BASICS

Study Circle
27th Jan 2016

## Today's programme

- IFRS
- Background
- How international
- IFRS and the US
- India and IFRs
- Ind AS
- New Vocabulary
- New Concepts

## What is IFRS?

- International Financial Reporting Standards

## International Financial Reporting Standards

- A set of concepts, principles, rules for **reporting** various transactions and items in the financial statements
- It was earlier called **IAS** – International Accounting Standards

# International Financial Reporting Standards

Total Standards - 69

- International Financial Reporting Standards (IFRS)
- International Accounting Standards (IAS)
- International Financial Reporting Interpretation Committee (IFRIC)
- Standing Interpretation Committee (SIC)

# Who Is Behind These Standards?

- International Accounting Standards Board -The IASB
- It is the independent standard-setting body of the IFRS Foundation.
- It is based in London

## Mission statement of IASB

To develop International Financial Reporting Standards (IFRS) that bring **transparency, accountability** and **efficiency** to financial markets around the world.

Our work serves the public interest by **fostering trust,** growth and long-term financial stability in the global economy.

## History of the Standard Setting Body

- International Accounting Standards Committee (IASC),
- The IASC's Inception began in 1973
- Professional accounting bodies of nine different countries

## History of the Standard Setting Body

- Australia
- Canada
- France
- Japan
- Mexico
- the Netherlands
- the United Kingdom (with Ireland)
- the United States
- West Germany

## IASC's aim

- The basic aim of IASC was "to **formulate** and publish **in the public interest accounting standards** to be observed in the presentation of financial statements and to **promote their worldwide acceptance and observance**"

## IASC

- The IASC Board promulgated a substantial body of Standards, Interpretations, a Conceptual Framework, and other guidance that was adopted directly by many companies and that was looked to by many national accounting standard-setters in developing national accounting standards.

## IFAC had a role to play

- IFAC – International Federation of accountants
- Formation – Oct 1977
- Location Switzerland
- HQ New York

## Achievements of IASC

- After nearly 25 years of work, in 1997 IASC concluded that to continue to perform its role effectively, it must find a way to bring about convergence between national accounting standards and practices and high quality global accounting standards.
- To do that, IASC saw a need to change its structure.
- In late 1997 IASC formed a **Strategy Working Party** to reexamine its structure and strategy.

## Achievements of IASC

- A total of 41 standards were issued by the IASC during its time, along with subsequent amendments and other publications.

## Achievements of IASC

- the IASC proved to be a big success in **developing countries,** such as Malaysia and Singapore.

## Achievement of IASC

- Countries like China and Russia benefitted heavily from the IASC.

## Achievement of IASC

- The IASC also proved to be a success to capital market countries such as the United States and the United Kingdom, as many of the IAS' are derived from principles similar to their respective accounting systems.

## Achievement of IASC

- The IASC's progress also came at a time of increasing globalization, which meant that companies in these countries were interested in raising finance overseas.

## IASB

- In late 1997 IASC formed a **Strategy Working Party** to reexamine its structure and strategy.
- The Strategy Working Party published its Final Recommendations in November 1999.
- The IASC Board approved the proposals unanimously.
- **A new IASB Constitution took effect from 1 July 2000.** The standards-setting body was renamed the **International Accounting Standards Board** (IASB).

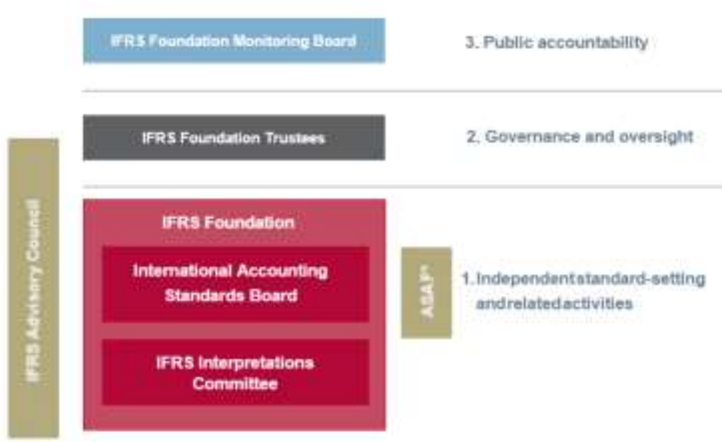
## IASB welcomed

- Europe had just announced in 2000 that EU listed companies had to adopt IAS' by 2005.
- The EU was seeking an alternative to US GAAP and IASC seemed like a good option.
- The IOSCO (International Organization of Securities Commissions) endorsed IASs for its members.

# IASB's Aim

- To develop a **single set** of high quality, understandable, enforceable and **globally accepted** financial reporting standards based upon clearly articulated principles.

# Constitution of IASB




*Accounting Standards Advisory Forum (representatives of the international standard-setting community)

# An Indian Trustee

- Chandrashekhar Bhaskar Bhave
- Former Chairman of the Securities and Exchange Board of India (SEBI)

- Term expires: December 2017

# The World Over

- Financial Reporting Standards for the World Economy
- IFRS have become the de facto global standard for financial reporting.
- Its quality has been validated by almost a decade of use by markets in both advanced and developing economies

## The World Over

- The vision of global accounting standards has been supported by many international organisations, including-
- the G20,
- the World Bank,
- the International Monetary Fund,
- the Basel Committee,
- International Organization of Securities Commissions and
- the International Federation of Accountants

## The World Over

- Almost 120 countries require IFRS for all or most domestic publicly accountable entities (listed companies and financial institutions).
- About 90 Countries conform to it with a statement in acknowledging the fact in their the financial repots

## IFRS and the US

- The first step taken by the IASB was in 2002. It was called the **Norwalk Agreement**, ( Norwalk is in Connecticut, USA) (IASB) each acknowledged their commitment to the development of high-quality, compatible accounting standards that could be used for both domestic and cross-border financial reporting.

## IFRS and the US

- This process is still ongoing, as IASB Chairman Hans Hoogervorst recently implied that there is still a while to go for reconciliation. He also said that once these individual reconciliations were solved, the market would need time to react to these changes

## IFRS and the US – The SEC

- For many years, the **SEC has been expressing its support for a core set of accounting standards** that could serve as a framework for financial reporting in cross-border offerings.
- On February 24, 2010, the SEC issued **Commission Statement in Support of Convergence and Global Accounting Standards.**
- The release also called for the development of a work plan (**the "Work Plan**.
- In 2012 the SEC staff issued the Final Staff Report on the Work Plan for the Consideration of Incorporating IFRS into the Financial Reporting System for U.S. Issuers. **The report did not recommend a specific course of action.**

## IFRS and the US

- Despite a belief by some of the inevitability of the global acceptance of IFRS, others believe that U.S. GAAP is the touch stone, and that a certain level of quality will be lost with full acceptance of IFRS.
- Further, certain U.S. issuers without significant customers or operations outside the United States may resist IFRS because they may not have a market incentive to prepare IFRS financial statements. They may believe that the significant costs associated with adopting IFRS outweigh the benefits.

## IFRS and the US – convergence?

- Ultimately, the expectation is that the SEC will make a determination on whether it will incorporate IFRS into the financial reporting system for U.S. issuers and, if it decides to incorporate IFRS, the method of incorporation.

## IFRS and US GAAP

**Overall key differences**

- The biggest difference is that IFRS provides fewer detailed rules than U.S. GAAP.
- IFRS also contains limited industry-specific guidance.

## Joint Projects – IASB and FASB

**Some got completed**

- Business combinations
- Consolidation
- Fair value measurement
- Leases

**Some were discontinued**

Government grants

Impairment

Income taxes

## Joint projects - FASB and IASB

- Joint projects being conducted with the IASB. Joint projects are those that standard setters have agreed to conduct simultaneously in a coordinated manner.
- Joint projects involve the sharing of staff resources, and every effort is made to keep joint projects on a similar time schedule at each Board.

## IFRS and the US

- IFRS is permitted for non-US companies without reconciliation to US GAAP.
- Around 500 cross-border SEC registrants now use IFRS.

## India's tryst with Accounting Standards

- ICAI formed Accounting Standard Board in 1977.
- ASB started issuing Accounting Standards as they were issued by IASC
- We needn't reinvent the wheel but it should fit our cart so these were modified to suit Indian conditions.

# IFRS in India

- In 2007, The ICAI announced convergence to IFRS before 31 December, 2011.
- IFRS in India gathered speed- In February 2011, the MCA released 35 Ind AS' on their website and roadmap was also announced but it was withdrawn till further notice.
- But later announced that the deadlines were tight

# Process of adopting Ind AS

- The process for adopting Ind AS is as follows:
- • The Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) prepares a draft of the Ind AS on the basis of IFRS. That draft is exposed for public comments and discussed with the relevant interest groups. •
- Thereafter, considering the comments, the Accounting Standards Board of the ICAI finalises the Ind AS and submits it to the Council of the ICAI for approval. •
- After approval by the ICAI Council, the Ind AS is reviewed by the National Advisory Committee on Accounting Standards (NACAS) of the Ministry of Corporate Affairs.
- NACAS recommends the Ind AS to the Ministry of Corporate Affairs for notification. •
- The Ministry notifies (publishes) the Ind AS in the Gazette of India, and it becomes authoritative under the law.

## Role of SEBI

- The Securities and Exchange Board of India got established in1992.
- SEBI used its statutory powers to improve disclosure by listed companies in their annual reports.
- SEBI can mandate changes quickly through the Listing agreement, without going through lengthy process of legislative changes.
- From FY 1994-95 Sebi mandated Cash flow statement in annual accounts. There was no Cash Flow standard at the time
- ICAI issued Revised standard AS 3 in 1997. Then SEBi made a change in Listing Agreement requiring the AS 3 should be followed in the preparation of CFS.
- Now the new Co's Act 2013 has also mandated it for certain companies ( level 1)

## Stumbling blocks Removed

- Companies Act 2013
- NFRA (National finance Reporting Authority) has more powers than NACAS (National Advisory Committee on Accounting Standards)
- Tax related issues – Income Computation and disclosure Standards
- General preparedness improved because of uncertainty

## India's tryst with Accounting Standards

- NACAS National advisory committee for accounting standards
- NFRA  National financial Reporting authority

## Fast forward Budget speech

- On 11 July 2014, Finance Minister Arun Jaitley proposed the budget to the Indian Parliament,
- "There is an urgent need to converge the current Indian accounting standards with the International Financial Reporting Standards (IFRS). I propose for adoption of the new Indian Accounting Standards (Ind AS) by the Indian companies from the financial year 2015-16 voluntarily and from the financial year 2016-17 on a mandatory basis. Based on the international consensus, the regulators will separately notify the date of implementation of AS Ind for the Banks, Insurance companies, etc. Standards for the computation of tax would be notified separately." (India Budget, 2014)

# Road map -1st April 2016

On mandatory basis

(a) Companies whose equity and/or debt securities are **listed** or are in the process of listing on any stock exchange *in India or outside India* and having net worth of **Rs 500 crore** or more.

(b) Companies other than those covered above, having net worth of **Rs 500 crore** or more.

(c) Holding, subsidiary, joint venture or associate companies of companies covered under (a) and (ii) (b) above

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

# Road map – 1st April 2017

On mandatory basis

(a) 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**.

(b) Unlisted companies having net worth of **Rs 250 crore or more but less than Rs 500 crore.**

(c) Holding, subsidiary, joint venture or associate companies of companies covered under paragraph (iii) (a) and (iii) (b) above.

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

## Voluntary adoption

- For accounting periods beginning on or after 1 April 2015,
- with the comparatives for the periods ending 31 March 2015 or thereafter.
- Only to those whom it is applicable

## Ind AS and AS?

- The above companies would not be required to prepare another set of financial statements in accordance with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006 prescribed under the Companies Act, 1956.

## Not applicable to

- Insurance, banking and non-banking financial companies shall not be required to apply Ind AS either voluntarily or mandatorily

## Exemptions

- Entities listed on SME exchange are exempt
- These companies shall continue to apply existing accounting standards notified in Companies (Accounting Standards) Rules, 2006

## Net worth

The New Companies Act of 2013, defines net worth as

Paid-up share capital +

Reserves created out of the profits (excludes reserves created out of revaluation of assets, write-back of depreciation and amalgation) +

Securities premium account –

Accumulated losses –

Deferred expenditure –

Miscellaneous expenditure not written off

## Net worth when

- It has been clarified that net worth will be determined based on the standalone accounts of the company **as on 31 March 2014** or the first audited period ending after that date.
- Applicability on 31st March – next financial year

## No going Back…..

- Once these companies start their conformation to Ind AS, they are **not** allowed to change should they veer away from the criteria that previously mandated them to adopt Ind AS.
- Adoption indicates compliance of companies to both its standalone financial statements and consolidated financial statements.

## Both consolidated and stand-alone?

- Ind AS will apply to both consolidated and stand-alone financial statements of a company covered by the roadmap. This is helpful as companies will not have to maintain dual accounting systems.
- An Indian company having an overseas subsidiary, associate, joint venture and other similar entities, or
- which is a subsidiary, associate, joint venture and other similar entities of a foreign company is required to prepare its financial statements, in accordance with Ind AS

## Companies already using IFRS for CFS

- The SEBI also gave listed entities the option to prepare and file consolidated financial statements in conformity with IFRS as issued by IASB.
- However the revised Companies Act does not give SEBI the authority to continue the IFRS option. It requires listed and large companies to prepare consolidated financial statements in conformity with a new set of Indian Accounting Standards (Ind AS) to be adopted by the ICAI.
- However, discussion of whether and how to continue that option continues.

## Companies already using IFRS?

- Sorry!
- These companies must use Ind AS.

# Comparative List of Standards numbering

| IFRS | Title of IFRS/ Ind AS | Ind AS | AS/ GN |
|---|---|---|---|
| IFRS 1 | First – time Adoption of International Financial Reporting Standards | 101 | - |
| IFRS 2 | Share-based Payment | 102 | GN Accounting for Employee Share based Payments |
| IFRS 3 | Business Combinations | 103 | AS 14 Accounting for amalgamation |
| IFRS 4 | Insurance Contracts | 104 | - |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 105 | AS 24 Discontinuing operations |
| IFRS 6 | Exploration for and evaluation of Mineral Resources | 106 | GN Accounting for Oil & Gas Producing Activities |
| IFRS 7 | Financial Instruments: Disclosures | 107 | AS 32 Financial instruments Disclosure |

# Comparative List of Standards

| IFRS | | Ind AS | AS/ GN |
|---|---|---|---|
| IFRS 8 | Operating Segments | 108 | As 17 Segment Reporting |
| IFRS 9 | Financial Instruments | 30 | Financial Instruments: Recognition & Measurement |
| IFRS 10 | Consolidated Financial Statements | 110 | AS 21 Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements | 111 | As 27 Financial Instruments of Interests in Joint Ventures |
| IFRS 12 | Disclosure of Interests in Other Entities | 112 | - |
| IFRS 13 | Fair Value Measurement | 113 | - |
| IFRS 14 | Regulatory Deferral Accounts | 114 | GN Accounting for Rate Regulated Activities |
| IFRS 15 | Revenue from Contracts with Customers | 115 | AS 7 & AS 9 Construction contracts & Revenue recognition |

# Comparative List of Standards

| | | | |
|---|---|---|---|
| IAS 1 | Presentation of Financial Statements | 1 | AS 1 Disclosure of Accounting policies |
| IAS 2 | Inventories | 2 | AS 2 Valuation of Inventories |
| IAS 7 | Statement of Cash Flows | 7 | AS 3 Cash Flow statements |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | 8 | AS 5 Net profit or Loss for the Period, PPI and Changes in Accounting policies |
| IAS 10 | Events After the Reporting Period | 10 | AS 4 Contingencies & Events Occurring after the B/S date |
| IAS 11 | Construction Contracts | 11 | As 7 Construction Contracts |
| IAS 12 | Income Taxes | 12 | AS 22 Accounting for Tax on Income |
| IAS 16 | Property, Plant and Equipment | 16 | AS 10 Fixed Assets<br>AS 6 Depreciation Accounting |
| IAS 17 | Leases | 17 | AS 19 Lease |
| IAS 18 | Revenue | 18 | AS 9 Revenue Recognition |

# Comparative List of Standards

| | | | |
|---|---|---|---|
| IAS 19 | Employee Benefits | 19 | AS 15 Employee Benefits |
| IAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | 20 | AS 12 Accounting for Government Grants |
| IAS 21 | The Effects of Changes in Foreign Exchange Rates | 21 | AS 11 The Effects of Changes in Foreign Exchange Rates |
| IAS 23 | Borrowing Costs | 23 | AS 16 Borrowing Costs |
| IAS 24 | Related Party Disclosures | 24 | AS 18 Related Party Disclosures |
| IAS 26 | Accounting and Reporting by Retirement Benefit Plans | 26 | AS 26 Intangible Assets |
| IAS 27 | Separate Financial Statements | 27 | - |
| IAS 28 | Investments in Associates and Joint Ventures | 28 | AS 23 Accounting for Investments in Associates in Consolidated Financial Statement |

# Comparative List of Standards

| | | | |
|---|---|---|---|
| IAS 29 | Financial Reporting in Hyperinflationary Economies | 29 | - |
| IAS 32 | Financial Instruments: Presentation | 32 | AS 31 Financial Instruments: Presentation |
| IAS 33 | Earnings Per Share | 33 | AS 20 Earnings Per Share |
| IAS 34 | Interim Financial Reporting | 34 | AS 25 Interim Financial St. |
| IAS 36 | Impairment of Assets | 36 | AS 28 Impairment of Assets |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets | 37 | AS 29 Provisions, Contingent Liabilities and Contingent Assets |
| IAS 38 | Intangible Assets | 38 | AS 26 Intangible Assets |
| IAS 39 | Financial Instruments: Recognition and Measurement | 39 | |
| IAS 40 | Investment Property | 40 | AS 13 Accounting for Investments |
| IAS 41 | Agriculture | 41 | - |

| | |
|---|---|
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments |
| IFRIC 4 | Determining whether an Arrangement contains Lease |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| IFRIC 6 | Liabilities arising from Participation in a Specific Market- Waste Electrical and Electronic Equipment |
| IFRIC 7 | Applying restatement approach under IAS 29 |
| IFRIC 9 | Reassessment of Embedded Derivatives |
| IFRIC 10 | Interim Financial Reporting and Impairment |
| IFRIC 12 | Service Concession Arrangements |

| | |
|---|---|
| IFRIC 13 | Customer Loyalty Programmes |
| IFRIC 14 | IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction |
| IFRIC 15 | Agreements for the Construction of Real Estate |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| IFRIC 17 | Distribution of Non – Cash assets to owners |
| IFRIC 18 | Transfer of assets from customers |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |
| IFRIC 20 | Stripping Costs in the Production Phase |
| IFRIC 21 | Levies |

| | |
|---|---|
| SIC 7 | Introduction of the EURO |
| SIC 10 | Government Assistance- No Specific Relation to Operating Activities |
| SIC 15 | Operating Lease- Incentives |
| SIC 25 | Income Taxes- Change in Tax Status of an Entity or its Shareholders |
| SIC 27 | Evaluating the Substance of Transaction Involving the Legal Form of a Lease |
| SIC 29 | Service Concession Arrangements: Disclosures |
| SIC 31 | Revenue: Barter Transaction Involving Advertising Services |
| SIC 32 | Intangible Assets- Web Site Costs |

## ICAI get set go

- Education on Ind AS and IFRS

## How far have we travelled

- Comparison with AS ( Indian GAAP)
- New – corresponding old

- Convergence
- Adoption - Country applying IFRS will be implementing IFRS as issued by IASB and would be 100% compliant with the guidelines issued by IASB.
- Convergence with IFRS means that the Accounting Standard Board of the country applying IFRS would work together with IASB to develop high compatible Accounting standards over time.
- Thus countries converging with IFRS may deviate to a certain extent from the IFRS as issues by the IASB.

## Hans Hoogervorst's speech

- I am also very much impressed with the pace and determination of the Indian government and the Institute of Chartered Accountants of India to drive through these important improvements to Indian financial reporting.
- At the same time, we have to acknowledge that the new Ind AS will not be the same as IFRS.
- The current proposals contain one major and several minor differences. Even if the final differences with full IFRS turn out to be small, their effect in terms of international recognition could be big.
- Foreign investors do not have the time or the resources to study the intricacies of accounting standards. They want to see the well-known brand of IFRS: anything else makes them raise their eyebrows.

# HH's speech

- So for India to draw the full benefits of IFRS, it is very important that the Indian carve-outs should not only be small; they should also have a **limited lifetime**.
- It is important that investors see them as only an intermediate step on the way to full IFRS.
- Indeed, the danger would otherwise be that Indian companies would incur the full cost of transition to a new standard without receiving the full benefits and international recognition that come with IFRS adoption.
- In the context of bringing Indian accounting standards closer to IFRS, it would also appear to be logical for the existing option for Indian companies to be continued. First of all, removal of the option could be perceived internationally as a move away from IFRS, even though at the same time the government wants to bring India closer to IFRS. Secondly, a withdrawal of the IFRS option would lead to a needless loss of comparability of these Indian companies with their international peers. Finally, as I indicated before, the existing IFRS option places India firmly in the vanguard of big Asian economies on the road to IFRS. India will undoubtedly wish to continue this leadership role in the future.

- An appendix to each Ind AS explains 'the major differences, if any, between Ind AS and IFRS

## Basic Differences - IFRS vs Ind AS

- More or Less disclosure
- Carve outs
- Elimination of options - Differences not resulting in Carve outs
- Difference in terminology
- Carve ins

## Substance over form

- Example
- Where an arrangement contains effectively a financing element, then it gets recognised as interest.
- E.g. Inventory purchased on deferred settlement arrangement

## Differences in terminology - Presentation of Financial Statements

| IFRS | Ind AS |
|---|---|
| Statement of Financial Position | Balance Sheet |
| Statement of Profit or Loss and other Comprehensive Income | Profit and Loss Account |
| Statement of Cash Flow | Cash Flow statement |

Property, Plant and Equipment instead of Fixed Assets

## Presentation of financial statement

- While there is the option of giving a single as well as separate statements of profit and loss and Other comprehensive (OCI) in IFRS,
- in Ind AS there is only the option of providing a single income statement containing both profit and loss as well as OCI.
- Here there are options in IFRS and Ind As has taken one option – so it is not a carve out.

## Nature or Function

- In the income statement, IFRS presents an analyses of expenses based on either the nature ( natural classification – rent, transport) or function (activity for which exp is incurred – Selling expenses, Adminstrative expenses) of the expense, whichever is reliable and relevant.
- If presented by function, specific disclosure by nature are provided in the notes.
- Ind AS says the analyses only on the classification based on the nature of the expense.
- As per schedule III,

## Ind As 10

- As per IFRS, where there is a breach of certain provision on or before the end of the reporting period and the effect is that the liability becomes payable on demand on the reporting date , the liability will be classified as Current , even if the lender has agreed after the reporting period but before the approval of financial statements to not to demand payment as a consequence of the breach .
- Ind AS however says the loan will not be reclassified as Current

## Ind AS 7 – Statement of Cash Flows

- Ind AS has more stringent rules (similar to its predecessor Indian GAAP) - For entities other than financial entities, interest and dividends received are investing activities whereas interest paid are financing activities.
- Interest and dividends in IFRS may be classified as operating, investing and financing in a manner consistent from period to period.

## Ind AS 40 – Investment Property

- In Ind AS, one cannot measure investment property using the fair value model the same way one can in IFRS.
- In IFRS, investment property is initially measured at cost, with subsequent measurements being either at cost or fair value. If it is fair value, changes in it should be recognized in profit and loss. In Ind AS 40, the fair value model is not permitted.

# Lease

- In IFRS, lease income from operating leases should be recognized on a straight-line basis.
- Ind AS 17 contains an addition for escalation of lease rentals based on inflation.
- Since the function of these escalations is to protect the lessor from inflation, these lease payments can not be straight-lined

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

- When it comes to government grants related to assets, IFRS puts them in the statement of financial position either as deferred income or deducting the grant from the carrying amount of the asset.
- In Ind AS, these grants (including non-monetary grants at fair value) should be presented in the balance sheet only as deferred income.

## Ind AS 20 contd.

- Non-monetary government grants can be classified either at fair value or nominal amount by IFRS (both asset and grant). In Ind AS, they are classified only at fair value.

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

- During the beginning of convergence, companies adopting Ind AS are allowed to use the policy used by the previous year to account for exchange differences arising from the translation of long-term foreign currency monetary items.

## Ind AS 24 – Related Party Disclosures

- IFRS is more relaxed in its definition of a close member of the family. Ind AS 24 insists on including father, mother, brother and sister in the definition of close members.
- Ind AS 24 indicates that disclosures which conflict with confidentiality requirements of statutes are not required to be made. IFRS requires some amount of disclosures from such entities.

## FE fluctuation on long-term monetary items

- Foreign exchange fluctuations: Ind AS provides an option to continue with the policy adopted for accounting for exchange differences arising from the translation of long-term foreign currency monetary items recognized in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. Under IFRS, such exchange difference is charged to the income statement.

## Others

- Post-employment benefit obligations are recognized in IFRS as being discounted by a **discount rate** determined by referring to market yields on high quality corporate bonds at the end of the reporting period.
- Since India does not have a deep market for such bonds, it uses market yields of government bonds as a reference to determining the discount rate.

## Everything is Ordinary!

- No extraordinary items as earlier

## Ind AS 16 PPE and AS 10 Fixed Assets

- Ind As does not exclude real estate developers as against AS 10
- Ind AS follows component approach – Each major part of an item of PPE, having significant cost is depreciated separately.
- Also cost of replacement is capitalised after decrecognition of the carrying amount of the relpaced item.
- Cost of major inspections to be capitalised
- Cost of dismantling and removal and restoration is added to the cost of respective item

## By the way ....

- IFRS also has SME standards