Indian Accounting Standards (IndAS):

Practical Aspects, Case Studies and Recent Developments

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Ind AS

Introduction

MCA roadmap to Ind AS

MCA roadmap to Ind AS for all companies except banks, Non Banking Financial Company (NBFCs), and insurance companies	
2015-16 Voluntary adoption	• Early adoption
2016-17 Phase I	• Companies with net worth of Rs.500 crores or more
2017-18 Phase II	• All listed companies not covered above • All unlisted companies with net worth of *Rs.250 crores or more

MCA roadmap to Ind AS for banks#, insurance companies$, and NBFCs	
2018-19 Phase 1	• Scheduled commercial banks#, Term-lending Refinancing Institutions • Insurer / insurance companies$ • NBFCs with net worth of *Rs.500 crores or more
2019-20 Phase 2	• All listed NBFCs (or in the process of listing) and not covered in Phase I above • All unlisted NBFCs with net worth of *Rs.250 crores or more but less than *Rs.500 crores

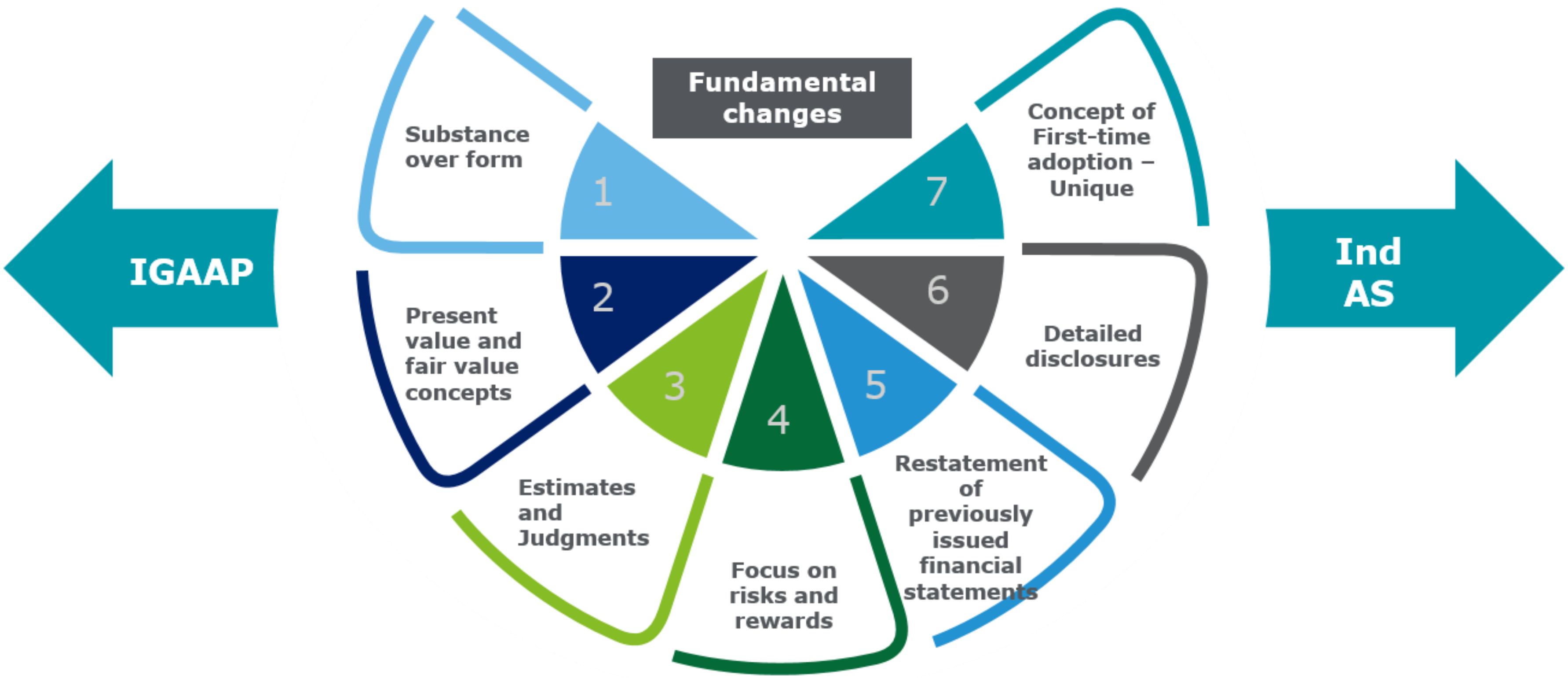
1. Applies to holding, subsidiaries, joint ventures, and associate companies of above companies
2. Applicable to both standalone and consolidated FS
3. FS to be presented with an opening B/s and comparative period

#On 5 April 2018, the RBI through its press release deferred the implementation of Ind AS by one year for scheduled commercial banks excluding Regional Rural Banks i.e. 2019-20 would be the first year of Ind AS with 2018-19 as the comparative year

$IRDAI through its circular no. IRDA/F&A/CIR/ACTS/146/ 06/2017 dated 28 June 2017 deferred the implementation of Ind AS in the insurance sector in India for a period of 2 years i.e. 2020-21 would be the first year of Ind AS with 2019-20 as the comparative year

*Rs.500 crores = USD74 million
Rs.250 crores = USD37 million

Fundamental changes

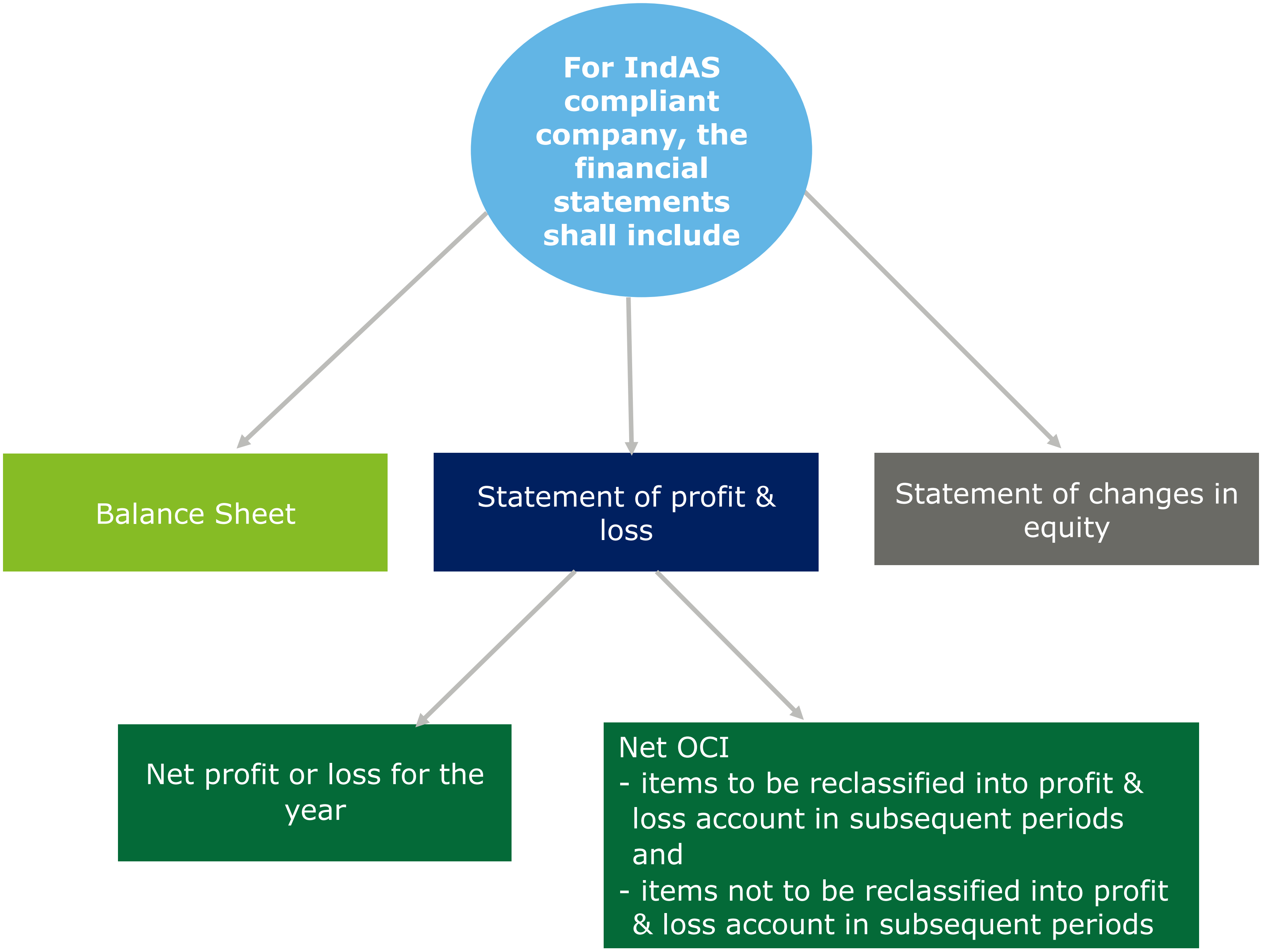


Moving from rules-based to principles-based environment
Little "industry-specific" GAAP | Impact based on the type of transactions

Why Ind AS needs your attention?

Tax and Accounting Interplay

		Indian Context
Dependent	**Taxable income determined predominantly, based on books of accounts as per local GAAP**	MAT
Quasi - Dependent	**Taxable income based on book profits, with number of adjustments under tax laws**	Business Income Computation under Income-tax Act, 1961 (‘the Act’)
Independent	**Specific set of rules within the tax law, no or little correlation with books of accounts**	Presumptive basis of taxation


For IndAS compliant company, the financial statements shall include
Balance Sheet
Statement of profit & loss
Statement of changes in equity
Net profit or loss for the year
Net OCI
- items to be reclassified into profit & loss account in subsequent periods and
- items not to be reclassified into profit & loss account in subsequent periods

Impact of Ind AS on computation of income for tax purposes

Interplay between accounts and taxation

Key principles for computing taxable income

- Business income is computed in accordance with the method of accounting regularly employed by the taxpayer – could be either cash or mercantile / accrual
- Business income as per method of accounting adopted to be adjusted by the specific deductions / allowances / disallowances specified in the Act
- Real income is taxable and not hypothetical income

  – unrealized gains / losses not recognized for tax computation
- Concept of time value of money not recognized
- Notional expenses not allowable. However, provisions are allowed if created on a scientific basis
- Adjustments to be made to accounting profits as per notified Income Computation and Disclosure Standards (ICDS) - effective from FY 2016-17

Profits as computed following Ind AS to be the starting point for computing taxable income and further adjusted in the light of principles stated above

Interplay between accounts and taxation

ICDS – a bird's eye view

ICDS – key features
Applicable to all taxpayers following accrual system of accounting
Non-compliance could lead to best judgement assessment
In case of conflict, Act to prevail over ICDS provisions
No impact on MAT Computation
Separate books of account not mandatory
Treatment of items not specifically dealt by ICDS to be governed as per provisions of the Act
Manner of disclosure – amendments to **ITR form** and **Form 3CD** notified

List of ICDS	
ICDS I	Accounting policies
ICDS II	Valuation of inventories
ICDS III	Construction contracts
ICDS IV	Revenue recognition
ICDS V	Tangible fixed assets
ICDS VI	Effects of changes in foreign exchange rates
ICDS VII	Government grants
ICDS VIII	Securities
ICDS IX	Borrowing costs
ICDS X	Provisions, contingent liabilities, and contingent assets

Ind AS computed profits would need to be adjusted as per ICDS

Illustrations

Illustration 1: Valuation of inventories on deferred settlement

Ind AS 2 requires that where the purchase of inventories on deferred settlement terms effectively contains a financing element, the same is to be recognized as interest expense over the period of financing

For example, difference between the purchase price for normal credit terms and the amount paid on deferred settlement terms, is to be recognized as interest expense

Example

- A company purchases an item of inventory for INR 1000 payable in 2 years' time
- Purchase price for normal credit terms is INR 900

Journal entries

• Purchases	900	
Interest	50	
To creditors		950
(In the year of purchase)		
• Interest	50	
To creditors		50
(Balance interest recognized in subsequent year)		

Valuation of inventory can be done at cost or NRV whichever is lower as per section 145A of the Act

Tax provisions / ICDS II (Inventory) does not stipulate splitting of the purchase price to recognize interest component in case of deferred settlement.

Further, interest is to be capitalized for the purpose of determining cost of inventory only if it takes more than 12 months to bring the inventory in saleable condition.

Impact of Ind AS vis a vis erstwhile AS

- Purchase of inventory is valued at lower price; consequently, value of closing stock would be lower

Issues that merit consideration

- Deductibility of interest for tax purposes and applicability of withholding tax on interest

Plausible view

- Interest should qualify as a tax deductible expense and may be subject to tax withholding. However, the issue of tax withholding is likely to pose practical challenges

Illustration 2: Loans to subsidiaries

Under Ind AS, all financial assets and liabilities are required to be recorded at fair value at initial recognition instead of the actual cost. Difference between the same is required to be accounted in the P&L Account in most cases.

For example, interest free loans given / taken are required to be apportioned as principal and notional interest. Such notional interest should be recognized as income / expense in the P&L account over the period of loan.

Under tax provisions, loans and investments to be recorded at historical cost as against fair value

Example

A five year interest free loan of INR 1,000 to a subsidiary is re-casted in the books of accounts so as recognize INR 900 as principal and INR 100 as interest to be paid by the subsidiary over the period of 5 years. INR 100 will be recognized as income and investment by the parent company and as expense and equity contribution by subsidiary company in their respective books of accounts over a period of 5 years

Journal entries

In the books of Parent Co.	Amount in INR	
Loan to Subsidiary A/c…………..….Dr. Investment in Subsidiary A/c…...Dr. To bank A/c	900 100	 1,000
Loan to Subsidiary A/c………………Dr. To interest income A/c (Interest income recognized every year for 5 years)	20	 20

In the books of Subsidiary Co.	Amount in INR	
Bank A/c……………………………..Dr. To loan from Parent A/c To equity A/c (deemed capital contribution)	1,000	 900 100
Interest expense A/c…………...Dr. To loan from Parent A/c (Interest expense recognized every year for 5 years)	20	 20

Illustration 2: Loans to subsidiaries (cont'd)

Impact in the books of Parent Co.	Impact in the books of Subsidiary Co.
• Profit increases by the amount of interest income • Corresponding increase in the amount of investment in Subsidiary	• Profit is lowered by the amount of interest expense • Corresponding increase in the equity contribution of the holding company

Issues that merit consideration

- Fair market valuation will lead to recognition of notional income / expenses. Whether such notional interest income / expense is taxable / allowable for tax under normal tax provisions?
- Whether withholding needs to be done on such notional interest expense to claim deduction for tax purposes?
- Recognition of notional investment in the books of parent company - implications on 14A disallowance read with Rule 8D

Plausible view

- Notional interest expense / income may not be allowable as deduction / taxable as there is no cash outflow towards interest payment to parent company
- Further, since interest is only notional, the same may not qualify as "interest" as per definition provided under the domestic tax laws, the interest expense in the books should not be liable for tax withholding
- 14A disallowance could be impacted if Rule 8D is applied

Illustration 3: Discounting of provisions

As per Ind AS 37, companies are required to discount provisions to their present value where the effect of time value of money is material

The increase in the provision due to the passage of time will be recognised as a finance cost - resulting in higher interest cost

ICDS X specifically provides that the amount of provision should not be discounted to its present value

Journal Entries	Amount in INR	
Expense A/c................................ Dr. To Provision A/c (Provisions created and recorded at discounted value)	xxx	xxx
Interest Expense A/c.......... Dr. To Provision A/c (Provision increased at every year-end to reflect the passage of time)	xxx	xxx

Impact of Ind AS accounting

Discounting of provision would result in increase in the overall income in the first year of creating provision, and subsequent recording of notional interest expense

Issues that merit consideration

Whether for tax computation, provision to be considered at discounted value or at the original value (i.e., without considering the discounted factor)

Plausible view

- Deduction for amount of provision recognised on a scientific and rational basis should be claimed for tax purposes, as per ICDS X (even though the provision debited in the P&L a/c may be lesser)
- Notional interest expense recorded in the subsequent years may be ignored for tax computation and tax withholding purposes

Impact of Ind AS on computation of MAT

Minimum Alternate Tax (MAT)

Objective

- All profitable companies should pay minimum corporate tax
- Increase in number of zero tax paying companies which are earning substantial income and paying handsome dividends

Provisions

- Where income tax payable by a company is less than 18.5% of book profits, such book profits are deemed to be taxable income and tax is payable thereon at 18.5% (plus applicable surcharge and cess)
- Book profit to be computed after making prescribed adjustments

MAT credit

- Excess of MAT paid over tax payable under normal provisions is available as MAT credit and can be carried forward for 15 years
- Set off restricted to difference between tax as per normal provisions and MAT for the year of set off

Section 115JB was amended with the objective to provide the framework for computation of book profits for Ind AS compliant companies in the year of adoption and thereafter

Ind AS adjustments under MAT

- Starting point for computation of MAT under Ind AS

Division II of Schedule III of Companies Act, 2013	Amount
Profit / (loss) before tax	XXX
Tax expense	XXX
Profit / (loss) for the period	XXX
Other comprehensive income (OCI) Items that will i) Not be reclassified to P&L ii) Reclassified to P&L	XXX
Total comprehensive income for the period	XXX

MAT is to be computed on the **profit for the year (before OCI)** considering the adjustments as per **section 115JB** and **Ind AS amendments**

- **Annual adjustment** - OCI items that will permanently be recorded in reserves (i.e., which will never be reclassified to the statement of P&L) to be adjusted in book profits as under

Item	Point of time of inclusion (annual)
Changes in revaluation surplus of assets	Realisation / disposal
Gains and losses from investments in equity instruments designated at fair value through OCI	Realisation / disposal
Any other item including re-measurements of defined benefit plans	Every year, as the gain or loss arises

Specific adjustments to be made in relation to demerger accounting

Ind AS adjustments under MAT
Transition adjustments

<u>Recorded in OCI</u>

<table>
<tr><th>Item</th><th>Treatment</th></tr>
<tr><td>Changes in revaluation surplus of assets</td><td rowspan="2">To be included in book profits at the time of realization / disposal</td></tr>
<tr><td>Gains and losses from investments in equity instruments designated at fair value through OCI</td></tr>
<tr><td>Any other item including re-measurements of defined benefit plans</td><td>Equally over a period of 5 years starting from the year of first time adoption of Ind AS</td></tr>
</table>

<u>Recorded in reserves and surplus (excluding capital reserve and securities premium reserve)</u>

<table>
<tr><th>Item</th><th>Treatment</th></tr>
<tr><td>Assets at fair value as deemed cost</td><td>• Adjustment to retained earnings to be ignored
• Depreciation to be computed ignoring the retained earnings adjustment
• Gains / loss on disposal of such assets to be computed ignoring the retained earnings adjustment</td></tr>
<tr><td>Investment in subsidiaries, JVs, and associates at fair value as deemed cost</td><td rowspan="2">Aggregate adjustment to be made in year of retirement / disposal</td></tr>
<tr><td>Cumulative translation differences for all foreign operations at the time of transition</td></tr>
<tr><td>Any other item including re-measurements of defined benefit plans</td><td>Equally over a period of 5 years starting from the year of first time adoption of Ind AS</td></tr>
</table>

CBDT Circular no. 24/2017 dated 25 July 2017

FAQs as per the Circular to address issues in computation of book profit under Ind AS:

Items relating to Transition Amount

Sr. No	FAQs	Clarification
FAQ 3	Reference date for calculating the "transition amount"	Amounts as on start of the opening date of the first year of Ind AS adoption
FAQ 5	Whether deferred taxes corresponding to adjustments made on the transition date is to be considered for the purpose of computing transition amount	No
FAQ 6	Whether adjustment in respect of provision for diminution in value of asset at the time of transition on the convergence date is to be considered for the purpose of computing transition amount?	No
FAQ 7	Whether "share application money pending allotment" reclassified to "other equity" is to be considered for the purpose of computing transition amount?	No
FAQ 9	Whether "Equity Component", if any, of financial instruments like non-convertible debentures (NCD), interest-free loan etc. included in other equity as per Ind AS, would be included in the transition amount?	Yes

CBDT Circular no. 24/2017 dated 25 July 2017 (Cont'd)

Clarifications issued by the CBDT -Items relating to 'Transition Amount'

Sr. No	FAQs	Clarification
FAQ 11	How should the adjustments on account of service concession arrangements be treated?	Adjustments would be included in the transition amount and also on an ongoing basis
FAQ 13	How Capital Reserve or Securities Premium existing as per IGAAP reclassified to Retained Earnings or Other Reserves on convergence date be treated?	- The same shall not form part of transition amount - It is further clarified that even after such reclassification, the amount of revaluation reserve will continue to be considered as revaluation reserve for computation under MAT and will also include transfer to any other reserves by whatever name called or capitalized
FAQ 4	Whether adjustment in respect of proposed dividend (including DDT) for preceeding FY, which is required to be reversed and credited to retained earnings on transition to Ind AS, is to be considered for the purpose of computing transition amount?	No

CBDT Circular no. 24/2017 dated 25 July 2017 (Cont'd)

Clarifications issued by the CBDT -Items relating to 'Profit & Loss Account'

Sr. No	FAQs	Clarification
FAQ 2	Starting point for computing book profit under MAT	Net Profit before OCI
FAQ 1	Whether marked-to-market (MTM) loss on account of fair value adjustments of various financial instruments recognized through profit and loss account (FVTPL) is required to be added back in computation of book profit under MAT?	- No - However, the existing adjustment of clause (i) of Explanation 1 to section 115JB(2) of the Act shall apply for provision for diminution / impairment in value of assets other than FVTPL financial instruments - For financial instruments where gains and losses are recognized through OCI, the amended MAT provisions to apply
FAQ 8	Whether dividend on preference shares recognized as interest in the profit and loss account under Ind AS is be added back in the computation of book profit under MAT?	Yes, whether classified as dividend or interest cost under Ind AS
FAQ 10	In case of revaluation/ fair value adjustments to PPE in the year of retire, disposal, or otherwise transferred– whether gross amount of revaluation or the amount after adjustment of depreciation on the revaluation amount to be considered?	The revaluation amount after adjustment of depreciation *(Example in the ensuing slide)*

CBDT Circular no. 24/2017 dated 25 July 2017 (Cont'd)

Clarifications issued by the CBDT -Items relating to 'Profit and Loss account'

FAQ 10 has been explained by an illustration as under:

Particulars	Erstwhile IGAAP	Ind AS (considering fair value/ revaluation adjustment on PPE)	Fair Value/ Revaluation Adjustments and corresponding depreciation
WDV/Deemed Cost as on 1 April 2015	100	1000	900
Depreciation @10% for FY 2015-16	10	100	90
WDV as on 1 April 2016	90	900	810
Depreciation @10% for FY 2016-17	9	90	81
WDV as on 1 April 2017	81	810	729
Sale value as on 1 April 2017	900	900	
Profit on sale credited to P&L	819	90	
Adjustment for MAT - revaluation amount after adjustment of the depreciation	0	729	
Profit on sale to be considered for MAT	**819**	**819**	

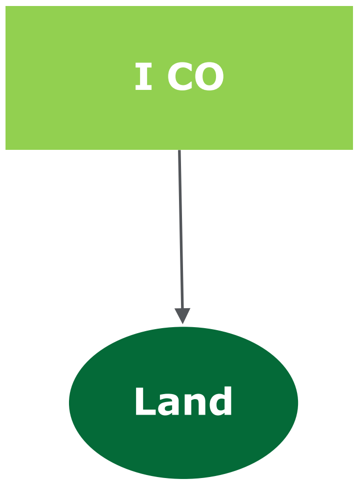
CBDT Circular no. 24/2017 dated 25 July 2017 (Cont'd)

Clarifications issued by the CBDT - Others

Sr. No	FAQs	Clarification
FAQ 12	Transition adjustments resulting into wipe-off of accumulated losses as per IGAAP Balance Sheet	- For AY 2017-2018, the deduction of lower of brought-forward loss or unabsorbed depreciation shall be allowed based on the position as on 31 March 2016 - For subsequent periods, the position as per books of account drawn as per Ind AS shall have to be considered
FAQ 14	Computation of MAT for companies following accounting year other than March 2017	Follow IGAAP for the pre-convergence period and Ind AS for the balance period

Illustrations

Illustration 1: Treatment of PPE as per Ind-AS



Amount in INR crores

Date	Cost	Fair value
1 April 2015	10	20
31 March 2016	10	23
31 March 2017	10	25
31 March 2018	10	27

- As on the transition date, I Co holds land which it acquired few years back
- As per para D5 of Ind AS 101, I Co has option to adopt either cost or fair value of PPE on the transition date as deemed cost
- In case I Co adopts fair value as on the transition date, the difference is credited/ debited directly to Retained Earnings
- I Co also has option to account for PPE on either of the below models as per Ind AS 16:
  - Cost model;
  - Revaluation model
  - Under cost model, on year end, the PPE is carried at cost or deemed cost as adopted at the transition date less accumulated depreciation
  - Under revaluation model, on year end, the PPE is carried at the fair value less any subsequent accumulated depreciation

Illustration 1: Treatment of PPE – On the transition date (cont'd)

- I Co adopts to consider the fair value of land as the deemed cost on the transition date as per para D5 of Ind AS 101
- As on the transition date i.e. 1 April 2015, the fair value is INR 20 crores. There is a difference of INR 10 crores (INR 20 crores – INR 10 crores) between fair value as on 1 April 2015 and cost of land
- The journal entry passed in the books is as follows:

Date	Particulars	Amount in INR crores	
1 April 2015	Land a/c ……. Dr. To Retained Earnings a/c (Difference between fair value and cost of land credited to retained earnings)	10	 10

Treatment for computation of book profit for MAT purpose
The difference of INR 10 crores is ignored for computation of book profit in the convergence year i.e. FY 2016-17

Illustration 1: Treatment of PPE – On the last date of comparative period (cont'd)

- I Co opts to record the land as per revaluation model (Ind AS 16) on the last date of the comparative period
- As on the last date of comparative period i.e. 31 March 2016, the fair value of the land is INR 23 crores. There is a difference of INR 3 crores (INR 23 crores – INR 20 crores) between fair value as on 31 March 2016 and fair value as on 1 April 2015
- The journal entry passed in the books is as follows:

Date	Particulars	Amount in INR crores	
31 March 2016	Land a/c ……. Dr. To Revaluation Surplus (Difference of INR 3 crores is credited to Revaluation Surplus through OCI)	3	 3

Treatment for computation of book profit for MAT purpose
The difference of INR 3 crores is ignored for computation of book profit in the convergence year i.e. FY 2016-17

Illustration 1:Treatment of PPE – In the convergence year (cont’d)

- As on the last date of convergence i.e. 31 March 2017, the fair value of the land is INR 25 crores. There is a difference of INR 2 crores (INR 25 crores – INR 23 crores) between fair value as on 31 March 2016 and amount at which land was recorded as on 31 March 2016
- The journal entry passed in the books is as follows:

Date	Particulars	Amount in INR crores	
31 March 2017	Land a/c ……. Dr. To Revaluation Surplus (Difference of INR 2 crores is credited to Revaluation Surplus through OCI)	2	2

Treatment for computation of book profit for MAT purpose
The difference of INR 2 crores is ignored for computation of book profit in the convergence year i.e. FY 2016-17

Illustration 1: Treatment of PPE – In the year of sale (cont'd)

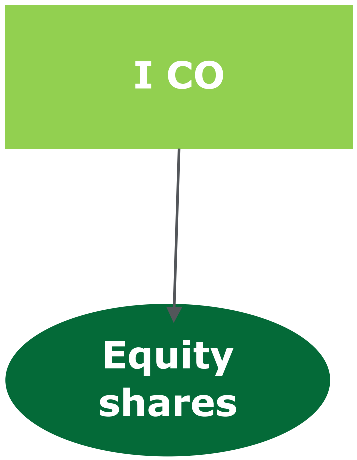
- The land is sold on 31 March 2018 for INR 27 crores and the book value of land is INR 25 crores. Hence, there is a gain of INR 2 crores (INR 27 crores – INR 25 crores) in the books for FY 2017-18

- The journal entry passed in the books is as follows:

Date	Particulars	Amount in INR crores	
31 March 2018	Bank a/c ……. Dr. To Land a/c To P&L a/c (Being land sold for INR 27 crores)	27	 25 2

Treatment for computation of book profit for MAT purpose
The gain on sale of land in the books of accounts is INR 2 crores for FY 2017-18 However, the gain for MAT purpose is **INR 17 crores** (INR 27 crores – INR 10 crores) i.e. sales consideration – original cost of land should be included in the book profit for FY 2017-18 i.e. the year in which the land is sold

Illustration 2: Treatment of equity instruments designated at FVTOCI



Amount in INR crores

Date	Cost	Fair value
1 April 2015	10	12
31 March 2016	10	15
31 March 2017	10	17
31 March 2018	10	20

- I Co holds equity shares of a cost of INR 10 crores as investment i.e. not for sale
- As per Ind AS 109, I Co has option to account for such shares at
  - Fair value through OCI ('FVTOCI'); or
  - Fair value through P&L ('FVTPL')
- I Co adopts to account for equity shares at FVTOCI
- The difference is annually routed through the OCI and accumulated in fair valuation through OCI surplus in other equity
- The treatment in books and for MAT is given in the ensuing slides for the following:
  - Comparative period
  - Convergence year
  - Year of sale

Illustration 2: Treatment of equity instruments designated at FVTOCI - on the transition date (cont'd)

- As on the transition date i.e. 1 April 2015, the fair value of equity shares is INR 12 crores. There is a difference of INR 2 crores (INR 12 crores – INR 10 crores) between fair value as on 1 April 2015 and cost of equity shares

- The journal entry passed in the books is as follows:

Date	Particulars	Amount in INR crores	
1 April 2015	Investment a/c ……. Dr. To Retained Earnings a/c (Difference between fair value and cost of equity shares credited to retained earnings)	2	2

Treatment for computation of book profit for MAT purpose
The difference of INR 2 crores is ignored for computation of book profit in the convergence year i.e. FY 2016-17

Illustration 2: Treatment of equity instruments designated at FVTOCI - On the last day of comparative period (cont'd)

- As on 31 March 2016 i.e. the last date of comparative period, the fair value of the equity instruments is INR 15 crores. There is a difference of INR 3 crores (INR 15 crores – INR 12 crores) between the fair value of the equity shares as on 31 March 2016 and the amount for which shares are recorded as on 1 April 2015

- The journal entry passed in the books is as follows:

Date	Particulars	Amount in INR crores	
31 March 2016	Investment a/c ……. Dr. To Fair valuation through OCI surplus (Difference of INR 3 crores is routed though OCI)	3	3

Treatment for computation of book profit for MAT purpose
The difference of INR 3 crores is ignored for computation of book profit in the convergence year i.e. FY 2016-17

Illustration 2: Treatment of equity instruments designated at FVTOCI - Convergence year (cont'd)

- As on 31 March 2017 i.e. the last date of convergence year, the fair value of the equity instruments is INR 17 crores. There is a difference of INR 2 crores (INR 17 crores – INR 15 crores) between the fair value of the equity shares as on 31 March 2017 and the amount at which equity instruments are recorded on 31 March 2016

- The journal entry passed in the books is as follows:

Date	Particulars	Amount in INR crores	
31 March 2017	Investment a/c ……. Dr. To Fair valuation through OCI surplus (Difference of INR 2 crores is routed though OCI)	2	2

Treatment for computation of book profit for MAT purpose
The difference of INR 2 crores is ignored for computation of book profit in the convergence year i.e. FY 2016-17

Illustration 2: Treatment of equity instruments designated at FVTOCI - Year of sale (cont'd)

- On 31 March 2018, equity shares are sold for INR 20 crores. There is a gain of INR 3 crores (INR 20 crores – INR 17 crores) in the books for FY 2017-18
- The journal entry passed in the books is as follows:

Date	Particulars	Amount in INR crores	
31 March 2018	Bank a/c ……. Dr. To Investment a/c To OCI a/c (Being equity shares sold)	20	 17 3

Treatment for computation of book profit for MAT purpose
The gain on sale of equity shares in the books of accounts is INR 3 crores for FY 2017-18 However, the gain for MAT purpose is **INR 10 crores** (INR 20 crores – INR 10 crores) i.e. sales consideration – cost of equity shares should be included in the book profit for the FY 2017-18 i.e. the year in which the equity shares are sold

Illustration 3: Treatment of remeasurements of defined benefit plan

Treatment of employee benefit expense in books under IGAAP

Particulars	Amount
Current service cost	XXX
Interest cost on benefit plan	XXX
Return on plan assets	XXX
Actuarial (gain)/ losses	XXX
Net employee benefit expense	**XXX**

Entire amount taken to P&L

Treatment of employee benefit expense in books under Ind AS

Particulars	Amount
Items routed through P&L	
Current service cost	XXX
Interest cost on benefit plan	XXX
Remeasurements of defined benefit plan routed through OCI	
Return on plan assets	XXX
Actuarial (gain)/ losses	XXX

Items routed through P&L

Items routed through OCI that will never be reclassified to P&L

Ind AS 19 bifurcates employee benefit expenses into items routed through P&L and items routed through OCI

Illustration 3: Treatment of remeasurements of defined benefit plan (cont'd)

Treatment of remeasurements of defined benefit plan forming part of transition amount till the convergence date i.e. 31 March 2016

Particulars	Amount
Return on plan assets	XXX
Actuarial (gain)/ losses	XXX
Total remeasurements of defined benefit plan	**XXX**

1/5 of the amount to be included to compute book profit of the convergence year i.e. FY 2016-17 and each of the 4 years subsequent to convergence year

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Treatment of remeasurements of defined benefit plan on last date of convergence year i.e. 31 March 2017

Particulars	Amount
Return on plan assets	XXX
Actuarial (gain)/ losses	XXX
Total remeasurements of defined benefit plan	**XXX**

To be included in book profit every year as the remeasurement gains and losses arise

Ind AS - MAT issues

- No uniformity in taxation of non Ind AS and Ind AS companies
- Recognition of notional income / expense for computing book profit
  - Notional interest on interest free / below market rate of interest on loan to subsidiaries or interest free security deposits
  - Gain / loss on fair valuation of financial assets routed through profit or loss account
  - Recognition of guarantee commission for guarantee provided on behalf of subsidiaries
- No clarity on adjustment for prior period items (which are to be reflected in the same year to which the error pertains) if the return of income for the year has already been filed and due date of filing revised return has also lapsed
- Double taxation of transactions recorded in the standalone financial statements which are undertaken by a separate legal entity – say for jointly controlled operations

Questions and Answers

Thank You

The information contained in this document is intended to provide general information on a particular subject or subjects and are not exhaustive treatment of such subject(s).

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Annexures

Relevant illustrative extract of Balance Sheet of an Ind AS compliant company

PART I – BALANCE SHEET

Name of the Company ……………………

Balance Sheet as at ………………………

(Rupees in………..)

	Particulars	*Note No.*	*Figures as at the end of current reporting period*	*Figures as at the end of the previous reporting period*
	1	*2*	*3*	*4*
(1)	ASSETS			
	Non-current assets			
	(*a*) Property, Plant and Equipment			
	(*b*) Capital work-in-progress			
	(*c*) Investment Property			
	(*d*) Goodwill			
	(*e*) Other Intangible assets			
	(*f*) Intangible assets under development			
	(*g*) Biological Assets other than bearer plants			
	(*h*) Financial Assets			
	(*i*) Investments			
	(*ii*) Trade receivables			
	(*iii*) Loans			
	(*iv*) Others (to be specified)			
	(*i*) Deferred tax assets (net)			
	(*j*) Other non-current assets			
(2)	**Current assets**			
	(*a*) Inventories			
	(*b*) Financial Assets			
	(*i*) Investments			
	(*ii*) Trade receivables			
	(*iii*) Cash and cash equivalents			
	(*iv*) Bank balances other than (iii) above			
	(*v*) Loans			
	(*vi*) Others (to be specified)			
	(c) Current Tax Assets (Net)			
	(*d*) Other current assets			
	Total Assets			
	EQUITY AND LIABILITIES Equity			
	(*a*) Equity Share capital			
	(*b*) Other Equity			
	LIABILITIES			
(1)	**Non-current liabilities**			
	(*a*) Financial Liabilities			
	(*i*) Borrowings			
	(*ii*) Trade payables			
	(*iii*) Other financial liabilities (other than those specified in item (b), to be specified)			
	(*b*) Provisions			
	(*c*) Deferred tax liabilities (Net)			
	(*d*) Other non-current liabilities			
(2)	**Current liabilities**			
	(*a*) Financial Liabilities			
	(*i*) Borrowings			
	(*ii*) Trade payables			
	(*iii*) Other financial liabilities (other than those specified in item (c)			
	(*b*) Other current liabilities			
	(*c*) Provisions			
	(*d*) Current Tax Liabilities (Net)			
	Total Equity and Liabilities			

See accompanying notes to the financial statements

Relevant illustrative extract of profit and loss account of an Ind AS compliant company

PART II – STATEMENT OF PROFIT AND LOSS

Name of the Company……………………

Statement of Profit and Loss for the period ended ………………………

(Rupees in………..)

	Particulars	*Note No.*		*Figures for the current reporting period*		*Figures for the previous reporting period*
I	Revenue From Operations					
II	Other Income					
III	Total Income (I+II)					
IV	**EXPENSES** Cost of materials consumed					
	Purchases of Stock-in-Trade					
	Changes in inventories of finished goods, Stock-in -Trade and work-in-progress					
	Employee benefits expense					
	Finance costs					
	Depreciation and amortization expense					
	Other expenses					
	Total expenses (IV)					
V	Profit/(loss) before exceptional items and tax (I- IV)					
VI	Exceptional Items					
VII	Profit/(loss) before tax (V-VI)					
VIII	Tax expense: (1) Current tax (2) Deferred tax					
IX	Profit (Loss) for the period from continuing operations (VII-VIII)					
X	Profit/(loss) from discontinued operations					
XI	Tax expense of discontinued operations					
XII	Profit/(loss) from Discontinued operations (after tax) (X-XI)					
XIII	Profit/(loss) for the period (IX+XII)					
XIV	Other Comprehensive Income A (*i*) Items that will not be reclassified to profit or loss (*ii*) Income tax relating to items that will not be reclassified to profit or loss B (*i*) Items that will be reclassified to profit or loss (*ii*) Income tax relating to items that will be reclassified to profit or loss					
XV	Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)					
XVI	Earnings per equity share (for continuing operation): (1) Basic (2) Diluted					
XVII	Earnings per equity share (for discontinued operation): (1) Basic (2) Diluted					
XVIII	Earnings per equity share(for discontinued & continuing operations) (1) Basic (2) Diluted					

See accompanying notes to the financial statements

Relevant illustrative extract of Change in Equity Statement of an Ind AS compliant company

STATEMENT OF CHANGES IN EQUITY

Name of the Company........................

Statement of Changes in Equity for the period ended ....

(Rupees in.................)

A. Equity Share Capital

Balance at the beginning of the reporting period	Changes in equity share capital during the year	Balance at the end of the reporting period

B. Other Equity

	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus				Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income (specify nature)	Money received against share warrants	Total
			Capital Reserve	Securities Premium Reserve	Other Reserves (specify nature)	Retained Earnings								
Balance at the beginning of the reporting period														
Changes in accounting policy or prior period errors														
Restated balance at the beginning of the reporting period														
Total Comprehensive Income for the year														
Dividends														
Transfer to retained earnings														
Any other change (to be specified)														
Balance at the end of the reporting period														

Relevant illustrative extract of Schedule ICDS in ITR-6

Schedule ICDS	**Effect of Income Computation Disclosure Standards on profit**	
Sl. No.	**ICDS**	**Amount (+) or (-)**
(i)	**(ii)**	**(iii)**
I	Accounting Policies	
II	Valuation of Inventories *(other than the effect of change in method of valuation u/s 145A, if the same is separately reported at col. 4d or 4e of Part A-OI)*	
III	Construction Contracts	
IV	Revenue Recognition	
V	Tangible Fixed Assets	
VI	Changes in Foreign Exchange Rates	
VII	Government Grants	
VIII	Securities *(other than the effect of change in method of valuation u/s 145A, if the same is separately reported at col. 4d or 4e of Part A-OI)*	
IX	Borrowing Costs	
X	Provisions, Contingent Liabilities and Contingent Assets	
11a.	**Total effect of ICDS adjustments on profit (I+II+III+IV+V+VI+VII+VIII+IX+X)** *(if positive)*	
11b.	**Total effect of ICDS adjustments on profit (I+II+III+IV+V+VI+VII+VIII+IX+X)** *(if negative)*	

Relevant illustrative extract of ICDS disclosure in Form 3CD

(d) Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2)

(e) if answer to (d) above is in the affirmative, give details of such adjustments:

		Increase in profit (Rs.)	Decrease in profit (Rs.)	Net Effect (Rs.)
ICDS I	Accounting Policies			
ICDS II	Valuation of Inventories			
ICDS III	Construction Contracts			
ICDS IV	Revenue Recognition			
ICDS V	Tangible Fixed Assets			
ICDS VI	Changes in Foreign Exchange Rates			
ICDS VII	Governments Grants			
ICDS VIII	Securities			
ICDS IX	Borrowing Costs			
ICDS X	Provisions, Contingent Liabilities and Contingent Assets			
	Total			

(f) Disclosure as per ICDS :

(i) ICDS I	–	Accounting Policies
(ii) ICDS II	–	Valuation of Inventories
(iii) ICDS III	–	Construction Contracts
(iv) ICDS IV	–	Revenue Recognition
(v) ICDS V	–	Tangible Fixed Assets
(vi) ICDS VII	–	Governments Grants
(vii) ICDS IX	–	Borrowing Costs
(viii) ICDS X	–	Provisions, Contingent Liabilities and Contingent Assets.