

Exposure Draft

Accounting Standard (AS) 25 (Revised 20XX)

(Corresponding to IAS 34)

Interim Financial Reporting

(Last date for Comments: January 10, 2010)



Issued by
Accounting Standards Board

The Institute of Chartered Accountants of India

Exposure Draft

Accounting Standard 25 (Revised 20XX) (Corresponding to IAS 34)

Interim Financial Reporting

CONTENTS	Paragraphs
OBJECTIVE	
SCOPE	1-3A
DEFINITIONS	4
CONTENT OF AN INTERIM FINANCIAL REPORT	5-25
Minimum components of an interim financial report	8-8A
Form and content of interim financial statements	9-14
Selected explanatory notes	15-18
Disclosure of compliance with Accounting Standards	19
Periods for which interim financial statements are required to be presented	20-22
Materiality	23-25
DISCLOSURE IN ANNUAL FINANCIAL STATEMENTS	26-27
RECOGNITION AND MEASUREMENT	28-42
Same accounting policies as annual	28-36
Revenues received seasonally, cyclically, or occasionally	37-38
Costs incurred unevenly during the financial year	39

Applying the recognition and measurement principles	40
Use of estimates	41-42
RESTATEMENT OF PREVIOUSLY REPORTED	
INTERIM PERIODS	43-45
EFFECTIVE DATE	46
APPENDICES	
A	Interim Financial Reporting and Impairment
	(Corresponding to IFRIC 10)
B	Comparison with IAS 34, <i>Interim Financial Reporting</i>
C	Major differences between the Exposure Draft of revised AS 25, <i>Interim Financial Reporting</i>, and existing AS 25 (issued 2002)
ILLUSTRATIONS	
A	Illustration of periods required to be presented
B	Examples of applying the recognition and measurement principles
C	Examples of the use of estimates

Exposure Draft

Accounting Standard 25 (Revised 20XX) ¹ (Corresponding to IAS 34) *Interim Financial Reporting*

The following is the Exposure Draft of the Accounting Standard (AS) 25 (Revised 20XX), Interim Financial Reporting, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments. The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing to the Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than January 10, 2010. Comments can also be sent by e-mail at edcommentsasb@icai.org or asb@icai.org.

*(This Exposure Draft of the revised Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. This Exposure Draft of the revised Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards²).*

Objective

The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period. Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an entity's capacity to generate earnings and cash flows and its financial condition and liquidity.

¹ This Exposure Draft is issued pursuant to the decision to converge with IFRSs in respect of accounting periods commencing on or after April 1, 2011. All existing Accounting Standards and new Accounting Standards which are referred to in this Exposure Draft are also being revised or formulated, as the case may be, to converge with IFRSs from the aforesaid date. References to the other Standards may be viewed accordingly.

² Attention is specifically drawn to paragraph 4.3 of the Preface, according to which accounting standards are intended to apply only to items which are material.

Scope

- 1 This Standard does not mandate which entities should be required to publish interim financial reports, how frequently, or how soon after the end of an interim period. However, governments, securities regulators, stock exchanges, and accountancy bodies often require entities whose debt or equity securities are publicly traded to publish interim financial reports. This Standard applies if an entity is required or elects to publish an interim financial report in accordance with Accounting Standards.
- 2 Each financial report, annual or interim, is evaluated on its own for conformity to Accounting Standards. The fact that an entity may not have provided interim financial reports during a particular financial year or may have provided interim financial reports that do not comply with this Standard does not prevent the entity's annual financial statements from conforming to Accounting Standards if they otherwise do so.
- 3 If an entity's interim financial report is described as complying with Accounting Standards, it must comply with all of the requirements of this Standard. Paragraph 19 requires certain disclosures in that regard.
- 3A A statute governing an entity or a regulator may require an entity to prepare and present certain information at an interim date which may be different in form and/or content as required by this Standard. In such a case, the recognition and measurement principles as laid down in this Standard are applied in respect of such information, unless otherwise specified in the statute or by the regulator.

Definitions

- 4 **The following terms are used in this Standard with the meanings specified:**

Interim period is a financial reporting period shorter than a full financial year.

Interim financial report means a financial report containing either a complete set of financial statements (as described in AS 1 (Revised 20XX) *Presentation of Financial Statements* or a set of condensed financial statements (as described in this Standard) for an interim period.

Content of an interim financial report

- 5 AS 1 (Revised 20XX) defines a complete set of financial statements as including the following components:
 - (a) a statement of financial position as at the end of the period;
 - (b) a statement of comprehensive income for the period;

- (c) a statement of changes in equity for the period;
 - (d) a statement of cash flows for the period;
 - (e) notes, comprising a summary of significant accounting policies and other explanatory information; and
 - (f) a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.
- 6 In the interest of timeliness and cost considerations and to avoid repetition of information previously reported, an entity may be required to or may elect to provide less information at interim dates as compared with its annual financial statements. This Standard defines the minimum content of an interim financial report as including condensed financial statements and selected explanatory notes. The interim financial report is intended to provide an update on the latest complete set of annual financial statements. Accordingly, it focuses on new activities, events, and circumstances and does not duplicate information previously reported.
- 7 Nothing in this Standard is intended to prohibit or discourage an entity from publishing a complete set of financial statements (as described in AS 1 (Revised 20XX)) in its interim financial report, rather than condensed financial statements and selected explanatory notes. Nor does this Standard prohibit or discourage an entity from including in condensed interim financial statements more than the minimum line items or selected explanatory notes as set out in this Standard. The recognition and measurement guidance in this Standard applies also to complete financial statements for an interim period, and such statements would include all of the disclosures required by this Standard (particularly the selected note disclosures in paragraph 16) as well as those required by other Accounting Standards.

Minimum components of an interim financial report

- 8 **An interim financial report shall include, at a minimum, the following components:**
- (a) a condensed statement of financial position;**
 - (b) a condensed statement of comprehensive income, presented as either;**
 - (i) a condensed single statement; or**
 - (ii) a condensed separate income statement and a condensed statement of comprehensive income;**
 - (c) a condensed statement of changes in equity;**

(d) a condensed statement of cash flows; and

(e) selected explanatory notes.

- 8A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of AS 1 (Revised 20XX), it presents interim condensed information from that separate statement.

Form and content of interim financial statements

- 9 If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of AS 1 (Revised 20XX) for a complete set of financial statements.
- 10 If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial statements and the selected explanatory notes as required by this Standard. Additional line items or notes shall be included if their omission would make the condensed interim financial statements misleading.
- 11 In the statement that presents the components of profit or loss for an interim period, an entity shall present basic and diluted earnings per share for that period when the entity is within the scope of AS 20 (Revised 20XX) *Earnings per Share*.
- 11A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of AS 1 (Revised 20XX), it presents basic and diluted earnings per share in that separate statement.
- 12 AS 1 (Revised 20XX) provides guidance on the structure of financial statements. The Implementation Guidance for AS 1 (Revised 20XX) illustrates ways in which the statement of financial position, statement of comprehensive income and statement of changes in equity may be presented.
- 13 [Deleted]
- 14 An interim financial report is prepared on a consolidated basis if the entity's most recent annual financial statements were consolidated statements. The parent's separate financial statements are not consistent or comparable with the consolidated statements in the most recent annual financial report. If an entity's annual financial report included the parent's separate financial statements in addition to consolidated financial statements, this Standard neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim financial report.

Selected explanatory notes

- 15 A user of an entity's interim financial report will also have access to the most recent annual financial report of that entity. It is unnecessary, therefore, for the notes to an interim financial report to provide relatively insignificant updates to the information that was already reported in the notes in the most recent annual report. At an interim date, an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period is more useful.
- 16 An entity shall include the following information, as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis. However, the entity shall also disclose any events or transactions that are material to an understanding of the current interim period:
- (a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change;
 - (b) explanatory comments about the seasonality or cyclicity of interim operations;
 - (c) the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence;
 - (d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;
 - (e) issuances, repurchases, and repayments of debt and equity securities;
 - (f) dividends paid (aggregate or per share) separately for ordinary³ shares and other shares;
 - (g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if AS 17 (Revised 20XX) *Operating Segments* requires that entity to disclose segment information in its annual financial statements):
 - (i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating

³ Here 'ordinary' shares refer to 'equity' shares

decision maker or otherwise regularly provided to the chief operating decision maker.

- (ii) intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker;
 - (iii) a measure of segment profit or loss;
 - (iv) total assets for which there has been a material change from the amount disclosed in the last annual financial statements;
 - (v) a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss;
 - (vi) a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation;
- (h) material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;
- (i) the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by AS 14 (Revised 20XX) *Business Combinations*; and
- (j) changes in contingent liabilities or contingent assets since the end of the last annual reporting period.

17 Examples of the kinds of disclosures that are required by paragraph 16 are set out below. Individual Accounting Standards provide guidance regarding disclosures for many of these items:

- (a) write-down of inventories to net realisable value and the reversal of such a write-down;
- (b) recognition of a loss from the impairment of property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss;
- (c) the reversal of any provisions for the costs of restructuring;

- (d) acquisitions and disposals of items of property, plant and equipment;
 - (e) commitments for the purchase of property, plant and equipment;
 - (f) litigation settlements;
 - (g) corrections of prior period errors;
 - (h) [Deleted]
 - (i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period; and
 - (j) related party transactions.
- 18 Other Accounting Standards specify disclosures that should be made in financial statements. In that context, financial statements means complete sets of financial statements of the type normally included in an annual financial report and sometimes included in other reports. Except as required by paragraph 16(i), the disclosures required by those other Accounting Standards are not required if an entity's interim financial report includes only condensed financial statements and selected explanatory notes rather than a complete set of financial statements.

Disclosure of compliance with Accounting Standards

- 19 **If an entity's interim financial report is in compliance with this Standard, that fact shall be disclosed. An interim financial report shall not be described as complying with Accounting Standards unless it complies with all of the requirements of Accounting Standards.**

Periods for which interim financial statements are required to be presented

- 20 **Interim reports shall include interim financial statements (condensed or complete) for periods as follows:**
- (a) **statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year.**
 - (b) **statements of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year. As permitted by AS 1 (Revised 20XX), an interim report may present for each period either a single statement of comprehensive income, or a statement displaying components of profit or loss (separate income statement) and a second statement**

beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).

(c) statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

(d) statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

21 For an entity whose business is highly seasonal, financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period may be useful. Accordingly, entities whose business is highly seasonal are encouraged to consider reporting such information in addition to the information called for in the preceding paragraph.

22 Illustration A illustrates the periods required to be presented by an entity that reports half-yearly and an entity that reports quarterly.

Materiality

23 **In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.**

24 AS 1 (Revised 20XX) and AS 5 (Revised 20XX) *Accounting Policies, Changes in Accounting Estimates and Errors* define an item as material if its omission or misstatement could influence the economic decisions of users of the financial statements. AS 1 (Revised 20XX) requires separate disclosure of material items, including (for example) discontinued operations, and AS 5 (Revised 20XX) requires disclosure of changes in accounting estimates, errors, and changes in accounting policies. The two Standards do not contain quantified guidance as to materiality.

25 While judgement is always required in assessing materiality, this Standard bases the recognition and disclosure decision on data for the interim period by itself for reasons of understandability of the interim figures. Thus, for example, unusual items, changes in accounting policies or estimates, and errors are recognised and disclosed on the basis of materiality in relation to interim period data to avoid misleading inferences that might result from non-disclosure. The overriding goal is to ensure that an interim financial report includes all information that is relevant to understanding an entity's financial position and performance during the interim period.

Disclosure in annual financial statements

- 26 **If an estimate of an amount reported in an interim period is changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the annual financial statements for that financial year.**
- 27 AS 5 (Revised 20XX) requires disclosure of the nature and (if practicable) the amount of a change in estimate that either has a material effect in the current period or is expected to have a material effect in subsequent periods. Paragraph 16(d) of this Standard requires similar disclosure in an interim financial report. Examples include changes in estimate in the final interim period relating to inventory write-downs, restructurings, or impairment losses that were reported in an earlier interim period of the financial year. The disclosure required by the preceding paragraph is consistent with the AS 5 (Revised 20XX) requirement and is intended to be narrow in scope—relating only to the change in estimate. An entity is not required to include additional interim period financial information in its annual financial statements.

Recognition and measurement

Same accounting policies as annual

- 28 **An entity shall apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements. However, the frequency of an entity's reporting (annual, half-yearly, or quarterly) shall not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.**
- 29 Requiring that an entity apply the same accounting policies in its interim financial statements as in its annual statements may seem to suggest that interim period measurements are made as if each interim period stands alone as an independent reporting period. However, by providing that the frequency of an entity's reporting shall not affect the measurement of its annual results, paragraph 28 acknowledges that an interim period is a part of a larger financial year. Year-to-date measurements may involve changes in estimates of amounts reported in prior interim periods of the current financial year. But the principles for recognising assets, liabilities, income, and expenses for interim periods are the same as in annual financial statements.
- 30 To illustrate:
- (a) the principles for recognising and measuring losses from inventory write-downs, restructurings, or impairments in an interim period are the same as those that an entity would follow if it prepared only annual financial

statements. However, if such items are recognised and measured in one interim period and the estimate changes in a subsequent interim period of that financial year, the original estimate is changed in the subsequent interim period either by accrual of an additional amount of loss or by reversal of the previously recognised amount;

- (b) a cost that does not meet the definition of an asset at the end of an interim period is not deferred in the statement of financial position either to await future information as to whether it has met the definition of an asset or to smooth earnings over interim periods within a financial year; and
 - (c) income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.
- 31 Under the *Framework for the Preparation and Presentation of Financial Statements* (the *Framework*), recognition is the 'process of incorporating in the balance sheet or statement of profit and loss an item that meets the definition of an element and satisfies the criteria for recognition'. The definitions of assets, liabilities, income, and expenses are fundamental to recognition, at the end of both annual and interim financial reporting periods.
- 32 For assets, the same tests of future economic benefits apply at interim dates and at the end of an entity's financial year. Costs that, by their nature, would not qualify as assets at financial year-end would not qualify at interim dates either. Similarly, a liability at the end of an interim reporting period must represent an existing obligation at that date, just as it must at the end of an annual reporting period.
- 33 An essential characteristic of income (revenue) and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognised; otherwise they are not recognised. The *Framework* says that 'expenses are recognised in the statement of profit and loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably... [The] *Framework* does not allow the recognition of items in the balance sheet which do not meet the definition of assets or liabilities.'
- 34 In measuring the assets, liabilities, income, expenses, and cash flows reported in its financial statements, an entity that reports only annually is able to take into account information that becomes available throughout the financial year. Its measurements are, in effect, on a year-to-date basis.
- 35 An entity that reports half-yearly uses information available by mid-year or shortly thereafter in making the measurements in its financial statements for the first six-month period and information available by year-end or shortly thereafter for the twelve-month period. The twelve-month measurements will reflect possible changes in estimates of amounts reported for the first six-month period.

The amounts reported in the interim financial report for the first six-month period are not retrospectively adjusted. Paragraphs 16(d) and 26 require, however, that the nature and amount of any significant changes in estimates be disclosed.

- 36 An entity that reports more frequently than half-yearly measures income and expenses on a year-to-date basis for each interim period using information available when each set of financial statements is being prepared. Amounts of income and expenses reported in the current interim period will reflect any changes in estimates of amounts reported in prior interim periods of the financial year. The amounts reported in prior interim periods are not retrospectively adjusted. Paragraphs 16(d) and 26 require, however, that the nature and amount of any significant changes in estimates be disclosed.

Revenues received seasonally, cyclically, or occasionally

- 37 **Revenues that are received seasonally, cyclically, or occasionally within a financial year shall not be anticipated or deferred as of an interim date if anticipation or deferral would not be appropriate at the end of the entity's financial year.**
- 38 Examples include dividend revenue, royalties, and government grants. Additionally, some entities consistently earn more revenues in certain interim periods of a financial year than in other interim periods, for example, seasonal revenues of retailers. Such revenues are recognised when they occur.

Costs incurred unevenly during the financial year

- 39 **Costs that are incurred unevenly during an entity's financial year shall be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.**

Applying the recognition and measurement principles

- 40 Illustration B provides examples of applying the general recognition and measurement principles set out in 28–39.

Use of estimates

- 41 **The measurement procedures to be followed in an interim financial report shall be designed to ensure that the resulting information is reliable and that all material financial information that is relevant to an understanding of the financial position or performance of the entity is appropriately disclosed. While measurements in both annual and interim financial reports are often based on reasonable estimates, the preparation of interim financial reports generally will require a greater use of estimation methods than annual financial reports.**
- 42 Illustration C provides examples of the use of estimates in interim periods.

Restatement of previously reported interim periods

- 43 **A change in accounting policy, other than one for which the transition is specified by a new Accounting Standard, shall be reflected by:**
- (a) **restating the financial statements of prior interim periods of the current financial year and the comparable interim periods of any prior financial years that will be restated in the annual financial statements in accordance with AS 5 (Revised 20XX); or**
 - (b) **when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, adjusting the financial statements of prior interim periods of the current financial year, and comparable interim periods of prior financial years to apply the new accounting policy prospectively from the earliest date practicable.**
- 44 One objective of the preceding principle is to ensure that a single accounting policy is applied to a particular class of transactions throughout an entire financial year. Under AS 5 (Revised 20XX), a change in accounting policy is reflected by retrospective application, with restatement of prior period financial data as far back as is practicable. However, if the cumulative amount of the adjustment relating to prior financial years is impracticable to determine, then under AS 5 (Revised 20XX) the new policy is applied prospectively from the earliest date practicable. The effect of the principle in paragraph 43 is to require that within the current financial year any change in accounting policy is applied either retrospectively or, if that is not practicable, prospectively, from no later than the beginning of the financial year.
- 45 To allow accounting changes to be reflected as of an interim date within the financial year would allow two differing accounting policies to be applied to a particular class of transactions within a single financial year. The result would be interim allocation difficulties, obscured operating results, and complicated analysis and understandability of interim period information.

Effective date

- 46 An entity shall apply this Accounting Standard for accounting periods commencing on or after 1st April 2011 and will be mandatory in nature⁴ from that date.
- 47 [Deleted]
- 48 [Deleted]

⁴ This implies that, while discharging their attest function, it will be the duty of the members of the Institute to examine whether this Accounting Standard is complied with in the presentation of financial statements covered by their audit. In the event of any deviation from this Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviations.

Appendix A

Interim Financial Reporting and Impairment

(Corresponding to IFRIC 10)

This appendix is an integral part of Accounting Standard 25 (Revised 20XX).

Background

1. An entity is required to assess goodwill for impairment at the end of each reporting period, to assess investments in equity instruments and in financial assets carried at cost for impairment at the end of each reporting period and, if required, to recognise an impairment loss at that date in accordance with AS 28 (Revised 20XX) and AS 30 (Revised 20XX). However, at the end of a subsequent reporting period, conditions may have so changed that the impairment loss would have been reduced or avoided had the impairment assessment been made only at that date. This appendix provides guidance on whether such impairment losses should ever be reversed.
2. The appendix addresses the interaction between the requirements of AS 25 (Revised 20XX) and the recognition of impairment losses on goodwill in AS 28 (Revised 20XX) and certain financial assets in AS 30 (Revised 20XX), and the effect of that interaction on subsequent interim and annual financial statements.

Issue

3. AS 25 (Revised 20XX) paragraph 28 requires an entity to apply the same accounting policies in its interim financial statements as are applied in its annual financial statements. It also states that 'the frequency of an entity's reporting (annual, half-yearly, or quarterly) shall not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes shall be made on a year-to-date basis.'
4. AS 28 (Revised 20XX) paragraph 124 states that 'An impairment loss recognised for goodwill shall not be reversed in a subsequent period.'
5. AS 30 (Revised 20XX) paragraph 69 states that 'Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.'
6. AS 30 (Revised 20XX) paragraph 66 requires that impairment losses for financial assets carried at cost (such as an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured) should not be reversed.

7. The appendix addresses the following issue:

Should an entity reverse impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost if a loss would not have been recognised, or a smaller loss would have been recognised, had an impairment assessment been made only at the end of a subsequent reporting period?

Accounting Principle

8. An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.
9. An entity shall not extend this accounting principle by analogy to other areas of potential conflict between AS 25 (Revised 20XX) and other Standards.

Effective date and transition

10 [Deleted]

Appendix B

Note: This appendix is not a part of the Accounting Standard. The purpose of this appendix is only to bring out the major differences, if any, between Accounting Standard (AS) 25 (Revised 20XX) and the corresponding International Accounting Standard (IAS) 34, Interim Financial Reporting

Comparison with IAS 34, *Interim Financial Reporting*

There is no major difference between the Exposure Draft of AS 25 (Revised 20XX), *Interim Financial Reporting* and International Accounting Standard (IAS) 34, *Interim Financial Reporting*.

Appendix C

Note: This appendix is provided to bring out the major differences between the exposure draft of revised AS 25 and existing AS 25 (Issued 2002) with a view to facilitate commentators in sending their comments on the Exposure Draft of revised AS 25.

Major differences between the Exposure Draft of AS 25 (Revised 20XX), *Interim Financial Reporting*, and existing AS 25 (Issued 2002)

1. Under the existing AS 25, if an entity is required or elects to prepare and present an interim financial report, it should comply with that standard. The revised standard applies only if an entity is required or elects to prepare and present an interim financial report in accordance with Accounting Standards. Consequently, it is specifically stated in the revised standard that the fact that an entity may not have provided interim financial reports during a particular financial year or may have provided interim financial reports that do not comply with the revised standard does not prevent the entity's annual financial statements from conforming to Accounting Standards if they otherwise do so. (Paragraph 2 of revised AS 25)
2. In the revised standard, the term 'complete set of financial statements' appearing in the definition of interim financial report has been expanded as complete set of financial statements (as described in AS 1(Revised 20XX) *The Presentation of Financial Statements*). Accordingly, the said term includes a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. (Paragraph 5 of revised AS 25)
3. As per the existing standard, the contents of an interim financial report include, at a minimum, a condensed balance sheet, a condensed statement of comprehensive income, presented as either (i) a condensed single statement or (ii) a condensed separate income statement and a condensed statement of comprehensive income, a condensed cash flow statement and selected explanatory notes. The revised standard requires, in addition to the above, a condensed statement of changes in equity. (Consequential to change in AS 1 (Revised 20XX))
4. The revised standard prohibits reversal of impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. There is no such specific prohibition in the existing standard.
5. Under the existing standard, if an entity's annual financial report included the consolidated financial statements in addition to the separate financial statements, the interim financial report should include both the consolidated financial statements and separate financial statements, complete or condensed. The revised standard states

that it neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim report prepared on a consolidated basis. (Paragraph 14 of revised AS 25)

6. The existing standard requires the Notes to interim financial statements, (if material and not disclosed elsewhere in the interim financial report), to contain a statement that the same accounting policies are followed in the interim financial statements as those followed in the most recent annual financial statements or, in case of change in those policies, a description of the nature and effect of the change. The revised standard *additionally* requires the above information in respect of methods of computation followed. (Paragraph 16(a) of revised AS 25)
7. The existing standard requires furnishing information, in interim financial report, of dividends, aggregate or per share (in absolute or percentage terms), for equity and other shares. The revised standard requires furnishing of information, in interim financial report, on dividends **paid**, aggregate or per share separately for equity and other shares. (Paragraph 16(f) of revised AS 25)
8. While the existing standard requires furnishing of information on contingent liabilities only, the revised standard requires furnishing of information on both contingent liabilities and contingent assets. (Paragraph 16(j) of revised AS 25)
9. Reference to extraordinary items (in the context of materiality) in the existing standard is deleted in the revised standard in line with the AS 1 (Revised 20XX). (Paragraph 23 of existing AS 25 and paragraph 25 of revised AS 25)
10. The revised standard requires that, where an interim financial report has been prepared in accordance with the requirements of the revised standard, that fact should be disclosed. Further, an interim financial report should not be described as complying with Accounting Standards unless it complies with all of the requirements of Accounting Standards. (The latter statement is applicable when interim financial statements are prepared on complete basis instead of 'condensed basis'). The existing standard does not contain these requirements. (Paragraph 19 of revised AS 25)
11. Under the existing standard, a change in accounting policy, other than one for which the transitional provisions are specified by a new Standard, should be reflected by restating the financial statements of prior interim periods of the current financial year. The revised standard *additionally* requires restatement of the comparable interim periods of prior financial years that will be restated in annual financial statements in accordance with the AS 5 (Revised 20XX), subject to special provisions when such restatement is impracticable. (Paragraph 43 of revised AS 25)
12. Convergence of all other standards with IFRSs also has impact on interim financial reporting. For example, treatment of constructive obligation in AS 29 (Revised 20XX), treatment of foreign exchange differences in AS 11 (Revised 20XX) etc. will have impact in interim financial reporting which could be different in the context of relevant existing standards. There are other consequential impacts also. For example, the existing standard requires disclosure of Earnings Per Share (EPS)-basic and diluted- in accordance with AS 20 (Revised 20XX). The existing AS 20 requires EPS with and without extraordinary items. Since the concept of

extraordinary items is no longer valid in the context of AS 1 (Revised 20XX) the question of EPS with and without extraordinary items does not arise in the context of AS 20 (Revised 20XX). This changed requirement of AS 20 (Revised 20XX) is equally applicable to interim financial reporting under the AS 25 (Revised 20XX).

13. Illustration B to the revised standard (not an integral part of the standard), *inter alia*, gives example of application of Accounting Standard on *Financial Reporting in Hyperinflationary Economies* to interim periods. Similar example was not given in the existing standard, there being no Indian standard on accounting in hyperinflationary economies. [In addition, Examples of applying the recognition and measurement principles and examples of the use of estimates given in Illustrations have been increased in the revised standard].
14. Under the existing standard, when an interim financial report is presented for the first time in accordance with that Standard, an entity need not present, in respect of all the interim periods of the current financial year, comparative statements of profit and loss for the comparable interim periods (current and year-to-date) of the immediately preceding financial year and comparative cash flow statement for the comparable year-to-date period of the immediately preceding financial year. The revised standard removes this transitional provision.

Illustration A

Illustration of periods required to be presented

This illustration, which accompanies, but is not part of, AS 25 (Revised 20XX), provides examples to illustrate application of the principle in paragraph 20.

Entity publishes interim financial reports half-yearly

- A 1 The entity's financial year ends 31 December (calendar year). The entity will present the following financial statements (condensed or complete) in its half-yearly interim financial report as of 30 June 20X1:

Statement of financial position:		
At	30 June 20X1	31 December 20X0
Statement of comprehensive income:		
6 months ending	30 June 20X1	30 June 20X0
Statement of cash flows:		
6 months ending	30 June 20X1	30 June 20X0
Statement of changes in equity:		
6 months ending	30 June 20X1	30 June 20X0

Entity publishes interim financial reports quarterly

- A2 The entity's financial year ends 31 December (calendar year). The entity will present the following financial statements (condensed or complete) in its quarterly interim financial report as of 30 June 20X1:

Statement of financial position:		
At	30 June 20X1	31 December 20X0
Statement of comprehensive income:		
6 months ending	30 June 20X1	30 June 20X0
3 months ending	30 June 20X1	30 June 20X0
Statement of cash flows:		
6 months ending	30 June 20X1	30 June 20X0
Statement of changes in equity:		
6 months ending	30 June 20X1	30 June 20X0

Illustration B

Examples of applying the recognition and measurement principles

This illustration, which accompanies, but is not part of, AS 25 (Revised 20XX), provides examples of applying the general recognition and measurement principles set out in paragraphs 28–39.

Employer payroll taxes and insurance contributions

- B1 If employer payroll taxes or contributions to government-sponsored insurance funds are assessed on an annual basis, the employer's related expense is recognised in interim periods using an estimated average annual effective payroll tax or contribution rate, even though a large portion of the payments may be made early in the financial year. A common example is an employer payroll tax or insurance contribution that is imposed up to a certain maximum level of earnings per employee. For higher income employees, the maximum income is reached before the end of the financial year, and the employer makes no further payments through the end of the year.

Major planned periodic maintenance or overhaul

- B2 The cost of a planned major periodic maintenance or overhaul or other seasonal expenditure that is expected to occur late in the year is not anticipated for interim reporting purposes unless an event has caused the entity to have a legal or constructive obligation. The mere intention or necessity to incur expenditure related to the future is not sufficient to give rise to an obligation.

Provisions

- B3 A provision is recognised when an entity has no realistic alternative but to make a transfer of economic benefits as a result of an event that has created a legal or constructive obligation. The amount of the obligation is adjusted upward or downward, with a corresponding loss or gain recognised in profit or loss, if the entity's best estimate of the amount of the obligation changes.
- B4 This Standard requires that an entity apply the same criteria for recognising and measuring a provision at an interim date as it would at the end of its financial year. The existence or non-existence of an obligation to transfer benefits is not a function of the length of the reporting period. It is a question of fact.

Year-end bonuses

- B5 The nature of year-end bonuses varies widely. Some are earned simply by continued employment during a time period. Some bonuses are earned based on

a monthly, quarterly, or annual measure of operating result. They may be purely discretionary, contractual, or based on years of historical precedent.

- B6 A bonus is anticipated for interim reporting purposes if, and only if, (a) the bonus is a legal obligation or past practice would make the bonus a constructive obligation for which the entity has no realistic alternative but to make the payments, and (b) a reliable estimate of the obligation can be made. AS 15 (Revised 20XX) *Employee Benefits* provides guidance.

Contingent lease payments

- B7 Contingent lease payments can be an example of a legal or constructive obligation that is recognised as a liability. If a lease provides for contingent payments based on the lessee achieving a certain level of annual sales, an obligation can arise in the interim periods of the financial year before the required annual level of sales has been achieved, if that required level of sales is expected to be achieved and the entity, therefore, has no realistic alternative but to make the future lease payment.

Intangible assets

- B8 An entity will apply the definition and recognition criteria for an intangible asset in the same way in an interim period as in an annual period. Costs incurred before the recognition criteria for an intangible asset are met are recognised as an expense. Costs incurred after the specific point in time at which the criteria are met are recognised as part of the cost of an intangible asset. 'Deferring' costs as assets in an interim statement of financial position in the hope that the recognition criteria will be met later in the financial year is not justified.

Pensions

- B9 Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

Vacations, holidays, and other short-term compensated absences

- B10 Accumulating compensated absences are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. AS 15 (Revised 20XX) *Employee Benefits* requires that an entity measure the expected cost of and obligation for accumulating compensated absences at the amount the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period. That principle is also applied at the end of interim financial reporting periods. Conversely, an entity recognises no expense or liability for non-accumulating compensated absences at the end of an interim reporting period, just as it recognises none at the end of an annual reporting period.

Other planned but irregularly occurring costs

- B11 An entity's budget may include certain costs expected to be incurred irregularly during the financial year, such as charitable contributions and employee training costs. Those costs generally are discretionary even though they are planned and tend to recur from year to year. Recognising an obligation at the end of an interim financial reporting period for such costs that have not yet been incurred generally is not consistent with the definition of a liability.

Measuring interim income tax expense

- B12 Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.
- B13 This is consistent with the basic concept set out in paragraph 28 that the same accounting recognition and measurement principles shall be applied in an interim financial report as are applied in annual financial statements. Income taxes are assessed on an annual basis. Interim period income tax expense is calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate. That estimated average annual rate would reflect a blend of the progressive tax rate structure expected to be applicable to the full year's earnings including enacted or substantively enacted changes in the income tax rates scheduled to take effect later in the financial year. AS 22 (Revised 20XX) *Income Taxes* provides guidance on substantively enacted changes in tax rates. The estimated average annual income tax rate would be re-estimated on a year-to-date basis, consistent with paragraph 28 of this Standard. Paragraph 16(d) requires disclosure of a significant change in estimate.
- B14 To the extent practicable, a separate estimated average annual effective income tax rate is determined for each taxing jurisdiction and applied individually to the interim period pre-tax income of each jurisdiction. Similarly, if different income tax rates apply to different categories of income (such as capital gains or income earned in particular industries), to the extent practicable a separate rate is applied to each individual category of interim period pre-tax income. While that degree of precision is desirable, it may not be achievable in all cases, and a weighted average of rates across jurisdictions or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates.
- B15 To illustrate the application of the foregoing principle, an entity reporting quarterly expects to earn 10,000 pre-tax each quarter and operates in a jurisdiction with a tax rate of 20 per cent on the first 20,000 of annual earnings and 30 per cent on all additional earnings. Actual earnings match expectations. The following table shows the amount of income tax expense that is reported in each quarter:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Tax expense	2,500	2,500	2,500	2,500	10,000

10,000 of tax is expected to be payable for the full year on 40,000 of pre-tax income.

- B16 As another illustration, an entity reports quarterly, earns 15,000 pre-tax profit in the first quarter but expects to incur losses of 5,000 in each of the three remaining quarters (thus having zero income for the year), and operates in a jurisdiction in which its estimated average annual income tax rate is expected to be 20 per cent. The following table shows the amount of income tax expense that is reported in each quarter:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Tax expense	3,000	(1,000)	(1,000)	(1,000)	0

Difference in financial reporting year and tax year

- B17 If the financial reporting year and the income tax year differ, income tax expense for the interim periods of that financial reporting year is measured using separate weighted average estimated effective tax rates for each of the income tax years applied to the portion of pre-tax income earned in each of those income tax years.
- B18 To illustrate, an entity's financial reporting year ends 30 June and it reports quarterly. Its taxable year ends 31 December. For the financial year that begins 1 July, Year 1 and ends 30 June, Year 2, the entity earns 10,000 pre-tax each quarter. The estimated average annual income tax rate is 30 per cent in Year 1 and 40 per cent in Year 2.

	Quarter ending 30 Sept	Quarter ending 31 Dec	Quarter ending 31 Mar	Quarter ending 30 June	Year ending 30 June
Tax expense	3,000	3,000	4,000	4,000	14,000

Tax credits

- B19 Some tax jurisdictions give taxpayers credits against the tax payable based on amounts of capital expenditures, exports, research and development expenditures, or other bases. Anticipated tax benefits of this type for the full year are generally reflected in computing the estimated annual effective income tax

rate, because those credits are granted and calculated on an annual basis under most tax laws and regulations. On the other hand, tax benefits that relate to a one-time event are recognised in computing income tax expense in that interim period, in the same way that special tax rates applicable to particular categories of income are not blended into a single effective annual tax rate. Moreover, in some jurisdictions tax benefits or credits, including those related to capital expenditures and levels of exports, while reported on the income tax return, are more similar to a government grant and are recognised in the interim period in which they arise.

Tax loss and tax credit carrybacks and carryforwards

- B20 The benefits of a tax loss carryback are reflected in the interim period in which the related tax loss occurs. AS 22 (Revised 20XX) provides that 'the benefit relating to a tax loss that can be carried back to recover current tax of a previous period shall be recognised as an asset'. A corresponding reduction of tax expense or increase of tax income is also recognised.
- B21 AS 22 (Revised 20XX) provides that 'a deferred tax asset shall be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised'. AS 22 (Revised 20XX) provides criteria for assessing the probability of taxable profit against which the unused tax losses and credits can be utilised. Those criteria are applied at the end of each interim period and, if they are met, the effect of the tax loss carryforward is reflected in the computation of the estimated average annual effective income tax rate.
- B22 To illustrate, an entity that reports quarterly has an operating loss carryforward of 10,000 for income tax purposes at the start of the current financial year for which a deferred tax asset has not been recognised. The entity earns 10,000 in the first quarter of the current year and expects to earn 10,000 in each of the three remaining quarters. Excluding the carryforward, the estimated average annual income tax rate is expected to be 40 per cent. Tax expense is as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Tax expense	3,000	3,000	3,000	3,000	12,000

Contractual or anticipated purchase price changes

- B23 Volume rebates or discounts and other contractual changes in the prices of raw materials, labour, or other purchased goods and services are anticipated in interim periods, by both the payer and the recipient, if it is probable that they have been earned or will take effect. Thus, contractual rebates and discounts are anticipated but discretionary rebates and discounts are not anticipated because

the resulting asset or liability would not satisfy the conditions in the *Framework* that an asset must be a resource controlled by the entity as a result of a past event and that a liability must be a present obligation whose settlement is expected to result in an outflow of resources.

Depreciation and amortisation

- B24 Depreciation and amortisation for an interim period is based only on assets owned during that interim period. It does not take into account asset acquisitions or dispositions planned for later in the financial year.

Inventories

- B25 Inventories are measured for interim financial reporting by the same principles as at financial year-end. AS 2 (Revised 20XX) *Inventories* establishes standards for recognising and measuring inventories. Inventories pose particular problems at the end of any financial reporting period because of the need to determine inventory quantities, costs, and net realisable values. Nonetheless, the same measurement principles are applied for interim inventories. To save cost and time, entities often use estimates to measure inventories at interim dates to a greater extent than at the end of annual reporting periods. Following are examples of how to apply the net realisable value test at an interim date and how to treat manufacturing variances at interim dates.

Net realisable value of inventories

- B26 The net realisable value of inventories is determined by reference to selling prices and related costs to complete and dispose at interim dates. An entity will reverse a write-down to net realisable value in a subsequent interim period only if it would be appropriate to do so at the end of the financial year.
- B27 [Deleted]

Interim period manufacturing cost variances

- B28 Price, efficiency, spending, and volume variances of a manufacturing entity are recognised in income at interim reporting dates to the same extent that those variances are recognised in income at financial year-end. Deferral of variances that are expected to be absorbed by year-end is not appropriate because it could result in reporting inventory at the interim date at more or less than its portion of the actual cost of manufacture.

Foreign currency translation gains and losses

- B29 Foreign currency translation gains and losses are measured for interim financial reporting by the same principles as at financial year-end.
- B30 AS 11 (Revised 20XX) *The Effects of Changes in Foreign Exchange Rates* specifies how to translate the financial statements for foreign operations into the

presentation currency, including guidelines for using average or closing foreign exchange rates and guidelines for recognising the resulting adjustments in profit or loss or in other comprehensive income. Consistently with AS 11 (Revised 20XX), the actual average and closing rates for the interim period are used. Entities do not anticipate some future changes in foreign exchange rates in the remainder of the current financial year in translating foreign operations at an interim date.

- B31 If AS 11 (Revised 20XX) requires translation adjustments to be recognised as income or expense in the period in which they arise, that principle is applied during each interim period. Entities do not defer some foreign currency translation adjustments at an interim date if the adjustment is expected to reverse before the end of the financial year.

Interim financial reporting in hyperinflationary economies

- B32 Interim financial reports in hyperinflationary economies are prepared by the same principles as at financial year-end.
- B33 AS...XX,s *Financial Reporting in Hyperinflationary Economies* requires that the financial statements of an entity that reports in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the end of the reporting period, and the gain or loss on the net monetary position is included in net income. Also, comparative financial data reported for prior periods is restated to the current measuring unit.
- B34 Entities follow those same principles at interim dates, thereby presenting all interim data in the measuring unit as of the end of the interim period, with the resulting gain or loss on the net monetary position included in the interim period's net income. Entities do not annualise the recognition of the gain or loss. Nor do they use an estimated annual inflation rate in preparing an interim financial report in a hyperinflationary economy.

Impairment of assets

- B35 AS 28 (Revised 20XX) *Impairment of Assets* requires that an impairment loss be recognised if the recoverable amount has declined below carrying amount.
- B36 This Standard requires that an entity apply the same impairment testing, recognition, and reversal criteria at an interim date as it would at the end of its financial year. That does not mean, however, that an entity must necessarily make a detailed impairment calculation at the end of each interim period. Rather, an entity will review for indications of significant impairment since the end of the most recent financial year to determine whether such a calculation is needed.

Illustration C

Examples of the use of estimates

This illustration, which accompanies, but is not part of, AS 25 (Revised 20XX), provides examples to illustrate application of the principle in paragraph 41.

- C1 **Inventories:** Full stock-taking and valuation procedures may not be required for inventories at interim dates, although it may be done at financial year-end. It may be sufficient to make estimates at interim dates based on sales margins.
- C2 **Classifications of current and non-current assets and liabilities:** Entities may do a more thorough investigation for classifying assets and liabilities as current or non-current at annual reporting dates than at interim dates.
- C3 **Provisions:** Determination of the appropriate amount of a provision (such as a provision for warranties, environmental costs, and site restoration costs) may be complex and often costly and time-consuming. Entities sometimes engage outside experts to assist in the annual calculations. Making similar estimates at interim dates often entails updating of the prior annual provision rather than the engaging of outside experts to do a new calculation.
- C4 **Pensions:** AS 15 (Revised 20XX) *Employee Benefits* requires that an entity determine the present value of defined benefit obligations and the market value of plan assets at the end of each reporting period and encourages an entity to involve a professionally qualified actuary in measurement of the obligations. For interim reporting purposes, reliable measurement is often obtainable by extrapolation of the latest actuarial valuation.
- C5 **Income taxes:** Entities may calculate income tax expense and deferred income tax liability at annual dates by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction. Paragraph 14 of Illustration B acknowledges that while that degree of precision is desirable at interim reporting dates as well, it may not be achievable in all cases, and a weighted average of rates across jurisdictions or across categories of income is used if it is a reasonable approximation of the effect of using more specific rates.
- C6 **Contingencies:** The measurement of contingencies may involve the opinions of legal experts or other advisers. Formal reports from independent experts are sometimes obtained with respect to contingencies. Such opinions about litigation, claims, assessments, and other contingencies and uncertainties may or may not also be needed at interim dates.
- C7 **Revaluations and fair value accounting:** AS 10 (Revised 20XX) *Property, Plant and Equipment* allows an entity to choose as its accounting policy the revaluation model whereby items of property, plant and equipment are revalued to fair value. Similarly, AS... XX *Investment Property* requires an entity to determine the fair value of investment property. For those measurements, an entity may rely on

professionally qualified valuers at annual reporting dates though not at interim reporting dates.

- C8 **Intercompany reconciliations:** Some intercompany balances that are reconciled on a detailed level in preparing consolidated financial statements at financial year-end might be reconciled at a less detailed level in preparing consolidated financial statements at an interim date.
- C9 **Specialised industries:** Because of complexity, costliness, and time, interim period measurements in specialised industries might be less precise than at financial year-end. An example would be calculation of insurance reserves by insurance companies.