RSM! Astute Consulting

IFRS in India

- *Key Aspects*

RSM Astute Consulting Group

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RSM International

- 6th largest network of independent Accounting and Consulting firms in the world
- Annual revenue of US$ 3.87 billion
- 736 offices across 76 countries

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PREFACE

Background:

India has set a roadmap for convergence with International Financial Reporting Standards (IFRS) commencing from 1 April, 2011. The convergence with IFRS standards is set to change the landscape for financial reporting in India. IFRS represents the most commonly accepted global accounting framework as it has been adopted by more than 100 countries.

With the growth of Indian Economy and increasing integration with the global economies, Indian corporates are raising capital globally. Under the circumstances, it would be imperative for Indian corporates to adopt IFRS for their financial reporting.

While the Core Group of Ministry of Corporate Affairs (MCA) has recommended convergence to IFRS in a phased manner from 1 April, 2011 Indian corporates having global aspirations should consider earlier voluntary adoption. While there are several similarities between Indian GAAP and IFRS, still there are differences which can have significant impact on the financial statements. This publication is aimed to bring out such aspects and a comparative analysis on Indian Generally Accepted Accounting Principles (Indian GAAP) vis-à-vis IFRS.

Scope and Limitations:

RSM Astute has prepared this publication "**IFRS in India – *Key Aspects***" to provide its readers a broad understanding of IFRS requirements in India, some key differences between IFRS and Indian Accounting Standards and IFRS requirements at the time of first time adoption. The preparation of financial statements complying with IFRS is the responsibility of the management and accordingly this publication does not replace the need for professional judgment having regard to relevant standards and other requirements.

Although the publication has been compiled by RSM Astute, the views, if any, expressed are that of RSM Astute - IFRS Champions.

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CONTENTS

IFRS in India - *Key Aspects*

IFRS in India

Timelines for Convergence

Phase I	Phase II	Phase III
1 April 2011* a) Companies which are Part of NSE - Nifty 50. b) Companies which are part of BSE - Sensex 30. c) Companies whose shares or other securities are listed on stock exchanges outside India. d) Companies, whether listed or not, which have a net worth in excess of Rs. 1,000 crores.	**1 April 2013*** The companies, whether listed or not, having a net worth exceeding Rs. 500 crores but not exceeding Rs. 1,000 crores.	**1 April 2014*** Listed companies which have a net worth of Rs. 500 crores or less.

* Companies to prepare opening IFRS Balance Sheet as on the respective date. When the accounting year ends on a date other than 31st March, the conversion of the opening Balance Sheet will be made in relation to the first Balance Sheet which is made on a date after 31st March.

Companies which fall in the following categories will not be required to follow the notified accounting standards which are converged with the IFRS (though they may voluntarily opt to do so). These companies are: -

(a) Non- listed companies which have a net worth of Rs. 500 crores or less and whose shares or other securities are not listed on Stock Exchanges outside India.

(b) Small and Medium Companies (SMCs).

1. INTRODUCTION

The Accounting Standards Board of the Institute of Chartered Accountants of India ('ICAI') was constituted on 21 April, 1977, to formulate Accounting Standards applicable to Indian enterprises. Initially, the Accounting Standards were recommendatory in nature and gradually the Accounting Standards were made mandatory. The legal recognition to the Accounting Standards was accorded for the companies in the Companies Act, 1956, by introduction of Section 211(3C) through the Companies (Amendment) Act, 1999, whereby it is required that the companies shall follow the Accounting Standards notified by the Central Government on a recommendation made by the National Advisory Committee on Accounting Standards (NACAS) constituted under section 210A of the said Act.

The Government of India, Ministry of Company Affairs (now Ministry of Corporate Affairs) notified Accounting Standards in Companies (Accounting Standards) Rules, 2006 by Notification No. G.S.R. 739(E), dated 7 December, 2006, prescribing Accounting Standards 1 to 7 and 9 to 29 as issued by ICAI. It also issued Companies (Accounting Standards) Amendment Rules, 2008 by notification no. G.S.R. No. 212 (E), dated 27 March, 2008 making some modification in existing rules so as to harmonize them with accounting standards issued by ICAI. These standards are applicable to preparation of general purpose financial statements for accounting periods commencing on or after 7 December, 2006. It may be mentioned that the Accounting Standards notified by the Government are virtually identical with the Accounting Standards, read with the Accounting Standards Interpretations, issued by ICAI.

The Reserve Bank of India ('RBI') in case of banks, the Insurance Regulatory and Development Authority (IRDA) in case of insurance companies and the Securities and Exchange Board of India (SEBI) in case of all listed companies, requires compliance with the Accounting Standards issued by ICAI.

ICAI, being a full-fledged member of the International Federation of Accountants

(IFAC), while formulating the Accounting Standards (ASs), the ASB gives due consideration to International Accounting Standards (IASs) issued by the International Accounting Standards Committee or International Financial Reporting Standards (IFRSs) issued by the IASB, as the case may be, and try to integrate them, to the extent possible. However, where departure from IFRS is warranted keeping in view the Indian conditions, the ASs have been modified to that extent.

Further, the endeavor of the ICAI is not only to bridge the gap between ASs and IFRSs by issuance of new AS but also to ensure that the existing ASs are in line with the changes in international thinking on various accounting issues. The National Committee on Accounting Standards (NACAS) constituted by the Central Government for recommending accounting standards to the Government, while reviewing the AS issued by the ICAI, considers the deviations in the AS, if any, from the IFRSs and recommends to the ICAI to revise the AS wherever it considers that the deviations are not appropriate.

The term International Financial Reporting Standards (IFRSs) includes IFRSs, IASs and interpretations originated by the IFRIC or its predecessor, the former Standing Interpretations Committee (SIC). IFRS are increasingly being recognised as Global Reporting Standards for financial statements. 'National GAAP' is becoming rare. As global capital markets become increasingly integrated, many countries are moving to IFRS. More than 100 countries such as European Union, Australia, New Zealand and Russia currently permit the use of IFRS in their countries. ICAI / MCA has also expressed their view that IFRSs should be adopted in India for the public interest entities such as listed entities, banks and insurance entities and large-sized entities from the accounting periods beginning on or after 1 April, 2011. As a consequence the Indian entities will need to start preparing for convergence to IFRS, preferable much earlier. The next few years will be exciting, but challenging at the same time. We at Astute Group are committed to help you converge to IFRS as smoothly as possible, and look forward to teaming with you on this landmark.

2. OVERVIEW OF IFRS

What is IFRS?

- IFRS stands for "**International Financial Reporting Standards**" and includes International Accounting Standards (IASs) until they are replaced by any IFRS and interpretations originated by the IFRIC or its predecessor, the former Standing Interpretations Committee (SIC).
- IFRSs are developed and approved by IASB (International Accounting Standard Board).
- These are standards for reporting financial results and are applicable to general purpose financial statements and other financial reporting of all profit-

oriented entities. Profit-oriented entities includes those engaged in commercial, industrial, financial and similar activities, whether organized in corporate or in other forms also includes mutual insurance companies, other mutual co-operative entities, etc.

- Upon its inception the IASB adopted the body of International Accounting Standards (IASs) issued by its predecessor and as such IFRS includes IAS until they are replaced by any IFRSs.

- One of the basic features of IFRS is that it is a principle-based standard rather than rule based.

- **Status as at 30 November 2009**

Particulars	Issued	Effective
IFRS	9	8
IAS	41	29
IFRIC*	19	18
SIC*	32	11
* These are guidance notes on some interpretation issues arising form IAS & IFRS		

- A separate set of IFRS for Small and Medium-sized Enterprises has been issued by the IASB in July 2009.

- The IFRS for SME represents a simplified set of standards with disclosure requirements reduced, methods for recognition and measurement simplified and topics not relevant to SME's eliminated.

Why IFRS?

- IFRS are increasingly being recognised as Global Reporting Standards for financial statements.

- 'National GAAP' is becoming rare.

- As global capital markets become increasingly integrated, many countries are moving to IFRS.

- More than 100 countries such as European Union, Australia, New Zealand and Russia currently permit the use of IFRS in their countries.

- The SEC has allowed the use of IFRS without reconciliation to US GAAP in the financial reports filed by foreign private issuers, thereby, giving foreign private issuers a choice between IFRS and US GAAP. SEC is proposing that the US issuers begin reporting under IFRS from 2014 (actually from 2012, if requirements for three year comparable are considered), with full conversion to occur by 2016 depending on size of the entity. This is a milestone proposal that will bring almost the entire world on one single, uniform accounting platform i.e. IFRS.

IFRS in India

- At its 269 meeting the Council of ICAI has decided that public interest entities such as listed companies, banks, insurance companies and large-sized organizations to converge with IFRS for accounting period commencing on or after 1 April, 2011.

- For Small and Medium size Entities i.e. other than public interest entities, ICAI had proposed that a separate standard may be formulated based on the IFRS for Small and Medium-sized Enterprises issued by the IASB after modifications, if necessary.

- Even MCA had expressed the view that India should converge to IFRS w.e.f 1 April, 2011.

- With an objective to ensure smooth transition to IFRS from 1 April, 2011, ICAI is taking up the matter of convergence with IFRS with National Advisory Committee on Accounting Standards (NACAS) established by the Ministry of Corporate Affairs, Government of India and other regulators including Reserve Bank of India (RBI), Insurance Regulatory and Development Authority (IRDA) and the Securities and Exchange Board of India (SEBI).

- Recent news article highlights that Core Group for IFRS convergence formed by MCA has recommended convergence to IFRS as under:

-Phase I (opening balance sheet as at 1 April, 2011)*:-

1. Companies which are part of BSE - Sensex 30 and NSE - Nifty 50;

2. Companies whose shares or other securities are listed outside India;
3. Companies whether listed or not, having net worth of more than Rs. 1,000 crores.

-Phase II (opening balance sheet as at 1 April, 2013)*:-
Companies not covered in Phase 1 and having net worth exceeding Rs. 500 crores.

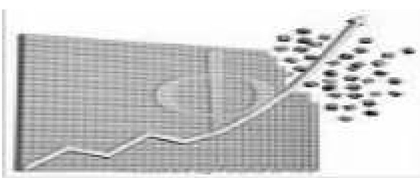
-Phase III (opening balance sheet as at 1 April, 2014)*:-
Listed companies not covered in earlier phases.

*If the financial year of a company commences at a date other than 1 April, then it shall prepare its opening balance sheet at the commencement of immediately following financial year.

- Separate Road Map would be prepared for banking and insurance companies.

- The issue of convergence with IFRS has gained significant momentum in India recently.

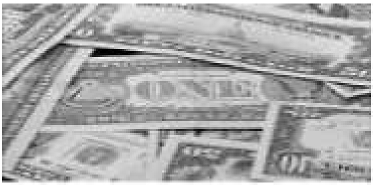
Benefits of adopting IFRS



- It would benefit the economy by increasing growth of international business.
- It would encourage international investing and thereby lead to more foreign capital inflows into the country.

- Investors want the information that is more relevant, reliable, timely and comparable across the jurisdictions. IFRS would enhance the comparability between financial statements of various companies across the globe.
- Better understanding of financial statements would benefit investors who wish to invest outside their own country.

- The industry would be able to raise capital from foreign markets at lower cost if it can create confidence in the minds of foreign investors that their financial statements comply with globally accepted accounting standards.



- It would reduce different accounting requirements prevailing in various countries there by enabling enterprises to reduce cost of compliances.

- It would provide professional opportunities to serve international clients.

- It would increase their mobility to work in different parts of the world either in industry or practice.

IFRS challenges

- Increase in cost initially due to dual reporting requirement which entity might have to meet till full convergence is achieved.

- Unlike several other countries, the accounting framework in India is deeply affected by laws and regulations. Changes may be required to various regulatory requirements under The Companies Act, 1956, Income Tax Act, 1961, SEBI, RBI, etc. so that IFRS financial statements are accepted generally.

- If IFRS has to be uniformly understood and consistently applied, all stakeholders, employees, auditors, regulators, tax authorities, etc would need to be trained.

- Entity would need to incur additional cost for modifying their IT systems and procedures to enable it to collate data necessary for meeting the new disclosures and reporting requirements.

- Differences between Indian GAAP and IFRS may impact business decision / financial performance of an entity.

- Limited pool of trained resource and persons having expert knowledge on IFRSs.

Underlying assumptions

a) Accrual basis:
Under this basis, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

b) Going concern:
The financial statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

If such intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.

Qualitative characteristics of IFRS financial statements

These are the attributes that make the information in financial statements useful to their users. The four principal qualitative characteristics are:

a) Understandability:
An essential quality of the information provided in financial statements is that it is readily understandable by users with reasonable knowledge of the business and economic activities. However, information about complex matters that should be included in the financial statements because of its relevance to the economic decision-making needs of users should not be excluded merely on the grounds that it may be too difficult for certain users to understand.

b) Relevance:

The users should find the information contained in the financial statements as a useful relevant tool in taking important economic decisions on the basis of past evaluations and projecting future predictions on past basis. Information about financial position and past performance is frequently used as the basis for predicting future financial position and performance and other matters in which users are directly interested.

The ability to make predictions from financial statements is enhanced, however, by the manner in which information on past transactions and events is displayed. For example, the predictive value of the income statement is enhanced if unusual, abnormal and infrequent items of income or expense are separately disclosed.

The relevance of information is affected by its nature and materiality.

c) Reliability:

Information in financial statements is reliable if it is free from material error and bias and can be depended upon by users to represent events and transaction faithfully. Information is not reliable if it is purposely designed to influence users' decision in a particular direction.

The reliability of information depends upon faithful representation, substance over form, neutrality, prudence and completeness.

d) Comparability:

Users must be able to compare the financial statements of an enterprise over time so that they can identify trends in its financial position and performance. Users must also be able to compare the financial statements of different enterprises. Disclosures of accounting policies are essential for comparability.

Constraints on relevant and reliable information

Following are the constraints on relevant and reliable information:

i) Timeliness:

To have the reporting information relevant it is important that the reporting information should be on time, undue delay in the reporting information may lose its relevance. Management may need to balance the relative merits of timely reporting and the provision of reliable information. In achieving a balance between relevance and reliability, the overriding consideration is how best to satisfy the economic decision-making needs of users.

ii) Balance between benefit and cost:
The benefits derived from information should exceed the cost of providing it. The balance between benefit and cost is a pervasive constraint rather than a qualitative characteristic. Furthermore, the costs do not necessarily fall on those users who enjoy the benefits. Benefits may also be enjoyed by users other than those for whom the information is prepared.

iii) Balance between qualitative characteristics:
Generally the aim is to achieve an appropriate balance among the characteristics in order to meet the objective of financial statements. The relative importance of the characteristics in different cases is a matter of professional judgement.

True and fair view/fair presentation

Application of the principal characteristics and of appropriate accounting standards normally results in financial statements that convey a true and fair view of, or as presenting fairly such information. Financial statements are frequently described as showing a true and fair view of, or as presenting fairly, the financial position, performance and changes in financial position of an entity.

Contents of IFRS financial statements

Complete set of IFRS Financial Statements comprises of:

a) a statement of financial position as at the end of the period (generally termed as "Balance Sheet");

b) a statement of comprehensive income for the period (generally termed as "Income Statement");

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 classifies items in its financial statements.

An entity may use titles for the statements other than those used in this standard.

Statement of Financial Position (generally termed as "Balance Sheet")

- No specific format prescribed for Statement of Financial Position.
- Minimum line of items to be presented in the statement of financial position that are prescribed under IFRS are:
  - Property, plant and equipment (PPE);
  - Investment property;
  - Intangible assets;
  - Financial assets such as investments;
  - Investments accounted for using the equity method;
  - Biological assets;
  - Inventories;
  - Trade and other receivables;
  - Cash and cash equivalents;
  - The total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
  - Trade and other payables;
  - Provisions;
  - Financial liabilities;
  - Tax liabilities or advance tax (to be disclosed net of liabilities or advance tax as the case may be);
  - Deferred tax liabilities and assets (to be disclosed net of liabilities or assets as the case may be);
  - Non-controlling interest presented within equity; and

  - Issued capital and reserves attributable to owners of the parent.

- An entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.
- An entity shall present current and non-current assets and current and non-current liabilities as separate classification in its statement of financial position except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.
- An entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amount expected to be recovered or settled:
  - no more than twelve months after the reporting period, and
  - more than twelve months after the reporting period.
- An entity shall classify an asset or a liability as current asset or current liability when it expects to realise the asset, or intends to sell or consume the asset or it expects to pay liability within twelve months after the reporting period.
- An entity shall classify all other assets or liabilities as non-current.

Statement of comprehensive Income (generally termed as "Income Statement")

- An entity shall present all items of income and expense recognised in a period:
  - in a single statement of comprehensive income, or
  - in two statements: 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).
- No specific format prescribed for Statement of comprehensive income statement
- Minimum line of items to be presented in the statement of financial position is prescribed:

  i) Revenue

ii) Finance costs

iii) Share of profit or loss of associates and joint venture accounted for using the equity method

iv) Tax expenses

v) A single amount comprising the total of:

- the post tax profit or loss of discontinued operations and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation

vi) Profit or loss;

vii) Each component of other comprehensive income classified by nature

viii) Share of the other comprehensive income of associates and joint ventures accounted for using the equity method; and

ix) Total comprehensive income.

- An entity shall disclose the following items in the statement of comprehensive income as allocations for the period:
  - profit or loss for the period attributable to:
    i) non-controlling interests, and
    ii) owners of the parent
  - total comprehensive income for the period attributable to:
    i) non-controlling interests, and
    ii) owners of the parent
- An entity shall present additional line items, headings and subtotals in the statement of comprehensive income and the separate income statement (if presented), when such presentation is relevant to an understanding of the entity's financial performance.
- An entity shall not present any items of income or expense as extraordinary items, in the statement of comprehensive income or the separate income statement (if presented), or in the notes.
- An entity shall recognise all items of income and expense in a period in profit or loss unless an IFRS requires or permits otherwise.

- As regards the other comprehensive income for the period an entity shall disclose the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments, either in the statement of comprehensive income or in the notes.
- Components of other comprehensive income can be presented either net of related tax effects or before related tax effects with one amount shown for the aggregate amount of income tax relating to those components.
- An entity shall disclose reclassification adjustments relating to components of other comprehensive income.
- When items of income or expense are material, an entity shall disclose their nature and amount separately e.g. write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs, discontinued operations, other reversals of provisions, etc.
- An entity shall present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant.
- If analyzed by nature of expense method an entity aggregates expenses within profit or loss according to their nature e.g. depreciation, purchases of materials, employee benefits, etc. An example of classification using the nature of expense method is as follows:

Revenue		X
Other income		X
Changes in inventories of finished goods and work in progress	X	
Raw materials and consumables used	X	
Employee benefits expense	X	
Depreciation and amortization expense	X	
Other expenses	X	
Total expenses		(X)
Profit before tax		X

- If analyzed by function of expenses or cost of sales method an entity classifies expenses according to their function. An example of classification using the function of expense method is as follows:

Revenue		X
Cost of sales		(X)
Gross profit		X
Other income		X
Distribution costs		X
Administrative expenses		(X)
Other expenses		(X)
Profit before tax		X

- If expenses are disclosed by function, disclose additional information on the nature of expenses which should include depreciation and amortization expense and employee benefit costs.

Statement of Changes in Equity

- An entity shall present a statement of changes in equity showing in the statement:

  i) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;

  ii) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8; and

  iii) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

  - Profit or loss;
  - Each item of other comprehensive income and;
  - Each item of income or expense directly recognized in equity such as

revaluation of non-current assets, fair value adjustment of hedging instruments, currency translation reserves, revaluation of available for sale investments;

- Effect of change in accounting policy directly recognized in equity and other correcting errors as permitted under IAS 8;
- All movements in equity such as additional shares issued, buy back or reduction of capital;
- Changes in ownership interests in subsidiaries that do not result in a loss of control.

- An entity should disclose either in the statement of changes in equity or in the notes, the amount of dividend recognised as distribution to the owners during the period and related amount per share.

Statement of Cash Flows

The statement of cash flows shows how changes in statement of financial position and income accounts affect cash and cash equivalents, and breaks the analysis down to operating, investing, and financing activities.

All enterprises that prepare financial statements in conformity with IFRSs are required to present a statement of cash flows. The statement of cash flows analyses changes in cash and cash equivalents during a period.

An entity shall prepare a cash flow statement in accordance with the requirements of IAS 7 "Statement of Cash Flows" and shall present it as an integral part of its financial statements for each period for which financial statements are presented. Information about the cash flows of an entity is useful in providing users of financial statements with a basis to assess the ability of the entity to generate and utilise cash and cash equivalents.

An entity shall report cash flows from operating activities using either:

a) the direct method, whereby major class of gross cash receipts and cash payments are disclosed; or

b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts and payments, and items of income or expense associated with investing or financing cash flows.

Notes:

- Notes shall present information about the basis of preparation of the financial statements and specific accounting policies used.
- Disclose the information required by IFRSs that is not presented elsewhere in the financial statements and
- Provide information that is not presented elsewhere in the financial statements but is relevant to understanding any of them.
- An entity shall present notes in the systematic manner. An entity shall cross reference each item in the statement of financial position and of comprehensive income and in the statements of changes in equity and of cash flows to any related information in the notes.
- An entity shall disclose:
  - the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);
  - a description of the nature of the entity's operations and its principal activities;
  - the name of the parent and the ultimate parent of the group; and
  - if it is a limited life entity, information regarding the length of its life.
- An entity may present notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.
- An entity normally presents notes in following order:
  - statement of compliance with IFRSs
  - summary of significant accounting policies applied
  - supporting information for items presented in the statements of financial position and of comprehensive income, in the separate income statement in the order (if presented), and in the statements of changes in equity and of cash flows, in which each statement and each line item is presented; and
  - other disclosures, including:
  - contingent liabilities (see IAS 37) and unrecognised contractual commitments, and

- non-financial disclosures e.g. the entity's financial risk management objectives and policies.

- An entity shall disclose in the summary of significant accounting policies:
  i) the measurement basis (or bases) used in preparing the financial statements, and
  ii) the other accounting policies used that are relevant to the understanding of the financial statements.

- An entity shall disclose the judgements that management has made in the process of applying the entity's accounting policies and that have the significant effect on the amounts recognized in the financial statements.

- An entity shall disclose information about the assumptions it makes about the future and other major sources of estimation of uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustments to the carrying amount of those assets and liabilities. The notes shall include the details of:
  - their nature;
  - their carrying amount as at the end of the reporting period.

- The standard does not require an entity to disclose budget information or forecasts in making the disclosure.

- An entity shall disclose in the notes:
  - the amount of dividends proposed or declared before the financial statements were authorized for issue but not recognized as a distribution to owners during the period and the relevant amount per share.
  - the amount of any cumulative preference dividends not recognized.

3. IFRS Vs INDIAN GAAP: SOME KEY DIFFERENCES

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Compliance with GAAP	**General**	**Disclosure**	• Entities should make an explicit and unreserved statement in the notes that the financial statements comply with IFRS. • An entity can not describe financial statements as complying with IFRSs unless they comply with all the requirements of each applicable standard and interpretation.	• There is a presumption that financial statements should be prepared in compliance with accounting standard to give a true and fair view. • Non-compliance with any of the applicable accounting standard needs to be disclosed in the financial statements.
True and fair view	**General**	**Disclosure**	• In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements, the entity shall depart from that requirement if the relevant regulatory framework requires, or	• True and fair override is generally not permitted under Indian GAAP. Further in terms of hierarchy local legislations are more superior. • The Accounting Standards by their very nature cannot and do not override the local regulations which govern the preparation and presentation of financial

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			otherwise does not prohibit, such a departure, and disclosure is required. • The override does not apply where there is a conflict between local company law and IFRS; in such a situation, the IFRS must be applied.	statements in the country.
Preparation and presentation	**General**	**Presentation and disclosure**	• An entity has to present financial statements on a consolidated basis unless it meets the exemption criteria prescribed under IAS 27 para 10 • On a voluntary basis, an entity may present separate financial statements, which need not be appended to, or accompany consolidated financial statements.	• An entity has to present financial statements on a standalone basis. Accounting Standard does not require an entity to prepare / present consolidated financial statements. • However, public listed companies in India are required to present consolidated financial statements along with the standalone financial statements as per listing agreement.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
First time adoption	**IFRS 1**		• IFRS 1 specifically deals with how to apply IFRS for the first time. • Full retrospective application of IFRSs effective at the reporting date for an entity's first IFRS financial statements with certain optional exemptions and mandatory exceptions. • An entity shall explain how the transition from previous GAAP to IFRSs affected its reported financial position, financial performance and cash flow.	• Indian Accounting Standards does not give specific guidance on first time adoption of the standards by an entity.
Components of Financial statements	**IAS 1**	**Presentation and Disclosure**	• Statement of financial position (Balance sheet) • Statement of comprehensive income (Income statement)	• Balance sheet, • Profit and Loss Account, • Cash flow statement, (not mandatory for 'SMC')

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			• Statement of changes in equity, • Cash flow statement, • Notes comprising a summary of significant accounting policies and other explanatory information. An entity may use title for the statements other than those used in the IFRS.	• Accounting policies and Notes to financial statements.
Balance sheet format	**IAS 1**	**Presentation and Disclosure**	• There is no prescribed rigid format, minimum lines item to be presented on the face of the balance sheet is prescribed. IFRS requires presentation of additional line items, headings and sub totals in the statement of financial position when such presentation is relevant to an	• Indian Accounting Standards also does not prescribe any standard format of balance sheet except presentation of certain items on the face of the balance sheet. • The Companies Act, 1956 prescribes a format of balance sheet (Schedule VI). Other

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			understanding of the entity's financial position. • An entity shall present separate classification of current and non-current assets and liabilities in its statement of financial position except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.	industry regulations prescribe industry specific format of balance sheet. • No strict classification in current and non-current assets and liabilities required under Schedule VI of The Companies Act, 1956.
Statement of Comprehensive income format	IAS 1	**Presentation and Disclosure**	• There is no prescribed rigid format, minimum lines item to be presented is prescribed. IFRS requires presentation of additional line items, headings and sub totals in the statement of comprehensive income and the separate income statement (if	• There is no specific format prescribed for Income Statement. • The Accounting Standard and The Companies Act, 1956 prescribes disclosure norms for certain items.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			presented), when such presentation is relevant to an understanding of the entity's financial performance. • IFRS requires to present expenses either their nature or their function within the entity. Additional information on the nature of expenses, including depreciation and amortisation expenses and employee benefit expenses is required to be disclosed if functional classification is used by an entity.	
Extraordinary items	**IAS 1**	**Disclosure**	• An entity shall not present any items of income or expenses as extraordinary items either on the face of the statement of comprehensive income or the separate income statement in the notes.	• An entity should disclose in statement of profit and loss any income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
				expected to recur frequently or regularly as extraordinary items. • The nature and the amount of each extraordinary item should be separately disclosed in the profit and loss account in a manner that its impact on current profit or loss can be perceived.
Comparatives	**IAS 1**	**Disclosure**	• An entity shall disclose comparative information in respect of previous period for all amounts reported in current period's financial statements. • An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.	• An entity shall disclose one year of comparatives for all numerical information in the financial statements.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			• IAS 1 requires an entity to include a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements whenever the entity applies an accounting policy retrospectively or makes a retrospective restatement as defined in IAS 8 or when the entity reclassifies items in the financial statements. • An entity needs to present statement of financial position as at: i) The end of the current period; ii) The end of the previous period (which is the same as the beginning of the current period) and iii) The beginning of the earliest comparative period.	

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Critical judgements and estimates	**IAS 1**	**Disclosure**	• An entity shall disclose information about the critical judgements and estimates made in applying accounting policies.	• Neither Indian Accounting Standards nor Schedule VI to the Companies Act, 1956 specifically requires such disclosure.
Reporting currency for presentation of financial statements	**IAS 1 and IAS 21**	**Presentation and disclosure**	• The standard permits an entity to present its financial statements in any currency (or currencies). The standard also requires an entity to determine its functional currency and its results and financial position in that currency. • If an entity selects a presentation (reporting) currency which is different from the functional currency, the standard requires the financial statement to be translated from functional currency to presentation currency.	• Indian Accounting Standards does not require determination of functional currency. However Schedule VI requires disclosure to be made in Indian rupees.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Offsetting	IAS 1	**General**	• An entity shall offset assets and liabilities or income and expenses only when the same is required or permitted by IFRS.	• There is no specific guidance available under Indian Accounting Standards.
Inventories	IAS 2	**Valuation**	• An entity shall use the same cost formulae for all inventories that have a similar nature and use to the entity.	• AS 2 is not expressly mandated that same cost formulae should be used for all inventories that have a similar nature and use to the entity.
Inventories acquired on deferred settlement terms	IAS 2	**Valuation**	• When arrangement contains financing elements, IAS 2 specifically requires that where inventory is acquired on deferred settlement terms, a difference between the purchase price for normal credit terms and the amount paid is recognised as interest expense over the period of the financing.	• There is no guidance under AS 2 for the treatment of inventories acquired on deferred settlement terms. • Recently ICAI has issued AS 30 and a limited revision to AS 2 which requires that where inventory is acquired on deferred settlement terms, the excess over the normal price is to be accounted as interest over the

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
				period of financing. The limited revision is recommendatory from accounting periods beginning on or after 1 April, 2009 and mandatory from 1 April, 2011.
Inventories of a service provider	**IAS 2**	**Valuation**	• IAS 2 includes provisions relating to the work-in-progress of a service provider. Service providers generally accumulate cost in respect of each service for which a separate selling price will be charged. Therefore, each such service is treated as a separate item.	• AS 2 excludes work in progress arising in the ordinary course of business of service providers.
Cash flow statements	**IAS 7**	**Presentation and disclosure**	• Cash Flow Statement is a component of complete set of financial statements, it is mandatory for all entities. • Under IFRS, Cash Flow	• Cash Flow Statement is not mandatory for SMC's. • Under clause 32 of listing

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			Statements can be prepared using Direct/ Indirect method.	agreement only indirect method is prescribed for listed companies and direct method is prescribed for insurance companies.
			• Bank borrowings are normally part of financing activities. Nonetheless, bank overdrafts that are repayable on demand and that form an integral part of an entity's cash management are included in cash equivalents.	• There is no stipulation in AS 3 for classification of bank overdrafts.
			• Under IFRS, an entity shall not present extra-ordinary items either on the face of the statement of comprehensive income or the separate income statement in the notes, hence disclosure of the same in cash flow statement is prohibited.	• The cash flows associated with extra-ordinary items should be classified as arising from operating, investing or financing activities as appropriate and separately disclosed.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			• Interest paid or received is disclosed as operating in case of financing entity. For other entities, the interest paid can be disclosed as operating or financing cash flow and interest received is usually disclosed as investing cash flow. • Dividend paid can be disclosed as operating or financing. • Dividend received is disclosed as operating in case of financing entity. For other entities, the same can be disclosed as operating or investing.	• Interest paid or received is disclosed as operating in case of financing entity. For other entities, the interest paid should be disclosed as financing cash flow and interest received is usually disclosed as investing cash flow. • Disclosure of dividend paid as financing. • Dividend received is disclosed as operating in case of financing entity. For other entities, the same is disclosed as investing.
Contingencies and Events Occurring After the Balance Sheet Date	**IAS 10**	**Recognition and Measurement**	• An entity shall adjust the amounts recognized in the financial statements for events that provide additional evidence of conditions that existed at the	• Under AS 4, non-adjusting events are required to be disclosed in the report of the approving authority, for example, the board report.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			balance sheet date and should not be adjusted for events that provide evidence of conditions that did not exist at the balance sheet date. • Nevertheless where these events are of such nature that disclosure of them is required to prevent the financial statements from being misleading, the entity should disclose nature of event and estimate of its financial effect.	
Change in accounting policy	**IAS 8**	**Recognition and Measurement**	• An entity shall account for a change in accounting policy retrospectively. • Comparative information to be restated and the amount of the adjustments relating to prior	• The impact of change in an accounting policy to be adjusted against current periods profit and loss account. • Policy changes made on the adoption of a new standard must

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			periods is adjusted against the opening balance of retained earnings of the earliest year presented. An exemption applies when it is impracticable to change comparative information. • Effect of retrospective adjustments on equity items is presented separately in the Statement of Changes in Equity.	be accounted for in accordance with that standard's transitional provisions.
Prior period items (Correction of errors)	**IAS 8**	**Scope**	• The definition of prior period items is much broader under IAS 8 as compared to AS 5. Prior period errors covers all the items in the financial statements including assets and liabilities. • The reporting requirements are similar to changes in accounting policy.	• The definition of prior period items is restricted to income and expenses in current period occurring as a result of errors and omission in the preparations of financial statements of prior period(s). • All prior period adjustments are disclosed separately in current

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
				year profit and loss account in a manner that its impact on the results can be perceived.
Disclosure of non-application of new IFRSs	**IAS 8**	**Disclosure**	• IAS 8 requires when an entity has not applied new IFRS that has been issued but is not yet effective shall disclose: - this fact; and - known or reasonably estimable information relevant to assessing the possible impact that application of new IFRS will have on the entity's financial statements in the period of initial application	• No such disclosures required.
Depreciation Accounting- Component Approach	**IAS 16**	**Measurement**	• An entity is required to depreciate separately the significant parts of PPE if they have different useful life (Component Approach).	• Generally component approach is not required or followed for depreciation.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Depreciation Accounting- Change in method of Depreciation	IAS 16	**Recognition and Measurement**	• Change in method of depreciation is treated as change in accounting estimates, reflected in the depreciation charge for the current and prospective years.	• Change in depreciation method is treated as change in accounting policies and impact is determined by retrospectively computing depreciation under new method and the impact is recorded in the period of change.
Depreciation on revalued PPE	IAS 16	**Valuation**	• Depreciation on revalued portion cannot be recouped out of revaluation reserve.	• Depreciation on revalued portion is recouped out of revaluation reserve.
Residual value and useful life of an asset	IAS 16	**Measurement**	• An entity needs to review residual value and useful life of an asset at least at each financial year end.	• Under Indian Accounting Standards, periodic review of residual value and useful life of an asset not specifically required.
Accounting for PPE - Purchase cost	IAS 16	**Valuation**	• Purchase cost of PPE includes: - purchase price (less any discounts and rebates); - import duties, non-refundable taxes; and	• Similar to IFRS except no guidance is given for capitalization of dismantling and site restoration cost. However, the Guidance note on Accounting for Oil and Gas Producing Activities

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			- any directly attributable costs of bringing the asset to its working condition; - the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.	states that entities involved in those should capitalize the dismantling and site restoration cost.
Revaluation of PPE	**IAS 16**	**Valuation and measurement**	• IAS 16 requires an entity to choose either cost model or revaluation model as its accounting policy. • If an item of PPE is revalued, the entire class of PPE to which that asset belongs shall be revalued. • When entity applies revaluation model it requires regular revaluations of all PPE. Management must consider at each year end whether fair value	• As per AS 10 fixed assets are carried at cost less accumulated depreciation. However revaluation of fixed assets is not required. • When revaluation do not covers all assets of the given class, it is appropriate that the selection of the asset to be revalued be made on systematic basis, e.g. an entity may revalue a class of assets within one unit and ignore assets of the same class at another unit.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			is materially different from carrying value.	• There is no requirement to perform revaluations at regular intervals.
Revenue Recognition- Fair value of consideration	**IAS 18**	**Measurement**	• Revenue should be measured at the fair value of the consideration received or receivable. Where the inflow of the cash or cash equivalent is deferred, discounting to a present value is required to be done.	• Revenue is measured by the charges made to the customers or clients for goods supplied or services rendered to them and by the charges and rewards arising from the use of resources by them. In case of installment sales, discounting would be required. • When the consideration is receivable in installments, revenue attributable to the sales price exclusive of interest should be recognised at the date of sale. The interest element should be recognised as revenue, proportionately to the unpaid balance due to the seller.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Revenue Recognition- Rendering of services	**IAS 18**	**Measurement**	• When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the balance sheet date. • When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable. If loss is anticipated on the contract the entire loss is recognised upfront.	• Revenue from service transactions as per AS 9 is usually recognised as the service is performed, either by the proportionate completion method or by the completed service contract method.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Revenue Recognition- Multiple element arrangements	**IAS 18**	**Recognition**	• The recognition criteria in IAS 18 are usually applied separately to each transaction. However, in certain circumstances, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. • Conversely, the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.	• There is no specific guidance available under Indian GAAP.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Revenue Recognition- Customer loyalty programme	**IAS 18/ IFRIC 13**	**Recognition**	• An entity shall apply IFRIC 13 and account for award credits as a separately identifiable component of the sales transaction(s) in which they are granted (the 'initial sale'). The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale. • The consideration allocated to the award credits shall be measured by reference to their fair value, i.e. the amount for which the award credits could be sold separately.	• There is no specific guidance available under Indian GAAP.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Revenue Recognition- Barter Transactions	**IAS 18**	**Recognition**	• When the goods or services exchanged are of dissimilar nature, the same is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalent transferred. • If the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalent transferred. • An entity shall disclose the amount of revenue arising from exchange of goods or services included in each significant category of revenue.	• There is no specific guidance available under Indian GAAP.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Accounting for Investment - Investment Property	**IAS 40**	**Scope**	• Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: i) use in the production or supply of goods or services or for administrative purposes; or ii) sale in the ordinary course of business	• An investment property is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.
Accounting for Investment - Investment Property	**IAS 40**	**Measurement**	• An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. • For subsequent measurement	• An enterprise holding investment properties should account for them as long-term investments. Long-term investments are valued at cost less diminution in value wherever the decline is other than a temporary decline.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			an entity shall choose as its accounting policy either the fair value model or cost model and shall apply that policy to all its investment property.	
Financial assets	**IAS 32,39**	**Classification**	• Financial assets are classified in four categories: - financial asset at fair value through profit or loss, - held to maturity, - loans and receivables, and - available for sale • IFRS 9 on Financial instruments which is mandatory for accounting period commencing on or after 1 January, 2013, classifies measurement category of financial assets in	• AS 13 requires classification of investments into long-term and current investments. • AS 30, 31, 32 which are recommendatory upto 31 March, 2011 provide for classification of financial assets which are similar to IFRS.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			following categories: - Amortised cost - Fair value	
Impairment of financial asset	**IAS 32,39**	**Valuation**	• An entity shall assess at each balance sheet date whether there is any objective evidence, that a financial asset or group of financial assets is impaired.	• Current investments are recorded at lower of cost or market price. Long-term investments are valued at cost less diminution in value wherever the decline is other than a temporary decline.
Employee benefits- Actuarial gains or losses	**IAS 19**	**Recognition**	IAS 19 provides options to recognise actuarial gains or losses as follows: • All actuarial gains or losses can be recognised immediately in profit or loss for the period, • All actuarial gains or losses can be recognised immediately in Other Comprehensive Income, Statement or	• Actuarial gains or losses should be recognised immediately in the Profit and Loss account under AS 15.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			• An actuarial gain or loss that exceed the greater of 10% of the present value of the defined benefit obligation (before deducting plan assets) and 10% of the fair value of any plan assets at the beginning of the year is amortised over expected remaining working lives of participating employees (the 'Corridor approach').	
Borrowing costs	IAS 23	Scope	• An entity is not required to apply IAS 23 to borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, measured at fair value.	• There is no such exclusion under AS 16.
		Disclosure	• The disclosure requirements of IAS 23 require the entity to disclose separately the capitalization rate used to determine the amount of borrowing costs.	• There is no such separate disclosure required under AS 16.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Borrowing costs-Qualifying Assets	IAS 23	**Scope**	• Qualifying assets are those that requires a substantial period of time to get ready for their intended use or sale are not routinely produced in large quantities or on a repetitive basis over a short period of time and are not ready for their intended use or sale when acquired.	• Indian GAAP is similar to IFRS except substantial period of time has been interpreted to generally mean more than 12 months.
Accounting for Leases - Initial direct cost	IAS 17	**Measurement**	• IAS 17 prescribes initial direct cost incurred by lessor to be included in lease receivable amount in case of finance lease and in the carrying amount of the asset in case of operating lease recognised as an expense over the lease term on the same basis as the lease income.	• AS 19 requires initial direct cost i.e. commission and legal fees incurred by lessor with respect to finance lease to be either charged off at the time of incurrence or to be amortised over the lease period. • Initial direct costs incurred specifically to earn revenues from an operating lease are either deferred and allocated to income

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
				over the lease term in proportion to the recognition of rent income, or are recognised as an expense in the statement of profit and loss in the period in which they are incurred.
		Disclosure	• IAS 17 does not mandate any accounting policy related disclosure.	• AS 19 requires disclosure for accounting policy relating thereto in the financial statements of the lessor.
Sale and leaseback	**IAS 17**	**Recognition**	• Sale and leaseback transaction which results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognised as income by a seller-lessee. Instead, it shall be deferred and amortised over the lease term.	• Sale and leaseback transaction which results in a finance lease, AS 19 requires excess/deficiency both to be deferred and amortised over the lease term in proportion to the depreciation of the leased asset.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Lease of land	**IAS 17**	**Scope**	• As per IAS 17, leases of land are classified as operating or finance leases in the same way as leases of other assets. • However, a characteristic of land is that it normally has an indefinite economic life and, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership, in which case the lease of land will be an operating lease.	• AS 19 excludes lease of land from its scope.
Segment Reporting	**IFRS 8**	**Scope**	• IFRS 8 is applicable to entities whose shares or potential ordinary shares are traded in a public market or in the process of issuing such shares in a public market.	• AS 17 is not applicable to SMCs.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Segment Reporting-Change in accounting policies	IFRS 8	**Presentation and disclosure**	• If an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive.	• Changes in accounting policies adopted for segment reporting that have a material effect on segment information should be disclosed. Such disclosure should include a description of the nature of the change, and the financial effect of the change if it is reasonably determinable. No restatement required for prior period figures.
Related party disclosure	IAS 24	**Definition**	• Under IAS 24, Related party covers close members of family of any individual referred to as follows: - Key management personnel; or - A party who exercise control or significant influence.	• AS 18 covers only relatives of Key management personnel.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			• IAS 24 includes post employment benefit plan for the benefit of employees of the entity or of any entity that is related party of the entity as related parties.	• AS 18 does not include post employment benefit plan as related party.
Related party disclosure-Control	**IAS 24**	**Definitions**	• Control is power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.	• Under AS 18 Control is defined as: – Ownership, directly or indirectly, of more than one half of the voting power of the enterprises, or – Control of the composition of board of directors in the case of a company or of the composition of corresponding governing body in case of any other enterprises, or – A substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprises.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Related party disclosure- Key management personnel	**IAS 24**	**Definition**	• Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.	• A non-executive director of a company is not considered as a key management person under AS 18 unless he has the authority and responsibility for planning, directing and controlling the activities of the reporting enterprises.
Related party disclosure	**IAS 24**	**Disclosure**	• IAS 24 requires disclosure of terms and conditions of outstanding items pertaining to related parties.	• There is no such disclosure requirement under AS 18.
Related party disclosure- 10% materiality	**IAS 24**	**Disclosure**	• Items of a similar nature may be disclosed in aggregate but there is no provision for 10% materiality exists under IAS 24.	• Ordinarily a related party transaction the amount of which is in excess of 10% of the total related party transactions of the same type is considered material and disclosed in aggregate.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Related party disclosure	**IAS 24**	**Disclosure**	• There is no exemption provided for disclosure under IFRS in cases where disclosure of information would conflict with duties of confidentiality in terms of statute or regulating authority.	• Related party disclosure requirements as laid down in AS 18 do not apply in circumstances where providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.
Earning per share	**IAS 33**	**Scope**	• IAS 33 is applicable to entities whose shares or potential ordinary shares are traded in a public market or in the process of issuing such shares in a public market.	• AS 20 is applicable to all entities.
Earnings per share	**IAS 33**	**Presentation and Disclosure**	• As per IAS 33 an entity shall present basic and diluted EPS for profit or loss from continuing operations as well as discontinued operations.	• As per AS 20 an entity shall present basic and diluted EPS for profit or loss from continuing operations.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Consolidated Financial Statements	IAS 27	**Scope**	• Under IFRS, an entity needs to prepare consolidated financial statements unless it meets the exemption criteria.	• Indian Accounting Standard does not mandate preparation of consolidated financial statements. However, if an entity prepares consolidated financial statements it needs to comply with AS-21.
Consolidated Financial Statements - Minority interest / Non-controlling interest	IAS 27	**Presentation and Disclosure**	• Non-controlling interests are presented as a component of equity. • The portion of income statement attributable to non-controlling interest and to the parent is separately disclosed on the face of the income statement as allocations of income statement for the period.	• Minority interests are presented separately from liabilities and equity. • Amount attributable to minority interest are presented as a component of net income or loss in Income statement.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Consolidated Financial Statements- Loss of subsidiary	**IAS 27**	**Recognition**	• Under IAS 27 w.e.f. 1 January, 2009, losses incurred by the subsidiary have to be allocated between the parent and non-controlling interests, even if this results in deficit balance of non-controlling interest.	• The losses exceeding the minority interest in the equity of the subsidiary have to be adjusted against the minority interest, except to the extent that the minority has a binding obligation to, and are able to make good the losses.
Consolidated Financial Statements - Reporting period	**IAS 27, 28 and 31**	**Scope**	• In any case difference between the reporting date of the subsidiary/ jointly controlled entity/ associates which is consolidated and that of the parent shall not be more than three months.	• As per Indian GAAP, the difference between reporting dates should not be more than six months in case of subsidiary and jointly controlled entity. In case of an associate, there is no limit of 3 months between reporting dates.
Consolidated Financial Statements - Accounting for negative goodwill	**IAS 27, 28 and 31**	**Recognition**	• If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination,	• If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination,

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			the acquirer shall reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and recognise immediately in profit or loss any excess remaining after that reassessment.	the excess shall be disclosed as "capital reserve".
Consolidated Financial Statements - Uniform accounting policies	**IAS 27, 28 and 31**	**Measurement and disclosure**	• Compliance with uniform accounting policies is mandatory.	• Consolidated Financial Statements (CFS) should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies in preparing the CFS, that fact should be disclosed together with the proportions of the items in the CFS to which the different

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
				accounting policies have been applied. Though uniform accounting policies are not mandatory, it is important to note that those policies, nevertheless, have to be in compliance with Indian GAAP.
Investment in Associates- Significant influence	**IAS 28**	**Definition**	• **Significant influence** is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. If an investor holds, directly or indirectly (e.g. through subsidiaries), 20 percent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case.	• Similar to IFRS. Under AS 23 significant influence is the power to participate in the financial and/or operating policy decisions of the investee but not control over those policies. The word 'or' is not there in IAS 28. Therefore under IAS 28 the power to participate should exist for both financial and operating policies; whereas under AS 23, either one would suffice to determine significant influence.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			• The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity has significant influence.	• As per ASI 18, potential voting rights are not considered for determining significant influence in the case of an associate.
Investment in Associates- Display of goodwill	**IAS 28**	**Presentation and disclosure**	• Goodwill included within the cost of the investments is not required to be separately identified.	• Goodwill or capital reserves within the cost of the investments are required to be separately identified.
Financial Reporting of Interests in Joint Venture	**IAS 31**	**Measurement**	• IAS 31 allows preparation of consolidated financial statements using either proportionate consolidation method or equity method.	• AS 27 allows preparation of consolidated financial statements using proportionate consolidation method unless it meet the exception criteria. • A jointly controlled entity which meets the exception criteria

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
				should account investment in accordance with AS 13 Accounting for Investments.
Financial Reporting of Interests in Joint Venture	**IAS 31**	**Recognition**	• Where the reporting entity is not a parent but has Jointly Controlled Entity, it will need to account its joint venture using either equity method or proportionate consolidation method in its own financial statements.	• Proportionate consolidation is required to be applied only if the entity prepares CFS.
Taxes on Income	**IAS 12**	**Recognition**	• Under IAS, deferred tax is recognised for all taxable **temporary differences**. Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.	• Under AS 22, deferred tax is recognised for all the timing differences. Timing differences are the differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Taxes on Income	**IAS 12**	**Recognition**	• Deferred tax is not recognised for the following: - Deferred tax liability arises from the initial recognition of goodwill or - Deferred tax asset or liability arises from the initial recognition of an asset or liability in a transaction which: i) is not a business combination; and ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).	• Under AS-22 no such specific exceptions are provided.
Taxes on Income	**IAS 12**	**Recognition**	• A deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is	• Deferred tax assets should be recognised and carried forward only to the extent that there is a reasonable certainty that

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.	sufficient future taxable income will be available against which such deferred tax assets can be realized. • Where an enterprise has unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets should be recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.
Taxes on Income - Deferred tax on elimination of intra group transaction	**IAS 12**	**Recognition**	• Deferred tax should be calculated on temporary differences that arise from the elimination of profits and losses resulting from intra group transactions.	• No deferred tax is recognised on elimination of intra-group transactions.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Taxes on Income- Deferred tax on foreign non monetary assets/ liabilities	**IAS 12**	**Recognition**	• When the tax reporting currency is not the functional currency deferred tax is recognised on the difference between the carrying amount determined using the historical rate of exchange and the tax base determined using the balance sheet date exchange rate.	• No deferred tax is recognised.
Intangible assets - Acquired as a part of business combination	**IAS 38**	**Valuation**	• In accordance with IFRS 3 Business Combinations, if an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.	• If an intangible asset is acquired in an amalgamation in the nature of purchase, the same should be accounted at cost or fair value if the cost/fair value can be reliably measured. If the same is not reliably measurable it is included as a part of goodwill. Intangible assets acquired in an amalgamation in the nature of merger, or acquisition of a subsidiary is recorded at book values.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			• The intangible assets is recorded by the acquirer irrespective of whether the asset had been recognised by the acquiree before the business combination.	• Intangible asset acquired in an amalgamation in the nature of purchase is recorded even if that intangible asset had not been recognised in the financial statements of the transferor however, in case of amalgamation in the nature of merger if the intangible asset was not recognised by the acquiree, the acquirer would not be able to record the same.
Intangible Assets - Subsequent measurement	**IAS 38**	**Measurement**	• An entity shall choose either the cost model or the revaluation model as its accounting policy. • If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets.	• After initial recognition, an intangible asset should be carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			• Revaluation model is permitted only where there is an active market for the underlying intangibles.	• Revaluation is prohibited.
Intangible Assets - Useful life	**IAS 38**	**Measurement**	• An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units that would constitute useful life.	• There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.
Amortisation of intangible assets	**IAS 38**	**Measurement**	• The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life.	• Amortisation is based on allocation of depreciable amount on a systematic basis done over best estimate of useful life but should not exceed 10 years, unless there is persuasive evidence for amortising over a longer period. Both finite life and indefinite life intangibles are required to be amortised.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Impairment of intangible assets	**IAS 38**	**Measurement**	• Intangible asset with finite life is required to be tested for impairment as per provisions of IAS 38. • An intangible asset with an indefinite useful life and which is not yet available for use should be tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.	• In addition to the requirements of AS-28, an enterprise should estimate the recoverable amount of the following intangible assets at least at each financial year end even if there is no indication that the asset is impaired: - an intangible asset that is not yet available for use; and - an intangible asset that is amortised over a period exceeding ten years from the date when the asset is available for
Provisions, Contingent Liabilities and Contingent Assets - Provisions	**IAS 37**	**Recognition**	• The amount recognised as provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, detailed guidance is available on measurement.	• Provisions are based on the best estimate. No detailed guidance is available.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			• Where the effect of time value of money is material, the amount of provision should be the present value of the expenditures expected to be required to settle the obligation. The discount rates should not reflect risks for which future cash flow estimates have been adjusted.	• The amount of provision should not be discounted to its present value.
Contingent assets	**IAS 37**	**Disclosure**	• A contingent asset is disclosed in financial statements where an inflow of economic benefits is probable.	• A contingent asset is not disclosed in financial statements.
Provisions, Contingent Liabilities and Contingent Assets - Provisions	**IAS 37**	**Recognition**	• Restructuring provision should be made on constructive obligation.	• Restructuring provision should be made on legal obligation.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Financial liabilities	**IAS 32, 39**	**Classification**	• Financial liabilities are classified into two categories: - financial liabilities at fair value through profit or loss, and - residual category	• On adoption of AS 31 it will be similar to IFRS. Further when AS 31 becomes notified the requirements of the Companies Act, 1956 would have to be suitably amended. However, in practice, classification is based on legal form rather than substance.
Measurement of financial liabilities	**IAS 32, 39**	**Measurement**	• Financial liabilities at fair value through profit and loss account- initially and subsequently at fair value and the change is recognized in the income statement for the period. • Other liabilities - initially at fair value plus transaction cost that are directly attributable to the financial liability, subsequently at amortised cost.	• No specific guidance. Generally liabilities are recorded at face value. On adoption of AS 30 and AS 31 it will be similar to IFRS.

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
Dividend on ordinary equity shares	**IAS 1**	**Presentation and Disclosure**	• Presented as a deduction in the statement of changes in shareholders equity in the period when authorised by shareholders. Dividends are accounted in the year when	• Presented as an appropriation to the income statement. Dividends are accounted in the year for which it is proposed.
Treasury shares	**IAS 32**	**Recognition, presentation and disclosure**	• If an entity acquired its own equity instruments (treasury shares) shall be deducted from equity. • No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. • Treasury shares may be acquired and held by the entity or by other members of the consolidated group.	• When an entity's own shares are purchased the shares are cancelled and shown as a deduction from shareholder's equity (they cannot be held as treasury stock).

Topic	IFRS/ IAS	Category	Requirements as per IFRS	Requirements as per Indian GAAP
			Consideration paid or received shall be directly recognised in equity.	
Biological assets	**IAS 41**	**Measurement**	• A biological asset should be measured on initial recognition and at each balance sheet date at its fair value less estimated costs to sell. All changes in fair value should be recognised in the period in which they arise.	• There is no guidance available.
Share based payments	**IFRS 2**	**Scope**	• The IFRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.	• There is no specific guidance available under Indian Accounting Standards for share based payments to other than employee.

4. FIRST TIME ADOPTION OF IFRS

- IFRS 1 prescribes the procedures to be followed by the entities when adopting IFRS for the first time.

- The ***objective of IFRS 1*** is to ensure that the entity's first IFRS financial statements and its interim financial report for the period covered by those statements, contain high quality information that:
  - is transparent for users and comparable overall period presented;
  - provide suitable starting point for accounting in accordance with IFRS; and
  - can be generated at a cost that does not exceeds the benefits.

- The underlying principle is that a first-time adopter should prepare financial statements as if it had always applied IFRS subject to number of exemptions and exceptions allowed in IFRS 1.

Scope of IFRS 1:

- IFRS 1 is applicable to the entity's ***first set of IFRS financial statements*** and ***each interim financial report for part of the period covered by its first IFRS financial statements***.

- An entity's first IFRS statements is defined as the ***first annual financial statements*** in which the entity adopts IFRSs, by an "***explicit and unreserved statement***" of compliance with IFRS.

- Following are ***some of the examples of situations*** where an entity's financial statements under IFRS would be considered as first IFRS financial statements and therefore would be subject to IFRS 1 requirements:

  (a) An entity presented its most recent previous financial statements:
    - in accordance with national requirements which are not consistent with IFRSs in all respects;
    - in conformity with IFRSs in all respect, except that the financial statements did not contain an explicit and unreserved statement of compliance with IFRS;
    - containing explicit compliance with some but not all IFRSs;

- under national requirements inconsistent with IFRS, using some IFRSs to account for items for which national requirements did not exists;
- in accordance with national requirements, with a reconciliation of some amounts to the amounts determined under IFRSs;

(b) an entity prepared financial statements in accordance with IFRSs for internal use only, without making them available to the entity's owners or any other external users;

(c) an entity prepared reporting package in accordance with IFRSs for consolidation purposes without preparing a complete set of financial statements as defined in IAS 1;

(d) did not present financial statements for previous period.

➢ If the most recent financial statements of an entity contained an explicit and unreserved statement of compliance with IFRS then it will not be considered as a first-time adopter. For example IFRS 1 does not apply when an entity:

(a) stops presenting financial statements in accordance with national requirements, having previously presented them **as well as another set of financial statements** that contained an **explicit and unreserved statement of compliance with IFRSs**

(b) presented financial statements in the previous year in accordance with national requirements and those financial statements **contained an explicit and unreserved statement of compliance with IFRSs**; or

(c) presented financial statements in the previous year that contained an explicit and unreserved statement of compliance with IFRSs, even if the auditors qualified their audit report on those financial statements.

➢ IFRS 1 does not apply to changes in accounting policy made by an entity that already applies IFRSs.

Presentation and disclosures:

➢ The first IFRS financial statements shall be presented in accordance with the presentation and disclosure requirements of IAS 1R and the other standards and interpretations under IFRS.

➢ IFRS 1 does not provide exemptions from the presentation and disclosure requirements in other IFRSs.

Opening IFRS balance sheet and accounting policies:

- An entity shall prepare and present an opening IFRS balance sheet *at the date of transition to IFRSs*. This is the starting point for its accounting in accordance with IFRSs.

- **An entity shall use the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements.**

- **The fundamental principle of IFRS 1 is to require full retrospective application of the standards in force at an entity's reporting date with limited exceptions.**

- An entity *shall not apply different versions of IFRSs* that were effective at earlier dates. An entity may apply a new IFRS that is not yet mandatory if that IFRS permits early application.

- **In its opening IFRS balance sheet, an entity should:**
  - recognize all assets and liabilities whose recognition is required by IFRSs
  - not to recognise items as assets or liabilities if IFRS does not permit such recognition
  - reclassify assets, liabilities and items of equity as per the requirements of IFRS
  - apply IFRS in measuring all recognised assets and liabilities

- **The accounting policies that an entity uses in its first IFRS balance sheet may differ from those that it used for the same date using Indian GAAP. The resulting adjustments arise from events and transactions before the date of transition to IFRSs. Therefore, an entity shall recognise those adjustments directly in retained earnings (or if appropriate another category of equity) at the date of transition to IFRSs.**

Exemptions from the requirements of certain IFRS:

- IFRS 1 grants limited optional exemptions from the general rule of full retrospective application of IFRS. An entity shall not apply these exemptions by analogy to other items. These exemptions relate to:

- fair value or revaluation as deemed cost;
- decommissioning liabilities included in the cost of property, plant and equipment;
- borrowing costs;
- leases;
- fair value measurement of financial assets or financial liabilities at initial recognition;
- share based payment transactions;
- service concession arrangements;
- employee benefits;
- assets and liabilities of subsidiaries, associates and joint ventures;
- investments in subsidiaries, associates and joint ventures;
- cumulative translation differences;
- compound financial instruments;
- designation of previously recognised financial instruments;
- insurance contracts.

Some alternative options available under IFRS 1 for first time adoption

Topic	Category	Reference	Alternative options	Comments
Business combination exemption	Measurement	IFRS 1 para 15	Retrospective application of IFRS 3 **OR** Use exemption granted by IFRS 1 at the date of transition to IFRS	A first-time adopter may elect not to apply IFRS 3- Business Combinations retrospectively to past business combinations. Therefore immediately after the business combination, the carrying amount under previous GAAP of assets acquired and liabilities assumed in that business combination shall be their deemed cost under IFRS at that date.
Fair value or revaluation as deemed cost exemption	Measurement	IFRS 1 from para 16 to para 18	Retrospective application of IAS 16, 38 and 40 **OR** Use exemption granted by IFRS 1 at the date of transition to IFRS	A first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment, investment property (at cost under IAS 40) and intangible assets (in an active market) at, or before, the date of transition to IFRS as deemed cost at the date of the revaluation, if the revaluation was, at the

Topic	Category	Reference	Alternative options	Comments
				date of the revaluation, broadly comparable to: ● fair value; or ● cost or depreciated cost under IFRS, adjusted to reflect, for example, changes in a general or specific price index This exemption is available on an item-by-item basis.
Fair value or revaluation as deemed cost exemption	Measurement	IFRS 1 para 19	Retrospective application of the relevant standard **OR** Use exemption granted by IFRS 1 at the date of transition to IFRS	A first-time adopter may have established a deemed cost under previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or Initial Public Offering. It may use such event-driven fair value measurements as deemed cost for IFRS at the date of that measurement. This exemption is available on an item-by-item basis.
Employee benefits exemption	Measurement and Disclosure	IFRS 1 para 20 and para 20A	Retrospective application of the "corridor approach" **OR** Recognise all cumulative actuarial gains and losses at the date of transition to IFRS, even if it uses the corridor approach for later actuarial gains and losses	This exemption is granted even if the first time adopter uses the corridor approach for later actuarial gains and losses. If a first-time adopter uses this exemption, it shall apply it to all plans. An entity may disclose the amounts required by par. 120A(p) of IAS 19 as the amounts are determined for each annual reporting period prospectively from the date of transition to IFRS.

Topic	Category	Reference	Alternative options	Comments
Cumulative translation differences exemption	Presentation and measurement	IFRS 1 para 21 and para 22	Retrospective application of IAS 21 relating to cumulative translation differences **OR** Reset to zero the cumulative translation differences for all foreign operations at the date of transition to IFRS	Under this exemption the cumulative translation differences for all foreign operations of a first time adopter are deemed to be zero at the date of transition to IFRS. The gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to IFRS and shall include later translation differences. This exemption is available on an item-by-item basis.
Compound financial instruments exemption	Presentation and measurement	IFRS 1 para 23	Apply IAS 32 with regard to the separation of a compound financial instrument at inception into separate liability and equity components **OR** Not to separate these two portions if the liability component is no longer outstanding at the date of transition to IFRS	Retrospective application of IAS 32 would involve separating two portions of equity. The first portion is in retained earnings and represents the cumulative interest accreted on the liability component. The other portion represents the original equity component of the instrument.
Assets and liabilities of subsidiaries, associates and joint ventures	Measurement	IFRS 1 para 24 and para 25	If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its financial statements, measure its assets and liabilities at either the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS	However, if an entity becomes a first-time adopter later than its subsidiary or (associate or joint venture), the entity shall, in its consolidated financial statements, measure the assets and liabilities of the subsidiary (or associate or joint venture) at the same carrying amounts as in the financial statements of the subsidiary (or associate or

Topic	Category	Reference	Alternative options	Comments
			OR The carrying amounts prepared according to IFRS, based on the date of transition to IFRS of the subsidiary, associate or joint venture	joint venture), after adjusting for consolidation and equity accounting adjustments and for the effects of the business combination in which the entity acquired the subsidiary. Similarly, if a parent becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments.
Insurance contracts	Disclosure and presentation	IFRS 1 para 25D	A first-time adopter may apply the transitional provisions in IFRS 4 Insurance Contracts **OR** Not apply the transitional provisions of IFRS 4	The transitional provisions of IFRS 4 provide some relief particularly in terms of comparative information
Changes in existing decommissioning, restoration and similar liabilities included in the cost of property, plant and equipment	Measurement	IFRS 1 para 25E	Apply retrospectively IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* **OR** Use exemption granted by IFRS 1 at the date of transition to IFRS	A first-time adopter may elect not to comply with IFRIC 1 requirements for changes in decommissioning, restoration and similar liabilities that occurred before the date of transition to IFRS. Exemption contains provisions for measuring the liability and accumulated depreciation.

Topic	Category	Reference	Alternative options	Comments
Leases	Presentation and Measurement	IFRS 1 para 25F	Determining whether an arrangement contains a lease at the inception of the arrangement **OR** Use transitional provisions of IFRIC 4 and therefore determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date.	A first-time adopter may apply the transitional provisions in IFRIC 4 *Determining whether an Arrangement contains a Lease*.
Fair value measurement of financial assets or financial liabilities	Measurement	IFRS 1 para 25G	Retrospective application of the "Day One" gain or loss recognition requirements in IAS 39, paragraph AG76 and AG76A or prospective application to transactions entered into after 25 October, 2002 **OR** Prospective application to transactions entered into after 1 January, 2004	IFRS 1 originally required retrospective application of the "Day One" gain or loss recognition requirements in IAS 39, paragraph AG76. After the revised IAS 39 was issued, constituents raised concerns that retrospective application would diverge from the requirements of U.S. GAAP.
Service concession arrangements	Measurement	IFRS 1 para 25H	A first-time adopter may apply the transitional provisions in IFRIC 12 *Service Concession Arrangements* **OR** Not apply the transitional provisions of IFRIC 12	Transitional provisions of IFRIC 12 provide some relief if, for any particular service arrangement, it is impracticable for an operator to apply IFRIC 12 retrospectively at the start of the earliest period presented.

Explanation of transition to IFRS:

- An entity shall explain how the transition from Indian GAAP to IFRS affected its reported financial position, financial performance and cash flows.

- An entity's first IFRS financial statements shall include:
  - reconciliation of its equity reported in accordance with Indian GAAP to its equity in accordance with IFRS for both of the following dates:
    - the date of transition to IFRS and
    - the end of the latest period presented in the entity's most recent annual financial statements in accordance with Indian GAAP
  - a reconciliation to its total comprehensive income in accordance with IFRSs for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income in accordance with Indian GAAP for the same period or, if an entity did not report such a total profit or loss under Indian GAAP.
  - an explanation of the material adjustments to the cash flow statement, if the entity use to present cash flow statement Indian GAAP.
  - if the entity recognised or reversed any impairment losses for the first time in preparing its opening IFRS statement of financial position, the disclosures that IAS 36 Impairment of Assets would have required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to IFRSs.

- If an entity becomes aware of errors made under Indian GAAP, the reconciliations as disclosed above shall distinguish the correction of those errors from changes in accounting policies.

- IAS 8 does not deal with changes in accounting policies that occur when an entity first adopts IFRS. Therefore, IAS 8's requirements for disclosures about changes in accounting policies do not apply in an entity's first IFRS financial statements.

- If an entity did not present financial statements for previous periods, its first IFRS financial statements shall disclose that fact.

Use of fair value as deemed cost:

Indian GAAP does not mandate component approach with regard to depreciation and the replacement of parts of items of Property, plant and equipment. The entities converging to IFRS for the first time may have purchased property, plant and equipment years before and accounting records necessary to apply accounting as per IAS 16 may have never been existed or may not be available now. In such a situation, full retrospective application of IAS 16 as required under IFRS 1 may be impracticable and may involve undue cost and effort. In such a situation as stated in IFRS 1, *"An entity may elect to measure an item of property, plant and equipment at the date of transition to IFRSs at its fair value and use that fair value as its deemed cost at that date"*.

As such deemed cost can be either:

a) the fair value of the item at the date of transition to IFRS, or

b) a revaluation under Indian GAAP of an item of PPE at or before the date of transition to IFRS, if the revaluation was at the date of revaluation broadly comparable to:

   - fair value; or
   - cost or depreciated cost in accordance with IFRSs, adjusted to reflect, for example, changes in a general or specific price index

A first-time adopter may have established a deemed cost in accordance with Indian GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date. The entity may use such event-driven fair value measurements as deemed cost for IFRSs at the date of that measurement. If the deemed cost of the assets is determined before the date of transition to IFRS, then the deemed cost forms the basis for the cost of IFRS at the date the valuation is done and not at the date of transition. Depreciation under IFRS would have to be determined from the date of deemed cost until the date of transition.

IFRS 1 also allows deemed cost exemption for the following categories of assets:

a) Investment property, if an entity elects to use the cost model in IAS 40 Investment Property and

b) Intangible assets that meet:

- the recognition criteria in IAS 38 (including reliable measurement of original cost); and
- the criteria in IAS 38 for revaluation (including the existence of an active market).

An entity shall not use these elections for other assets or for liabilities.

If an entity uses fair value in its opening IFRS balance sheet as deemed cost for an item of PPE, an investment property or an intangible asset, the entity's first IFRS financial statements shall disclose, for each line item in the opening IFRS Balance Sheet:

a) the aggregate of those fair values; and

b) the aggregate adjustment to the carrying amounts reported under Indian GAAP

Mandatory exceptions to retrospective application of IFRS:

IFRS 1 prohibits retrospective application of IFRS in some areas, particularly where retrospective application would require judgements by management about past conditions after the outcome of a particular transaction already known:

These exceptions relates to:

a) Estimates;

b) Derecognition of financial assets and financial liabilities;

c) Hedge accounting;

d) Assets classified as held for sale and discontinued operations and;

e) Non-controlling interests.

Estimates:

An entity's estimates in accordance with IFRSs at the date of transition to IFRSs shall be consistent with estimates made for the same date in accordance with Indian GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

An entity may receive information after the date of transition to IFRSs about estimates that it had made under Indian GAAP. An entity shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with IAS 10 Events after the Reporting Period. The entity shall not reflect that new information in its opening IFRS balance sheet (unless the estimates need adjustment for any differences in accounting policies or there is objective evidence that the estimates were in error). Instead, the entity shall reflect that new information in profit or loss (or, if appropriate, other comprehensive income) for the year.

An entity may need to make estimates in accordance with IFRSs at the date of transition to IFRSs that were not required at that date under Indian GAAP. To achieve consistency with IAS 10, those estimates in accordance with IFRSs shall reflect conditions that existed at the date of transition to IFRSs. In particular, estimates at the date of transition to IFRSs of market prices, interest rates or foreign exchange rates shall reflect market conditions at that date.

Above requirements apply to the opening IFRS balance sheet. They also apply to a comparative period presented in an entity's first IFRS financial statements, in which case the references to the date of transition to IFRSs are replaced by references to the end of that comparative period.

Derecognition of financial assets and financial liabilities:

A first-time adopter shall apply the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively for transactions occurring on or after 1 January, 2004.

In other words, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities under Indian GAAP as a result of a transaction that occurred before 1 January, 2004, it shall not recognise those assets and liabilities in accordance with IFRSs (unless they qualify for recognition as a result of a later transaction or event).

An entity may apply the derecognition requirements in IAS 39 retrospectively from a date of the entity's choosing, provided that the information needed to apply IAS 39 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

Hedge accounting:

As required by IAS 39, at the date of transition to IFRSs, an entity shall:

a) measure all derivatives at fair value; and

b) eliminate all deferred losses and gains arising on derivatives that were reported in accordance with previous GAAP as if they were assets or liabilities.

An entity shall not reflect in its opening IFRS balance sheet a hedging relationship of a type that does not qualify for hedge accounting in accordance with IAS 39 (for example, many hedging relationships where the hedging instrument is a cash instrument or written option; where the hedged item is a net position; or where the hedge covers interest risk in a held-to-maturity investment). However, if an entity designated a net position as a hedged item under Indian GAAP it may designate an individual item within that net position as a hedged item in accordance with IFRSs, provided that it does so no later than the date of transition to IFRSs.

If, before the date of transition to IFRSs, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in IAS 39 the entity shall apply requirements of IAS 39 to discontinue hedge accounting. Transactions entered into before the date of transition to IFRSs shall not be retrospectively designated as hedges.

Assets classified as held for sale and discontinued operations:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations requires that it shall be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after the effective date of IFRS 5. IFRS 5 permits an entity to apply the requirements of the IFRS to all non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after any date before the effective date of the IFRS, provided the valuations and other information needed to apply the IFRS were obtained at the time those criteria were originally met.

Non-controlling interest:

A first-time adopter shall apply the following requirements of IAS 27 (as amended in 2008) prospectively from the date of transition to IFRSs:

(a) the requirement that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;

(b) the requirements for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and

(c) the requirements for accounting for a loss of control over a subsidiary, and the related requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

However, if a first-time adopter elects to apply IFRS 3 (as revised in 2008) retrospectively to past business combinations, it shall also apply IAS 27 (as amended in 2008) from the date forward.

Interim financial reports:

If an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, the entity shall include:

a) reconciliation of its equity in accordance with Indian GAAP at the end of that comparable interim period to its equity under IFRSs at that date; and

b) a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with Indian GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with Indian GAAP.

c) Reconciliations described in (a) above or a cross reference to another published documents that includes these reconciliations.

5. FREQUENTLY ASKED QUESTIONS (FAQs) BY FIRST TIME ADOPTOR OF IFRS

1. Which entities in India need to converge to IFRS w.e.f 1 April, 2011?

As per concept paper on "Convergence with IFRS in India" released by ICAI in October 2007, the Council of The Institute of Chartered Accountants of India (ICAI) is of the view that IFRSs should be adopted for the public interest entities w.e.f 1 April, 2011. A public interest entity would include an entity:

i) whose equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India; or

ii) which is a bank (including a cooperative bank), financial institution, a mutual fund, or an insurance entity; or

iii) whose turnover (excluding other income) exceeds rupees one hundred crore in the immediately preceding accounting year; or

iv) which has a public deposits and / or borrowings from banks and financial institutions in excess of rupees twenty five crore at any time during the the immediately preceding accounting year; or

v) which is a holding or subsidiary of an entity which is covered in (i) to (iv) above.

Recent news article highlights that Core Group for IFRS convergence formed by MCA has recommended convergence to IFRS as under:

-Phase I (opening balance sheet as at 1 April, 2011)*:-

1. Companies which are part of BSE - Sensex 30 and NSE - Nifty 50;
2. Companies whose shares or other securities are listed outside India;
3. Companies whether listed or not, having net worth of more than Rs. 1,000 crores.

-Phase II (opening balance sheet as at 1 April, 2013)*:-

Companies not covered in Phase 1 and having net worth exceeding Rs. 500 crores.

-Phase III (opening balance sheet as at 1 April, 2014)*:-

Listed companies not covered in earlier phases.

*If the financial year of a company commences at a date other than 1 April, then it shall prepare its opening balance sheet at the commencement of immediately following financial year.

- **Separate Road Map would be prepared for banking and insurance companies.**

2. From which date IFRSs is applicable in India?

ICAI / MCA are of the view that India should converge to IFRS for accounting period commencing on or after 1 April, 2011. Accordingly an entity preparing its financial statements for year ending 31 March would be required to converge to IFRS w.e.f. 1 April, 2011 and an entity preparing its financial statements for year ending 31 December would be required to converge to IFRS w.e.f 1 January, 2012.

3. What is the date of transition to IFRS?

Date of transition is the beginning date of the earliest period for which the Company presents full comparative information in its first IFRS financial statements. For example, for IFRS financial statements to be prepared for year ending 31 March, 2012 the date of transition would be 1 April, 2010.

4. If the date of transition to IFRS is 1 April, 2010, what GAAP the entity needs to follow for the financial year 2010-2011?

It is very much likely that an entity would be required to prepare two different sets of financial statements for the year 2010-2011, one in accordance with the requirement of the Companies Act, 1956 / Income Tax Act, 1961 (i.e Indian GAAP) and another in compliance with IFRS to present comparative previous year figures on first time adoption of IFRS w.e.f 1 April, 2011.

5. What is referred as First IFRS financial statements?

An entity's first IFRS financial statements are the first annual financial statements in which the entity adopts IFRS, by **explicit and unreserved statement** in those financial statements of compliance with IFRS.

6. XYZ Ltd has decided to prepare financial statements using IFRSs for year ending 31 March, 2012. XYZ Ltd has been preparing reporting package in accordance with IFRSs for consolidation purposes. Would XYZ Ltd be considered as first time adopter of IFRS?

XYZ Ltd has not presented its financial statements under IFRSs until now, XYZ Ltd would be considered as first time adopter of IFRS for year ending 31 March, 2012 (Refer IFRS 1 para 3c).

7. **XYZ Ltd prepares IFRS financial purpose for management use. Those IFRS financial statements were not made available to Owners or any other external users. Would XYZ Ltd be considered as first time adopter of IFRS?**

   XYZ Ltd. used to prepare IFRS financial statements only for internal use, without making them available for its owners or any other external users, XYZ Ltd would be considered as first time adopter of IFRS (Refer IFRS 1 para 3b).

8. **XYZ Ltd is presenting its first IFRS financial statements for the year 1 April, 2011 to 31 March, 2012 giving comparative information for one year i.e. 1 April, 2010 to 31 March, 2011.**
   a) **What will be the reporting date for the XYZ Ltd?**
   b) **What would be the opening balance sheet date or the transition date?**

   As the XYZ Ltd is adopting IFRS from 1 April, 2011 the ***reporting date i.e. the end date of latest period covered by the financial statements is 31 March, 2012***. Since the Company has decided to give comparatives for the year 1 April, 2010 to 31 March, 2011 ***the transition date i.e. the beginning date of the earliest period for which the Company presents full comparative information in its first IFRS financial statements is 1 April, 2010*** and the opening IFRS balance sheet will be prepared on that date.

9. **What are the components of a complete set of IFRS financial statements?**

   As prescribed in IAS 1 “Presentation of financial statements” a complete set of financial statements comprises:
   - a statement of financial position as at the end of the period;
   - a statement of comprehensive income for the period;
   - a statement of changes in equity for the period;
   - a statements of cash flows for the period;
   - notes, comprising a summary of significant accounting policies, and other explanatory informations and

- 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.

10. What would an entity need to do in converting financial statements as per Indian GAAP to IFRS financial statements?

In converting financial statements as per Indian GAAP to IFRS financial statements, an entity needs to:

- recognize all assets and liabilities whose recognition is required by IFRSs
- de-recognize items of assets or liabilities if IFRS does not permit such recognition
- reclassify assets, liabilities and items of equity as per the requirements of IFRS
- apply IFRS measurement principles for all recognized assets and liabilities retrospectively (unless exemption available under IFRS)

11. Can any entity prepare IFRS financial statements for period longer / shorter than 12 months? If yes than what are the disclosures required?

As per IAS 1 "Presentation of financial statements" - "An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:

a) the reason for using a longer or shorter period, and
b) the fact that amounts presented in the financial statements are not entirely comparable."

12. Which IFRSs would an entity need to comply with in its first IFRS financial statements?

An entity would be required to apply all the IFRSs effective as at the end of the reporting period in:

- preparing and presenting its opening IFRS balance sheet; and
- preparing and presenting its balance sheet for the year (including

comparative previous year figures), statement of comprehensive income, statement of changes in equity and cash flow statement for the periods then ended and disclosures (including comparative information).

If a new IFRS is not yet mandatory as at the reporting date, but permits early application, an entity is permitted, but not required, to apply that IFRS in its first IFRS financial statements.

13. If an entity presents interim financial information for part of the period covered by its first IFRS financial statements, what additional disclosures are required?

An entity shall give reconciliation of:-

- equity under the Indian GAAP at the end of that comparable interim period to its equity under IFRS at that date
- Profit and loss under the Indian GAAP for that comparable interim period (current and year to date) to its profit or loss under IFRS for that period
- IAS 34 the reconciliations demanded for annual reports OR a cross reference to another published document that includes such reconciliation.
- If the most recent annual financial statements under the Indian GAAP, disclosure information material to an understanding of the current interim period, the interim report should include such disclosure.

14. How are assets classified as current / non-current assets?

An entity shall classify an asset as current when:

(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within twelve months after the reporting period; or

(d) the asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

An entity shall classify all other assets as non-current.

15. How are liabilities classified as current / non-current liabilities?

An entity shall classify a liability as current when:

(a) it expects to settle the liability in its normal operating cycle;

(b) it holds the liability primarily for the purpose of trading;

(c) the liability is due to be settled within twelve months after the reporting period; or

(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

16. What is offsetting?

Offsetting means netting of assets and liabilities or income and expenses. An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by IFRS. E.g. Valuation allowances for obsolescence of inventory should be offset against inventory valuation because IAS 1 specifically states that this situation is not offsetting.

6. ABBREVIATIONS

AFS	Available for sale
AS	Accounting Standards
CFS	Consolidated Financial Statements
EPS	Earnings Per Share
FVTPL	Fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
HTM	Held to maturity
IAS	The International Accounting Standards
IASB	The International Accounting Standards Board
ICAI	The Institute of Chartered Accountants of India
IFAC	International Federation of Accountants
IFRIC	The International Financial Reporting Interpretations Committee
IFRS	The International Financial Reporting Standards
IRDA	Insurance Regulatory and Development Authority
MCA	Ministry of Corporate Affairs (earlier Ministry of Company Affairs)
NACAS	National Advisory Committee on Accounting Standards
OCI	Other Comprehensive Income
PPE	Property, Plant and Equipment
R&D	Research and Development
RBI	The Reserve Bank of India
SEBI	The Securities and Exchange Board of India
SEC	U.S. Securities and Exchange Commission
SIC	Standing Interpretations Committee
SMC	Small and Medium-Sized Companies
SME	Small and Medium-Sized Entities

NOTES

NOTES

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