Exposure Draft

Indian Accounting Standard (Ind-AS)* 41
(Corresponding to IFRS 1)

First-time adoption of Indian Accounting Standards

(Last date for Comments: June 28, 2010)

Issued by

Accounting Standards Board

The Institute of Chartered Accountants of India

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* The nomenclature of Accounting Standards which are being revised / issued to converge with IFRS from 2011 is proposed as 'Indian Accounting Standards (Ind-AS)'. The nomenclature of other Accounting Standards will be changed on finalisation of the proposed nomenclature.

Exposure Draft

Indian Accounting Standard (Ind-AS) 41 (Issued20XX)

(Corresponding to IFRS 1)

First-time adoption of Indian Accounting Standards

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Exposure Draft

Accounting Standard (AS) 41 (Issued 20XX)[1]

(Corresponding to IFRS 1)

First-time adoption of Indian Accounting Standards

Following is the Exposure Draft of the Accounting Standard (AS) 41 (Issued 20XX), First-time adoption of Indian Accounting Standards, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments. The Board invites comments on the any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing to the Secretary, Accounting Standards Board. The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than June 28, 2010. Comments can also be sent by e-mail at edcommentsasb@icai.org or asb@icai.org.

(This Exposure Draft of the revised Accounting Standard includes paragraphs set in bold type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. This Exposre Draft of the revised Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards[2])

Objective

1 The objective of this Accounting Standard is to ensure that an entity's *first Ind-AS financial statements*, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that:

(a) is transparent for users and comparable over all periods presented;

(b) provides a suitable starting point for accounting in accordance with Indian Accounting Standards (Ind-ASs); and

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

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

(c) can be generated at a cost that does not exceed the benefits.

Scope

2 **An entity shall apply this Ind-AS in:**

(a) **its first Ind-AS financial statements[3]; and**

(b) **each interim financial report, if any, that it presents in accordance with AS 25 (Revised 20XX) *Interim Financial Reporting* for part of the period covered by its first Ind-AS financial statements.**

3 An entity's first Ind-AS financial statements are the first annual financial statements in which the entity adopts Ind-ASs, by an explicit and unreserved statement in those financial statements of compliance with Ind-ASs. Financial statements in accordance with Ind-ASs are an entity's first Ind-AS financial statements if, for example, the entity:

(a) presented its most recent previous financial statements:

(i) in accordance with national requirements that are not consistent with Ind-ASs in all respects;

(ii) in conformity with Ind-ASs in all respects, except that the financial statements did not contain an explicit and unreserved statement that they complied with Ind-ASs;

(iii) containing an explicit statement of compliance with some, but not all, Ind-ASs;

(iv) in accordance with national requirements inconsistent with Ind-ASs, using some individual Ind-ASs to account for items for which national requirements did not exist; or

(v) in accordance with national requirements, with a reconciliation of some amounts to the amounts determined in accordance with Ind-ASs;

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

(c) prepared a reporting package in accordance with Ind-ASs for consolidation purposes without preparing a complete set of financial statements as defined in AS 1 (Revised 20XX) *Presentation of Financial Statements* ; or

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

4 This Accounting Standard applies when an entity first adopts Ind-ASs. It

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[3] Means the first financial statements prepared under the converged Indian accounting standards.

does not apply when, for example, 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 Ind-ASs;

(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 Ind-ASs; or

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

5 This Accounting Standard does not apply to changes in accounting policies made by an entity that already applies Ind-ASs. Such changes are the subject of:

(a) requirements on changes in accounting policies in AS 5 (Revised 20XX) *Accounting Policies, Changes in Accounting Estimates and Errors*; and

(b) specific transitional requirements in other Ind-ASs.

Recognition and measurement

Opening Ind-AS Balance Sheet

6 An entity shall prepare and present an *opening Ind-AS Balance Sheet* at the *date of transition to Ind-ASs*. This is the starting point for its accounting in accordance with Ind-ASs.

Accounting policies

7 **An entity shall use the same accounting policies in its opening Ind-AS Balance Sheet and throughout its first Ind-AS financial statements. Those accounting policies shall comply with each Ind-AS effective at the end of its *first Ind-AS reporting period*, except as specified in paragraphs 13–19 and Appendices B–E.**

8 An entity shall not apply different versions of Ind-ASs that were effective at earlier dates. An entity may apply a new Ind-AS that is not yet mandatory if that Ind-AS permits early application.

Example: Consistent application of latest version of Ind-ASs

Background

The end of entity A's first Ind-AS reporting period is 31 March 2012. Entity A presented financial statements in accordance with its previous GAAP annually to 31 March each year up to, and including, 31 March 2011.

Application of requirements

Entity A is required to apply this Ind-ASs effective for financial year/periods ending on 31 March 2012 in:

(a) preparing and presenting its opening Ind-AS Balance Sheet as at 1 April , 2011; and

(b) preparing and presenting its Balance Sheet (including statement of changes in equity annexed thereto) as at 31 March 2012,statement of profit and loss and statement of cash flows for the year ending 31 March 2012 and disclosures.

If a new Ind-AS is not yet mandatory but permits early application, entity A is permitted, but not required, to apply that Ind-AS in its first Ind-AS financial statements.

However, it Entity A decides to present comparative information in those financial statements for one year (see paragraph 21), then its date of transition to Ind-AS is as on 1 April, 2010. Further, the requirements apply as follows.

Entity A is required to apply the Ind-ASs effective for financial year/periods ending on 31 March 2012 in:

a. preparing and presenting its opening Ind-AS Balance Sheet as at 1 April 1, 2010; and
b. preparing and presenting its Balance Sheet as at 31 March 2012 (including comparative amounts for 31 March, 2011),statement of project and loss and statement of cash flows for the year ending 31 March 2012 (including comparative amounts for corresponding periods of year ending 31 March, 2011) and disclosures (including comparative information for previous period).

9 The transitional provisions in other Ind-ASs apply to changes in accounting policies made by an entity that already uses Ind-ASs; they do not apply to a *first-time adopter's* transition to Ind-ASs, except as specified in Appendices B–E.

10 Except as described in paragraphs 13–19 and Appendices B–E, an entity shall, in its opening Ind-AS Balance Sheet:

(a) recognise all assets and liabilities whose recognition is required by Ind-ASs;

(b) not recognise items as assets or liabilities if Ind-ASs do not permit such recognition;

(c) reclassify items that it recognised in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with Ind-ASs; and

(d) apply Ind-ASs in measuring all recognised assets and liabilities.

11 The accounting policies that an entity uses in its opening Ind-AS Balance Sheet may differ from those that it used for the same date using its previous GAAP. The resulting adjustments arise from events and transactions before the date of transition to Ind-ASs. Therefore, an entity shall recognise those adjustments directly in retained earnings (or, if appropriate, another category of equity) at the date of transition to Ind-ASs.

12 This Accounting Standard establishes two categories of exceptions to the principle that an entity's opening Ind-AS Balance Sheet shall comply with each Ind-AS:

(a) paragraphs 14–17 and Appendix B prohibit retrospective application of some aspects of other Ind-ASs.

(b) Appendices C–E grant exemptions from some requirements of other Ind-ASs.

Exceptions to the retrospective application of other Ind-ASs

13 This Accounting Standard prohibits retrospective application of some aspects of other Ind-ASs. These exceptions are set out in paragraphs 14–17 and Appendix B.

Estimates

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

15 An entity may receive information after the date of transition to Ind-ASs about estimates that it had made under previous GAAP. In accordance with paragraph 14, an entity shall treat the receipt of that information in the same way as non-adjusting events after the reporting period in accordance with AS 4 (Revised 20XX) *Events after the Reporting Period*. For example, assume that an entity's date of transition to Ind-ASs is 1April , 2011 and new information on 15 May 2011 requires the revision of an estimate made in accordance with previous GAAP at 31 March 2011. The entity shall not reflect that new information in its opening Ind-AS 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 ended 31 March 2012.

16 An entity may need to make estimates in accordance with Ind-ASs at the date of transition to Ind-ASs that were not required at that date under previous GAAP. To achieve consistency with AS 4 (Revised 20XX), those estimates in accordance with Ind-ASs shall reflect conditions that existed at

the date of transition to Ind-ASs. In particular, estimates at the date of transition to Ind-ASs of market prices, interest rates or foreign exchange rates shall reflect market conditions at that date.

17 Paragraphs 14–16 apply to the opening Ind-AS Balance Sheet. In addition, they also apply to a comparative period presented in an entity's first Ind-AS financial statements, where an entity decides to present comparative information in those financial statements for one year (see paragraph 21),in which case the references to the date of transition to IFRSs are replaced by references to the end of that comparative period.

Exemptions from other Ind-ASs

18 An entity may elect to use one or more of the exemptions contained in Appendices C–E. An entity shall not apply these exemptions by analogy to other items.

19 Some exemptions in Appendices C–E refer to *fair value.* In determining fair values in accordance with this Ind-AS, an entity shall apply the definition of fair value in Appendix A and any more specific guidance in other Ind-ASs on the determination of fair values for the asset or liability in question. Those fair values shall reflect conditions that existed at the date for which they were determined.

Presentation and disclosure

20 This Accounting Standard does not provide exemptions from the presentation and disclosure requirements in other Ind-ASs.

Comparative information

21 **To comply with AS 1 (Revised 20XX), an entity's first Ind-AS financial statements shall include at least three Balance Sheets(including two statements of changes in equity annexed thereto)two statements of profit and loss, , two statements of cash flows and related notes, including comparative information.** However, in accordance with this Ind-AS, a first time adopter has the following options:

a. the entity need not provide comparative financial statements for the corresponding previous period. For example, under this Ind-AS, the first time adopter for whom the first reporting period is financial statements for the year ending March 31, 2012 would only provide two Balance Sheets(including two statements of changes in equity annexed thereto) i.e. April 1, 2011 and March 31, 2012 and one statement of profit and loss, one statement of cash flows and related notes for the financial year ending March 31, 2012. or

b. Voluntarily provide one year comparative information for the corresponding previous period. For example, under this Ind-AS, the first time adopter for whom the first reporting period is financial statements for the year ending March 31, 2012 would provide three Balance Sheets(including two statements of changes in equity annexed threto) i.e. April 1, 2010 (the transition date), April 1, 2011 and March 31, 2012 and two statements of profit and loss , two statements of cash flows and and related notes i.e. for the financial year ending March 31, 2012 and for the corresponding comparative period..

Non-Ind-AS comparative information and historical summaries

22 Some entities present historical summaries of selected data for periods before the first period for which they present full comparative information in accordance with Ind-ASs. This Ind-AS does not require such summaries to comply with the recognition and measurement requirements of Ind-ASs. Furthermore, some entities present comparative information in accordance with previous GAAP as well as the comparative information required by AS 1(Revised 20XX). In any financial statements containing historical summaries or comparative information in accordance with previous GAAP, an entity shall:

(a) label the previous GAAP information prominently as not being prepared in accordance with Ind-ASs; and

(b) disclose the nature of the main adjustments that would make it comply with Ind-ASs. An entity need not quantify those adjustments.

Explanation of transition to Ind-ASs

23 **An entity shall explain how the transition from previous GAAP to Ind-ASs affected its reported Balance Sheet, financial performance and cash flows.**

Reconciliations

24 To comply with paragraph 23, an entity's first Ind-AS financial statements shall include:

(a) reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with Ind-ASs on the date of transition to Ind-ASs

(b) reconciliation to its total comprehensive income (i.e., sum of the profit or loss for the period and other comprehensive income). in accordance with Ind-AS and the equity as at the end of first Ind-AS financial statements assuming the previous GAAP would have continued to be applied for those periods. For example, the first time adopter for whom the first reporting period is financial statements for the year ending March 31, 2012 would provide a reconciliation explaining the impact on the comprehensive income for the year ending on that date and on the equity as at March 31, 2012 arising from adoption of the Ind-AS. For this purpose, the first time adopter assumes that the previous GAAP would have continued to be applied for the same period.

(c) if the entity recognised or reversed any impairment losses for the first-time in preparing its opening Ind-AS Balance Sheet, the disclosures that AS 28 (Revised 20XX) *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 Ind-ASs.

(d) where however, an entity decides to provide one year comparative period in accordance with Ind-AS then in addition to the above disclosures such an entity shall provide (a) balance sheet as at the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP and (b) provide the reconciliation of total comprehensive income(i.e. sum of the profit or loss for the period and other comprehensive income) for the corresponding previous year.

25 The reconciliations required by paragraph 24(a),(b) and (d) shall give sufficient detail to enable users to understand the material adjustments to the Balance Sheet and statement of profit and loss If an entity presented a statement of cash flows under its previous GAAP, it shall also explain the material adjustments to the statement of cash flows.

26 If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 24(a),(b) and (d) shall distinguish the correction of those errors from changes in accounting policies.

27 AS 5 (Revised 20XX) does not deal with changes in accounting policies that occur when an entity first adopts Ind-ASs. Therefore, AS 5 (Revised 20XX)'s requirements for disclosures about changes in accounting policies do not apply in an entity's first Ind-AS financial statements except to the extent required in 24(b).

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

Designation of financial assets or financial liabilities

29 An entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or a financial asset as available for sale in accordance with paragraph D19. The entity shall disclose the fair value of financial assets or financial liabilities designated into each category at the date of designation and their classification and carrying amount in the previous financial statements.

29A [Deleted]

Use of fair value as deemed cost

30 If an entity uses fair value in its opening Ind-AS Balance Sheet as *deemed cost* for an item of property, plant and equipment, an investment property or an intangible asset (see paragraphs D5 and D7), the entity's first Ind-AS financial statements shall disclose, for each line item in the opening Ind-AS Balance Sheet:

(a) the aggregate of those fair values; and
(b) the aggregate adjustment to the carrying amounts reported under previous GAAP

Use of deemed cost for investments in subsidiaries, jointly controlled entities and associates

31 Similarly, if an entity uses a deemed cost in its opening Ind-AS Balance Sheet for an investment in a subsidiary, jointly controlled entity or associate in its separate financial statements (see paragraph D15), the entity's first Ind-AS separate financial statements shall disclose:

(a)the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;

(b) the aggregate deemed cost of those investments for which deemed cost is fair value; and

(c) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Use of deemed cost for oil and gas assets

31A If an entity uses the exemption in paragraph D8A(b) for oil and gas assets, it shall disclose that fact and the basis on which carrying amounts determined under previous GAAP were allocated.

Interim financial reports

32 To comply with paragraph 23, if an entity presents an interim financial report in accordance with AS 25 (Revised 20XX) for part of the period covered by its first Ind-AS financial statements, the entity shall, in addition to the requirements of AS 25 (Revised 20XX), include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross-reference to another published document that includes these reconciliations.

However, where an entity decides to present comparative information in those financial statements for one year (see paragraph 21), then each such interim report shall additionally include:

(i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under Ind-AS at that date; and

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

33 AS 25 (Revised 20XX) requires minimum disclosures, which are based on the assumption that users of the interim financial report also have access to the most recent annual financial statements. However, AS 25 (Revised 20XX) also requires an entity to disclose 'any events or transactions that are material to an understanding of the current interim period'. Therefore, if a first-time adopter did not, in its most recent annual financial statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report shall disclose that information or include a cross-reference to another published document that includes it.

Effective date

34 An entity that is required to apply this Ind-AS shall apply it if its first Ind-AS financial statements are for a period beginning on or after 1 April 2011.

35 Deleted

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39A Deleted

39B Deleted

Appendix A

Defined terms

This appendix is an integral part of this Ind-AS.

date of transition to IFRS IND-AS	The beginning date of financial year on or after 1 April 2011 for which an entity presents financial information under Ind-ASs in its **first Ind-AS financial statements.** However, where an entity decides to provide one year comparative information under Ind-AS then the date of transition would be the beginning of the earliest period for which an entity presents full comparative information under Ind-AS in its first Ind-AS financial statements i.e. beginning of financial year on or after 1 April, 2010.
deemed cost	An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.
fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
first Ind-AS financial statements	The first annual financial statements in which an entity adopts **Indian Financial Reporting Standards** (Ind-ASs), by an explicit and unreserved statement of compliance with Ind-ASs.
first Ind-AS reporting period	The latest reporting period covered by an entity's **first Ind-AS financial statements.**
first-time adopter	**An entity that presents its first Ind-AS financial statements.**
Indian Accounting Standards (Ind-ASs)	*Accounting Standards (ASs)* are Standards issued by the Institute of Chartered Accountants of India (ICAI).
opening Ind-AS Balance Sheet	An entity's Balance Sheet at the **date of transition to Ind-AS**
previous GAAP	The basis of accounting that a **first-time adopter** used immediately before adopting Ind-ASs.

Appendix B
Exceptions to the retrospective application of other Ind-ASs

This appendix is an integral part of this Ind-AS.

B1 An entity shall apply the following exceptions:

(a) derecognition of financial assets and financial liabilities (paragraphs B2 and B3);

(b) hedge accounting (paragraphs B4–B6); and

(c) non-controlling interests (paragraph B7)

(d) }[Deleted]

Derecognition of financial assets and financial liabilities

B2 Except as permitted by paragraph B3, a first-time adopter shall apply the derecognition requirements in AS 30 (Revised 20XX) *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after date of transition to Ind-AS. In other words, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before date of transition to Ind-AS, it shall not recognise those assets and liabilities in accordance with Ind-ASs (unless they qualify for recognition as a result of a later transaction or event).

B3 Notwithstanding paragraph B2, an entity may apply the derecognition requirements in AS 30 (Revised 20XX) retrospectively from a date of the entity's choosing, provided that the information needed to apply AS 30 (Revised 20XX) 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

B4 As required by AS 30 (Revised 20XX), at the date of transition to Ind-ASs,

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.

B5 An entity shall not reflect in its opening Ind-AS Balance Sheet a hedging relationship of a type that does not qualify for hedge accounting in accordance with AS 30 (Revised 20XX) (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 in accordance with previous GAAP, it may designate an individual item within that net position as a hedged item in accordance with Ind-ASs, provided that it does so no later than the date of transition to Ind-ASs.

B6 If, before the date of transition to Ind-ASs, an entity had designated a transaction as a hedge but the hedge does not meet the conditions for hedge accounting in AS 30 (Revised 20XX), the entity shall apply paragraphs 91 and 101 of AS 30 (Revised 20XX) to discontinue hedge accounting. Transactions entered into before the date of transition to Ind-ASs shall not be retrospectively designated as hedges.

Non-controlling interests

B7 A first-time adopter shall apply the following requirements of AS 21 (Revised 20XX) prospectively from the date of transition to Ind-ASs:

(a) the requirement in paragraph 28 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 in paragraphs 30 and 31 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 in paragraphs 34–37 for accounting for a loss of control over a subsidiary, and the related requirements of paragraph 8A of AS 24 (Revised 20XX) *Non-current Assets Held for Sale and Discontinued Operations.*

However, if a first-time adopter elects to apply AS 14 (Revised 20XX) *Business Combinations* retrospectively to past business combinations, it shall also apply AS 21 (Revised 20XX) in accordance with paragraph C1 of this Ind-AS.

Classification and measurement of financial assets

B8 [Deleted]

Appendix C
Exemptions for business combinations

This appendix is an integral part of this Ind-AS. An entity shall apply the following requirements to business combinations that the entity recognised before the date of transition to Ind-ASs.

C1 A first-time adopter may elect not to apply AS XX (Revised 20XX) *Business Combinations* retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind-ASs). However, if a first-time adopter restates any business combination to comply with AS XX (Revised 20XX), it shall restate all later business combinations and shall also apply AS 21 (Revised 20XX) from that same date. For example, if a first-time adopter elects to restate a business combination that occurred on 30 June 2006, it shall restate all business combinations that occurred between 30 June 2006 and the date of transition to Ind-ASs, and it shall also apply AS 21 (Revised 20XX) from 30 June 2006.

C2 An entity need not apply AS 11 (Revised 20XX) *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to Ind-ASs. If the entity does not apply AS 11 (Revised 20XX) retrospectively to those fair value adjustments and goodwill, it shall treat them as assets and liabilities of the entity rather than as assets and liabilities of the acquiree. Therefore, those goodwill and fair value adjustments either are already expressed in the entity's functional currency or are non-monetary foreign currency items, which are reported using the exchange rate applied in accordance with previous GAAP.

C3 An entity may apply AS 11 (Revised 20XX) retrospectively to fair value adjustments and goodwill arising in either:

(a) all business combinations that occurred before the date of transition to Ind-ASs; or

(b) all business combinations that the entity elects to restate to comply with Ind-AS 3, as permitted by paragraph C1 above.

C4 If a first-time adopter does not apply Ind-AS 3 retrospectively to a past business combination, this has the following consequences for that business combination:

(a) The first-time adopter shall keep the same classification (as an acquisition by the legal acquirer, a reverse acquisition by the legal acquiree, or a uniting of interests) as in its previous GAAP financial statements.

(b) The first-time adopter shall recognise all its assets and liabilities at the date of transition to Ind-ASs that were acquired or assumed in a past business combination, other than:

(i) some financial assets and financial liabilities derecognised in accordance with previous GAAP (see paragraph B2); and

(ii) assets, including goodwill, and liabilities that were not recognised in the acquirer's consolidated Balance Sheet in accordance with previous GAAP and also would not qualify for recognition in accordance with Ind-ASs in the separate Balance Sheet of the acquiree (see (f)–(i) below).

The first-time adopter shall recognise any resulting change by adjusting retained earnings (or, if appropriate, another category of equity), unless the change results from the recognition of an intangible asset that was previously subsumed within goodwill (see (g)(i) below).

(c) The first-time adopter shall exclude from its opening Ind-AS Balance Sheet any item recognised in accordance with previous GAAP that does not qualify for recognition as an asset or liability under Ind-ASs. The first-time adopter shall account for the resulting change as follows:

(i) the first-time adopter may have classified a past business combination as an acquisition and recognised as an intangible asset an item that does not qualify for recognition as an asset in accordance with AS 26 (Revised 20XX) *Intangible Assets*. It shall reclassify that item (and, if any, the related deferred tax and non-controlling interests) as part of goodwill (unless it deducted goodwill directly from equity in accordance with previous GAAP, see (g)(i) and (i) below).

(ii) the first-time adopter shall recognise all other resulting changes in retained earnings[4].

(d) Ind-ASs require subsequent measurement of some assets and liabilities on a basis that is not based on original cost, such as fair value. The first-time adopter shall measure these assets and liabilities on that basis in its opening Ind-AS Balance Sheet, even if they were acquired or assumed in a past business combination. It shall recognise any resulting change in the carrying amount by adjusting retained earnings (or, if appropriate, another category of equity), rather than goodwill.

(e) Immediately after the business combination, the carrying amount in accordance with previous GAAP of assets acquired and liabilities assumed in that business combination shall be their deemed cost in accordance with Ind-ASs at that date. If Ind-ASs require a cost-based measurement of those assets and liabilities at a later date, that deemed cost shall be the basis for cost-based depreciation or amortisation from the date of the business combination.

[4] Such changes include reclassifications from or to intangible assets if goodwill was not recognised in accordance with previous GAAP as an asset. This arises if, in accordance with previous GAAP, the entity (a) deducted goodwill directly from equity or (b) did not treat the business combination as an acquisition.

(f) If an asset acquired, or liability assumed, in a past business combination was not recognised in accordance with previous GAAP, it does not have a deemed cost of zero in the opening Ind-AS Balance Sheet. Instead, the acquirer shall recognise and measure it in its consolidated Balance Sheet on the basis that Ind-ASs would require in the Balance Sheet of the acquiree. To illustrate: if the acquirer had not, in accordance with its previous GAAP, capitalised finance leases acquired in a past business combination, it shall capitalise those leases in its consolidated financial statements, as AS 19 (Revised 20XX) *Leases* would require the acquiree to do in its Ind-AS Balance Sheet. Similarly, if the acquirer had not, in accordance with its previous GAAP, recognised a contingent liability that still exists at the date of transition to Ind-ASs, the acquirer shall recognise that contingent liability at that date unless AS 29 (Revised 20XX) *Provisions, Contingent Liabilities and Contingent Assets* would prohibit its recognition in the financial statements of the acquiree. Conversely, if an asset or liability was subsumed in goodwill in accordance with previous GAAP but would have been recognised separately under Ind-AS 3, that asset or liability remains in goodwill unless Ind-ASs would require its recognition in the financial statements of the acquiree.

(g) The carrying amount of goodwill in the opening Ind-AS Balance Sheet shall be its carrying amount in accordance with previous GAAP at the date of transition to Ind-ASs, after the following two adjustments:

(i) If required by (c)(i) above, the first-time adopter shall increase the carrying amount of goodwill when it reclassifies an item that it recognised as an intangible asset in accordance with previous GAAP. Similarly, if (f) above requires the first-time adopter to recognise an intangible asset that was subsumed in recognised goodwill in accordance with previous GAAP, the first-time adopter shall decrease the carrying amount of goodwill accordingly (and, if applicable, adjust deferred tax and non-controlling interests).

(ii) Regardless of whether there is any indication that the goodwill may be impaired, the first-time adopter shall apply AS 28 (Revised 20XX) in testing the goodwill for impairment at the date of transition to Ind-ASs and in recognising any resulting impairment loss in retained earnings (or, if so required by AS 28 (Revised 20XX), in revaluation surplus). The impairment test shall be based on conditions at the date of transition to Ind-ASs.

(h) No other adjustments shall be made to the carrying amount of goodwill at the date of transition to Ind-ASs. For example, the first-time adopter shall not restate the carrying amount of goodwill:

(i) to exclude in-process research and development acquired in that business combination (unless the related intangible asset would qualify for recognition in accordance with AS 26 (Revised 20XX) in the Balance Sheet of the acquiree);

(ii) to adjust previous amortisation of goodwill;

(iii) to reverse adjustments to goodwill that AS 28 (Revised 20XX) would not permit, but were made in accordance with previous GAAP because of adjustments to assets and liabilities between the date of the business combination and the date of transition to Ind-ASs.

(i) If the first-time adopter recognised goodwill in accordance with previous GAAP as a deduction from equity:

(i) it shall not recognise that goodwill in its opening Ind-AS Balance Sheet. Furthermore, it shall not reclassify that goodwill to profit or loss if it disposes of the subsidiary or if the investment in the subsidiary becomes impaired.

(ii) adjustments resulting from the subsequent resolution of a contingency affecting the purchase consideration shall be recognised in retained earnings.

(j) In accordance with its previous GAAP, the first-time adopter may not have consolidated a subsidiary acquired in a past business combination (for example, because the parent did not regard it as a subsidiary in accordance with previous GAAP or did not prepare consolidated financial statements). The first-time adopter shall adjust the carrying amounts of the subsidiary's assets and liabilities to the amounts that Ind-ASs would require in the subsidiary's Balance Sheet. The deemed cost of goodwill equals the difference at the date of transition to Ind-ASs between:

(i) the parent's interest in those adjusted carrying amounts; and

(ii) the cost in the parent's separate financial statements of its investment in the subsidiary.

(k) The measurement of non-controlling interests and deferred tax follows from the measurement of other assets and liabilities. Therefore, the above adjustments to recognised assets and liabilities affect non-controlling interests and deferred tax.

C5 The exemption for past business combinations also applies to past acquisitions of investments in associates and of interests in joint ventures. Furthermore, the date selected for paragraph C1 applies equally for all such acquisitions.

Appendix D
Exemptions from other Ind-ASs

This appendix is an integral part of this Ind-AS.

D1 An entity may elect to use one or more of the following exemptions:

(a) share-based payment transactions (paragraphs D2 and D3);

(b) insurance contracts (paragraph D4);

(c) deemed cost (paragraphs D5–D8A);

(d) leases (paragraphs D9 and D9A);

(e) employee benefits (paragraphs D10 and D11);

(f) cumulative translation differences (paragraphs D12 and D13);

(g) investments in subsidiaries, jointly controlled entities and associates (paragraphs D14 and D15);

(h) assets and liabilities of subsidiaries, associates and joint ventures (paragraphs D16 and D17);

(i) compound financial instruments (paragraph D18);

(j) designation of previously recognised financial instruments (paragraph D19);

(k) fair value measurement of financial assets or financial liabilities at initial recognition (paragraph D20);

(l) decommissioning liabilities included in the cost of property, plant and equipment (paragraphs D21 and D21A);

(m) financial assets or intangible assets accounted for in accordance with Appendix A to AS 7 (Revised 20XX) *Service Concession Arrangements* (paragraph D22);

(n) borrowing costs (paragraph D23);

(o) transfers of assets from customers (paragraph D24).

(p) extinguishing financial liabilities with equity instruments (paragraph D25); and

(q) non-current assets held for sale and discontinued operations (paragraph D26).

An entity shall not apply these exemptions by analogy to other items.

Share-based payment transactions

D2 A first-time adopter is encouraged, but not required, to apply AS 33 (Revised 20XX) *Share-based Payment* to equity instruments that vested before date of transition to Ind-ASs. However, if a first-time adopter elects to apply AS 33 (Revised 20XX) to such equity instruments, it may do so only if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date, as defined in AS 33 (Revised 20XX). For all grants of equity instruments to which AS 33 (Revised 20XX) has not been applied i.e. equity instruments vested but not settled before date of transition to Ind-ASs, a first-time adopter shall nevertheless disclose the information required by paragraphs 44 and 45 of AS 33 (Revised 20XX). If a first-time adopter modifies the terms or conditions of a grant of equity instruments to which AS 33 (Revised 20XX) has not been applied, the entity is not required to apply paragraphs 26–29 of AS 33 (Revised 20XX) if the modification occurred before the date of transition to Ind-ASs.

D3 A first-time adopter is encouraged, but not required, to apply AS 33 (Revised 20XX) to liabilities arising from share-based payment transactions that were settled before the date of transition to Ind-ASs.

Insurance contracts

D4 An entity shall apply AS 39 (Revised 20XX) *Insurance Contracts* for annual periods beginning on or after date of transition to Ind-AS. Earlier application is encouraged. If an entity applies this AS 39 (Revised 20XX) for an earlier period, it shall disclose that fact.

In applying paragraph 39(c)(iii), of AS 39 (Revised 20XX) an entity need not disclose information about claims development that occurred earlier than five years before the end of the first financial year in which it applies AS 39 (Revised 20XX). Furthermore, if it is impracticable, when an entity first applies AS 39 (Revised 20XX), to prepare information about claims development that occurred before the beginning of the earliest period for which an entity presents information that complies with this IFRS, the entity shall disclose that fact.

When an insurer changes its accounting policies for insurance liabilities, it is permitted, but not required, to reclassify some or all of its financial assets as 'at fair value through profit or loss'. This reclassification is permitted if an insurer changes accounting policies when it first applies AS 39 (Revised 20XX) and if it makes a subsequent policy change permitted by paragraph 22. The reclassification is a change in accounting policy and AS 5 (Revised 20XX) applies.

Deemed cost

D5 An entity may elect to measure an item of property, plant and equipment at the date of transition to Ind-ASs at its fair value and use that fair value as its deemed cost at that date.

D6 A first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment at, or before, the date of transition to Ind-ASs as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to:

(a) fair value; or

(b) cost or depreciated cost in accordance with Ind-ASs, adjusted to ref lect, for example, changes in a general or specific price index.

D7 The elections in paragraphs D5 and D6 are also available for:

(a) investment property, if an entity elects to use the cost model in AS 37 (Revised 20XX) *Investment Property*; and

(b) intangible assets that meet:

(i) the recognition criteria in AS 26 (Revised 20XX) (including reliable measurement of original cost); and

(ii) the criteria in AS 26 (Revised 20XX) for revaluation (including the existence of an active market).

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

D8 A first-time adopter may have established a deemed cost in accordance with 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 Ind-ASs at the date of that measurement.

D8A Under some national accounting requirements exploration and development costs for oil and gas properties in the development or production phases are accounted for in cost centres that include all properties in a large geographical area. A first-time adopter using such accounting under previous GAAP may elect to measure oil and gas assets at the date of transition to Ind-ASs on the following basis:

(a) exploration and evaluation assets at the amount determined under the entity's previous GAAP; and

(b) assets in the development or production phases at the amount determined for the cost centre under the entity's previous GAAP. The entity shall allocate this amount to the cost centre's underlying assets pro rata using reserve volumes or reserve values as of that date.

The entity shall test exploration and evaluation assets and assets in the development and production phases for impairment at the date of transition to Ind-ASs in accordance with AS 26 (Revised 20XX) *Exploration for and Evaluation of Mineral Resources* or AS 28 (Revised 20XX) respectively and, if necessary, reduce the amount determined in accordance with (a) or (b) above. For the purposes of this paragraph, oil and gas assets comprise only those assets used in the exploration, evaluation, development or production of oil and gas.

Leases

D9 A first-time adopter may apply paragraphs 6-9 of the Appendix C of AS 19 (Revised 20XX) to determine whether an arrangement existing at the date of transition to Ind-ASs contains a lease on the basis of facts and circumstances existing at the date of transition to Ind-AS.

D9A If a first-time adopter made the same determination of whether an arrangement contained a lease in accordance with previous GAAP as that required by Appendix C of AS 19 (Revised 20XX) - *Determining whether an Arrangement contains a Lease* but at a date other than that required by D9 above, the first-time adopter need not reassess that determination when it adopts Ind-ASs. For an entity to have made the same determination of whether the arrangement contained a lease in accordance with previous GAAP, that determination would have to have given the same outcome as that resulting from applying AS 19 (Revised 20XX) *Leases* and Appendix C of AS 19 (Revised 20XX) - *Determining whether an Arrangement contains a Lease.*

Employee benefits

D10 Deleted

D11 An entity may disclose the amounts required by paragraph 120A(p) of AS 15 (Revised 20XX) as the amounts are determined for each accounting period prospectively from the date of transition to Ind-ASs.

Cumulative translation differences

D12 AS 11 (Revised 20XX) requires an entity:

(a) to recognise some translation differences in other comprehensive income and accumulate these in a separate component of equity; and

(b) on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal.

D13 However, a first-time adopter need not comply with these requirements for cumulative translation differences that existed at the date of transition to Ind-ASs. If a first-time adopter uses this exemption:

(a) the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to Ind-ASs; and

(b) the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to Ind-ASs and shall include later translation differences.

Investments in subsidiaries, jointly controlled entities and associates

D14 When an entity prepares separate financial statements, AS 21 (Revised

20XX) requires it to account for its investments in subsidiaries, jointly controlled entities and associates either:

(a) at cost; or

(b) in accordance with AS 30 (Revised 20XX).

D15 If a first-time adopter measures such an investment at cost in accordance with AS 21 (Revised 20XX), it shall measure that investment at one of the following amounts in its separate opening Ind-AS Balance Sheet:

(a) cost determined in accordance with AS 21 (Revised 20XX); or

(b) deemed cost. The deemed cost of such an investment shall be its:

(i) fair value (determined in accordance with AS 30 (Revised 20XX)) at the entity's date of transition to Ind-ASs in its separate financial statements; or

(ii) previous GAAP carrying amount at that date.

A first-time adopter may choose either (i) or (ii) above to measure its investment in each subsidiary, jointly controlled entity or associate that it elects to measure using a deemed cost.

Assets and liabilities of subsidiaries, associates and joint ventures

D16 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:

(a) the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to Ind-ASs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary; or

(b) the carrying amounts required by the rest of this Ind-AS, based on the subsidiary's date of transition to Ind-ASs. These carrying amounts could differ from those described in (a):

(i) when the exemptions in this Ind-AS result in measurements that depend on the date of transition to Ind-ASs.

(ii) when the accounting policies used in the subsidiary's financial statements differ from those in the consolidated financial statements. For example, the subsidiary may use as its accounting policy the cost model in AS 16 (Revised 20XX) Property, Plant and Equipment, whereas the group may use the revaluation model.

A similar election is available to an associate or joint venture that becomes a first-time adopter later than an entity that has significant influence or joint control over it.

D17 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 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.

Compound financial instruments

D18 AS 31(Revised 20XX) *Financial Instruments: Presentation* requires an entity to split a compound financial instrument at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of AS 31(Revised 20XX) involves 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. However, in accordance with this Ind-AS, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to Ind-ASs.

Designation of previously recognised financial instruments

D19 AS 30 (Revised 20XX) permits a financial asset to be designated on initial recognition as available for sale or a financial instrument (provided it meets certain criteria) to be designated as a financial asset or financial liability at fair value through profit or loss. Despite this requirement exceptions apply in the following circumstances:

(a) an entity is permitted to make an available-for-sale designation at the date of transition to Ind-ASs.

(b) an entity is permitted to designate, at the date of transition to Ind-ASs, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria as per AS 30 (Revised 20XX) at that date.

D19A Deleted

D19B Deleted

D19C If it is impracticable (as defined in AS 5) for an entity to apply retrospectively the effective interest method or the impairment requirements in paragraphs 58–65 and AG84–AG93 of AS 30 (Revised 20XX), the fair value of the financial asset at the date of transition to IFRSs shall be the new amortised cost of that financial asset at the date of transition to IFRSs.

Fair value measurement of financial assets or financial liabilities at initial recognition

D20 Notwithstanding the requirements of paragraphs 7 and 9, an entity may apply the requirements in the last sentence of AS 30 (Revised 20XX) paragraph AG76 and in paragraph AG76A, prospectively to transactions entered into after financial years beginning on or after date of transition to Ind-ASs

Decommissioning liabilities included in the cost of property, plant and equipment

D21 Appendix 'A' to AS 10 (Revised 20XX) *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. A first-time adopter need not comply with these requirements for changes in such liabilities that occurred before the date of transition to Ind-ASs. If a first-time adopter uses this exemption, it shall:

(a) measure the liability as at the date of transition to Ind-ASs in accordance with AS 29 (Revised 20XX);

(b) to the extent that the liability is within the scope of Appendix A of AS 10 (Revised 20XX), estimate the amount that would have been included in the cost of the related asset when the liability first arose, by discounting the liability to that date using its best estimate of the historical risk-adjusted discount rate(s) that would have applied for that liability over the intervening period; and

(c) calculate the accumulated depreciation on that amount, as at the date of transition to Ind-ASs, on the basis of the current estimate of the useful life of the asset, using the depreciation policy adopted by the entity in accordance with Ind-ASs.

D21A An entity that uses the exemption in paragraph D8A(b) (for oil and gas assets in the development or production phases accounted for in cost centres that include all properties in a large geographical area under previous GAAP) shall, instead of applying paragraph D21 or Appendix A of AS 10 (Revised 20XX):

(a) measure decommissioning, restoration and similar liabilities as at the date of transition to Ind-ASs in accordance with AS 29 (Revised 20XX); and

(b) recognise directly in retained earnings any difference between that amount and the carrying amount of those liabilities at the date of transition to Ind-ASs determined under the entity's previous GAAP.

Financial assets or intangible assets accounted for in accordance with Appendix A to AS 7 (Revised 20XX)

D22 A first-time adopter may apply the following provisions while applying the Appendix A to AS 7 (Revised 20XX):

i) Subject to paragraph (ii), changes in accounting policies are accounted for in accordance with AS 5 (Revised 20XX), i.e. retrospectively.

ii) If, for any particular service arrangement, it is impracticable for an operator to apply this Appendix retrospectively at the date of transition, it shall:

(a) recognise financial assets and intangible assets that existed at the date of transition;

(b) use the previous carrying amounts of those financial and intangible assets (however previously classified) as their carrying amounts as at that date; and

(c) test financial and intangible assets recognised at that date for impairment, unless this is not practicable, in which case the amounts shall be tested for impairment as at the start of the current period.

iii) There are two aspects to retrospective determination: reclassification and remeasurement. It will usually be practicable to determine retrospectively the appropriate classification of all amounts previously included in an operator's balance sheet, but that retrospective remeasurement of service arrangement assets might not always be practicable. However, the fact should be disclosed.

Borrowing costs

D23 Deleted

Transfers of assets from customers

D24 A first time adopter shall apply Appendix D of AS 9 (Revised 20XX) prospectively to transfers of assets from customers received on or after the date of transition to Ind-AS, Earlier application is permitted provided the valuations and other information needed to apply Appendix D of AS 9 (Revised 20XX) to past transfers were obtained at the time those transfers occurred. An entity shall disclose the date from which the Appendix D of AS 9 (Revised 20XX) was applied.

Extinguishing financial liabilities with equity instruments

D25 A first-time adopter may apply Appendix E of AS 30 (Revised 20XX) *Extinguishing Financial Liabilities with Equity Instruments* from the date of transition to Ind-AS.

Non-current assets held for sale and discontinued operations

D26 AS 24 (Revised 20XX) requires non-current assets (or disposal groups) that meet the criteria to be classified as held for sale, non-current assets (or disposal groups) that are held for distribution to owners and operations that meet the criteria to be classified as discontinued and carry it at lower of its carrying amount and fair value less cost to sell on the initial date of such identification. A first time adopter can: (a) measure such assets or operations at the lower of carrying value and fair value less cost to sell as at the date of transition to Ind-ASs in accordance with AS 24 (Revised 20XX); and

(b)recognise directly in retained earnings any difference between that amount and the carrying amount of those assets at the date of transition to Ind-ASs determined under the entity's previous GAAP.

Appendix E
Short-term exemptions from Ind-ASs

[Appendix reserved for future possible short-term exemptions]

This appendix is an integral part of the Ind-AS.

[Deleted]

Appendix F

GUIDANCE ON IMPLEMENTING
Ind-AS 41 *FIRST-TIME ADOPTION OF INDIAN ACCOUNTING STANDARDS*

Content

LIST OF EXAMPLES *after paragraph*

Guidance on implementing Ind-AS 41 *First-time Adoption of Indian Accounting Standards*

This guidance accompanies, but is not part of, Ind-AS 41.

Introduction

IG1 This implementation guidance:

(a) explains how the requirements of this Ind-AS interact with the requirements of some other Ind-ASs (paragraphs IG2–IG62, IG64 and IG65). This explanation addresses those Ind-ASs that are most likely to involve questions that are specific to first-time adopters.

(b) includes an illustrative example to show how a first-time adopter might disclose how the transition to Ind-ASs affected its reported financial position, financial performance and cash flows, as required by paragraphs 24(a) and (b), 25 and 26 of this Ind-AS (paragraph IG63).

AS 4 (Revised 20XX) *Events after the Reporting Period*

IG2 Except as described in paragraph IG3, an entity applies AS 4 (Revised 20XX) in determining whether:

(a) its opening Ind-AS Balance Sheet reflects an event that occurred after the date of transition to Ind-ASs; and .

(b) where an entity decides to provide one year comparative information under Ind-AS then, comparative amounts in its first Ind-AS financial statements reflect an event that occurred after the end of that comparative period.

IG3 Paragraphs 14–17 of this Ind-AS require some modifications to the principles in AS 4 (Revised 20XX) when a first-time adopter determines whether changes in estimates are adjusting or non-adjusting events at the date of transition to Ind-ASs (or, when applicable, the end of the comparative period). Cases 1 and 2 below illustrate those modifications. In case 3 below, paragraphs 14–17 of this Ind-AS do not require modifications to the principles in AS 4 (Revised 20XX).

(a) Case 1—Previous GAAP required estimates of similar items for the date of transition to Ind-ASs, using an accounting policy that is consistent with Ind-ASs. In this case, the estimates in accordance with Ind-ASs need to be consistent with estimates made for that date in accordance with previous GAAP, unless there is objective evidence that those estimates were in error (see AS 5 (Revised 20XX) *Accounting Policies, Changes in Accounting Estimates and Errors*). The entity reports later revisions to those estimates as events of the period in which it makes the revisions, rather than as adjusting events resulting from the receipt of further evidence about conditions that existed at the date of transition to Ind-ASs.

(b) Case 2—Previous GAAP required estimates of similar items for the date of transition to Ind-ASs, but the entity made those estimates using accounting policies that are not consistent with its accounting policies in accordance with

Ind-ASs. In this case, the estimates in accordance with Ind-ASs need to be consistent with the estimates required in accordance with previous GAAP for that date (unless there is objective evidence that those estimates were in error), after adjusting for the difference in accounting policies. The opening Ind-AS Balance Sheet reflects those adjustments for the difference in accounting policies. As in case 1, the entity reports later revisions to those estimates as events of the period in which it makes the revisions.

For example, previous GAAP may have required an entity to recognise and measure provisions on a basis consistent with AS 29 (Revised 20XX) *Provisions, Contingent Liabilities and Contingent Assets*, except that the previous GAAP measurement was on an undiscounted basis. In this example, the entity uses the estimates in accordance with previous GAAP as inputs in making the discounted measurement required by AS 29 (Revised 20XX).

(c) Case 3—Previous GAAP did not require estimates of similar items for the date of transition to Ind-ASs. Estimates in accordance with Ind-ASs for that date reflect conditions existing at that date. In particular, estimates of market prices, interest rates or foreign exchange rates at the date of transition to Ind-ASs reflect market conditions at that date. This is consistent with the distinction in AS 4 (Revised 20XX) between adjusting events after the reporting period and non-adjusting events after the reporting period.

IG Example 1 Estimates (illustration assuming the company has elected not to provide prior period comparatives in accordance with Ind-AS)

Background

Entity A's first Ind-AS financial statements are for a period that ends on 31 March 2012. In its previous GAAP financial statements for 31 March 2011, entity A:

(a) made estimates of accrued expenses and provisions at those dates;

(b) accounted on a cash basis for a defined benefit pension plan; and

(c) did not recognise a provision for a court case arising from events that occurred in December 2010. When the court case was concluded on 30 June 2011, entity A was required to pay Rs,1,000* and paid this on 10 July 2011.

In preparing its first Ind-AS financial statements, entity A concludes that its estimates in accordance with previous GAAP of accrued expenses and provisions at 31 March 2011 were made on a basis consistent with its accounting policies in accordance with Ind-ASs. Although some of the accruals and provisions turned out to be overestimates and others to be underestimates, entity A concludes that its estimates were reasonable and that, therefore, no error had occurred. As a result, accounting for those overestimates and underestimates involves the routine adjustment of estimates in accordance with AS 5 (Revised 20XX).

Application of requirements

In preparing its opening Ind-AS Balance Sheet at April 1, 2011, entity A:

(a) does not adjust the previous estimates for accrued expenses and provisions; and

(b) makes estimates (in the form of actuarial assumptions) necessary to account for the pension plan in accordance with AS 15 *Employee Benefits*. Entity A's actuarial assumptions at April 1, 2011 do not reflect conditions that arose after those dates. For example, entity A's:

   (i) discount rates at March 31, 2011 for the pension plan and for provisions reflect market conditions at those dates; and

   (ii) actuarial assumptions at March 31, 2011 about future employee turnover rates do not reflect conditions that arose after those dates—such as a significant increase in estimated employee turnover rates as a result of a curtailment of the pension plan in 2011-12.

The treatment of the court case at 31 March 2011 depends on the reason why entity A did not recognise a provision in accordance with previous GAAP at that date.

Assumption 1 –Previous GAAP was consistent with AS 29 (Revised 20XX) *Provisions, Contingent Liabilities and Contingent Assets*. Entity A concluded that the recognition criteria were not met. In this case, entity A's assumptions in accordance with Ind-ASs are consistent with its assumptions in accordance with previous GAAP. Therefore, entity A does not recognise a provision at 31 March 2011.

Assumption 2 – Previous GAAP was not consistent with AS 29 (Revised 20XX). Therefore, entity A develops estimates in accordance with AS 29 (Revised 20XX). Under AS 29 (Revised 20XX), an entity determines whether an obligation exists at the end of the reporting period by taking account of all available evidence, including any additional evidence provided by events after the reporting period. Similarly, in accordance with AS 4 (Revised 20XX) *Events after the Reporting Period*, the resolution of a court case after the reporting period is an adjusting event after the reporting period if it confirms that the entity had a present obligation at that date. In this instance, the resolution of the court case confirms that entity A had a liability in December 31, 2010 (when the events occurred that gave rise to the court case). Therefore, entity A recognises a provision at 31 March 2011. Entity A measures that provision by discounting the Rs 1,000 paid on 10 September 2011 to its present value, using a discount rate that complies with AS 29 (Revised 20XX)and reflects market conditions at 31 March 2011.

* I’

IG4 Paragraphs 14–17 of this Ind-AS do not override requirements in other Ind-ASs that base classifications or measurements on circumstances existing at a particular date. Examples include:

a) the distinction between finance leases and operating leases (see AS 19 (Revised 20XX) Leases);

b) the restrictions in AS 26 (Revised 20XX) *Intangible Assets* that prohibit capitalisation of expenditure on an internally generated intangible asset if the asset did not qualify for recognition when the expenditure was incurred; and

c) the distinction between financial liabilities and equity instruments (see AS 31 (Revised 20XX) *Financial Instruments: Presentation*).

AS 22 (Revised 20XX) *Income Taxes*

IG5 An entity applies AS 22 (Revised 20XX) to temporary differences between the carrying amount of the assets and liabilities in its opening Ind-AS Balance Sheet and their tax bases.

IG6 In accordance with AS 22 (Revised 20XX), the measurement of current and deferred tax reflects tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. An entity accounts for the effect of changes in tax rates and tax laws when those changes are enacted or substantively enacted.

AS 10 (Revised 20XX) *Property, Plant and Equipment*

IG7 If an entity’s depreciation methods and rates in accordance with previous GAAP are acceptable in accordance with Ind-ASs, it accounts for any change in estimated useful life or depreciation pattern prospectively from when it makes that change in estimate (paragraphs 14 and 15 of the Ind-AS and paragraph 61 of AS 10 (Revised 20XX)). However, in some cases, an entity’s depreciation methods and rates in accordance with previous GAAP may differ from those that would be acceptable in accordance with Ind-ASs (for example, if they were adopted solely for tax purposes and do not reflect a reasonable estimate of the asset’s useful life). If those differences have a material effect on the financial statements, the entity adjusts accumulated depreciation in its opening Ind-AS Balance Sheet retrospectively so that it complies with Ind-ASs.

IG8 An entity may elect to use one of the following amounts as the deemed cost of an item of property, plant and equipment:

(a) fair value at the date of transition to Ind-ASs (paragraph D5 of this Ind-AS), in which case the entity gives the disclosures required by paragraph 30 of this Ind-AS;

(b) a revaluation in accordance with previous GAAP that meets the criteria in paragraph D6 of this Ind-AS;

(c) fair value at the date of an event such as a privatisation or initial public offering (paragraph D8 of this Ind-AS); or

(d) an allocation of an amount determined under previous GAAP that meets the criteria in paragraph D8A of this Ind-AS.

IG9 Subsequent depreciation is based on that deemed cost and starts from the date for which the entity established the deemed cost.

IG10 If an entity chooses as its accounting policy the revaluation model in AS 10 (Revised 20XX) for some or all classes of property, plant and equipment, it presents the cumulative revaluation surplus as a separate component of equity. The revaluation surplus at the date of transition to Ind-ASs is based on a comparison of the carrying amount of the asset at that date with its cost or deemed cost. If the deemed cost is the fair value at the date of transition to Ind-ASs, the entity gives the disclosures required by paragraph 30 of this Ind-AS.

IG11 If revaluations in accordance with previous GAAP did not satisfy the criteria in paragraph D6 or D8 of this Ind-AS, an entity measures the revalued assets in its opening Balance Sheet on one of the following bases:

a) cost (or deemed cost) less any accumulated depreciation and any accumulated impairment losses under the cost model in AS 10 (Revised 20XX);

b) deemed cost, being the fair value at the date of transition to Ind-ASs (paragraph D5 of this Ind-AS); or

c) revalued amount, if the entity adopts the revaluation model in AS 10 (Revised 20XX) as its accounting policy in accordance with Ind-ASs for all items of property, plant and equipment in the same class.

IG12 AS 10 (Revised 20XX) requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. However, AS 10 (Revised 20XX) does not prescribe the unit of measure for recognition of an asset, i.e. what constitutes an item of property, plant and equipment. Thus, judgement is required in applying the recognition criteria to an entity's specific circumstances (see AS 10 (Revised 20XX) paragraphs 9 and 43).

IG13 In some cases, the construction or commissioning of an asset results in an obligation for an entity to dismantle or remove the asset and restore the site on which the asset stands. An entity applies AS 29 (Revised 20XX) *Provisions, Contingent Liabilities and Contingent Assets* in recognising and measuring any resulting provision. The entity applies AS 10 (Revised 20XX) in determining the resulting amount included in the cost of the asset, before depreciation and impairment losses. Items such as depreciation and, when applicable, impairment losses cause differences between the carrying amount of the liability and the amount included in the carrying amount of the asset. An entity accounts for changes in such liabilities in accordance with Appendix A to AS 10 (Revised 20XX) -*Changes in Existing Decommissioning, Restoration and Similar Liabilities.*

However, paragraph D21 of Ind-AS 41 provides an exemption for changes that occurred before the date of transition to Ind-ASs, and prescribes an alternative treatment where the exemption is used. An example of the first-time adoption of Appendix A to AS 10 (Revised 20XX),which illustrates the use of this exemption, is given at paragraphs IG201–IG203.

AS 19 (Revised 20XX) *Leases*

IG14 At the date of transition to Ind-ASs, a lessee or lessor classifies leases as operating leases or finance leases on the basis of circumstances existing at the inception of the lease (AS 19 (Revised 20XX) paragraph 13). In some cases, the lessee and the lessor may agree to change the provisions of the lease, other than by renewing the lease, in a manner that would have resulted in a different classification in accordance with AS 19 (Revised 20XX) had the changed terms been in effect at the inception of the lease. If so, the revised agreement is considered as a new agreement over its term. However, changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee) do not give rise to a new classification of a lease.

IG 15 Deleted

IG16 Deleted

AS 9 (Revised 20XX) *Revenue*

IG17 If an entity has received amounts that do not yet qualify for recognition asrevenue in accordance with AS 9 (Revised 20XX) (for example, the proceeds of a sale that does not qualify for revenue recognition), the entity recognises the amounts received as a liability in its opening Ind-AS Balance Sheet and measures that liability at the amount received.

AS 15 (Revised 20XX) *Employee Benefits*

IG18 Deleted.

IG19 An entity's actuarial assumptions at the date of transition to Ind-ASs are consistent with actuarial assumptions made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those assumptions were in error (paragraph 14 of this Ind-AS). The impact of any later revisions to those assumptions is an actuarial gain or loss of the period in which the entity makes the revisions.

IG20 An entity may need to make actuarial assumptions at the date of transition to Ind-ASs that were not necessary in accordance with its previous GAAP. Such actuarial assumptions do not reflect conditions that arose after the date of transition to Ind-ASs. In particular, discount rates and the fair value of plan assets at the date of transition to Ind-ASs reflect market conditions at that date. Similarly, the entity's actuarial assumptions at the date of transition to Ind-ASs about future employee turnover rates do not reflect a significant increase in estimated employee turnover rates as a result of a curtailment of the pension plan that occurred after the date of transition to Ind-ASs (paragraph 16 of this Ind-AS).

IG21 An entity's first Ind-AS financial statements will reflect measurements of employee benefit obligations at two dates: the end of the first Ind-AS reporting period, the date of the comparative where an entity has decided to provide comparative financial information in accordance with Ind-AS balance sheet and the date of transition to Ind-ASs. AS 15 (Revised 20XX) encourages an entity to involve a qualified actuary in the measurement of all material post-employment benefit obligations. To minimise costs, an entity may request a qualified actuary to carry out a detailed actuarial valuation at one or two of these dates and roll the valuation(s) forward or back to the other date(s). Any such roll forward or roll back reflects any material transactions and other material events (including changes in market prices and interest rates) between those dates (AS 15 (Revised 20XX)).

AS 11 (Revised 20XX) *The Effects of Changes in Foreign Exchange Rates*

IG21A An entity may, in accordance with previous GAAP, have treated goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation as assets and liabilities of the entity rather than as assets and liabilities of the foreign operation. If so, the entity is permitted to apply prospectively the requirements of paragraph 47 of AS 11 (Revised 20XX) to all acquisitions occurring after the date of transition to Ind-ASs.

AS 14 (Revised 20XX) *Business Combinations*

IG22 The following examples illustrate the effect of Appendix C to the Ind-AS, assuming that a first-time adopter uses the exemption.

IG Example 2 Business combination
Background

Entity B's first Ind-AS financial statements are for a period that ends on 31 March 2012.and has elected not to provide comparative information for the year ending 31 March, 2011 under Ind-AS On 1 July 2010, entity B acquired 100 per cent of subsidiary C. In accordance with its previous GAAP, entity B:

(a) classified the business combination as an acquisition by entity B.

(b) measured the assets acquired and liabilities assumed at the following amounts in accordance with previous GAAP at 1 April 2011 (date of transition to Ind-ASs):

(i) identifiable assets less liabilities for which Ind-ASs require cost-based measurement at a date after the business combination: Rs 200 (with a tax base of Rs150 and an applicable tax rate of 30 per cent).

(ii) pension liability (for which the present value of the defined benefit obligation measured in accordance with AS 15 (Revised 20XX) *Employee Benefits* is Rs 130 and the fair value of plan assets is Rs100): nil (because entity B used a pay-as-you-go cash method of accounting for pensions in accordance with its previous GAAP). The tax base of the pension liability is also nil.

(iii) goodwill: Rs180.

(c) did not, at the acquisition date, recognise deferred tax arising from temporary differences associated with the identifiable assets acquired and liabilities assumed.

Application of requirements

In its opening (consolidated) Ind-AS Balance Sheet, entity B:

(a) classifies the business combination as an acquisition by entity B even if the business combination would have qualified in accordance with Ind-AS 3 as a reverse acquisition by subsidiary C (paragraph C4(a) of this Ind-AS).

(b) does not adjust the accumulated amortisation of goodwill. Entity B tests the goodwill for impairment in accordance with AS 28 (Revised 20XX) *Impairment of Assets* and recognises any resulting impairment loss, based on conditions that existed at the date of transition to Ind-ASs. If no impairment exists, the carrying amount of the goodwill remains at Rs 180 (paragraph C4(g) of this Ind-AS).

(c) for those net identifiable assets acquired for which Ind-ASs require cost-based measurement at a date after the business combination, treats their carrying amount in accordance with previous GAAP immediately after the business combination as their deemed cost at that date (paragraph C4(e) of this Ind-AS).

(d) does not restate the accumulated depreciation and amortisation of the net identifiable assets in (c), unless the depreciation methods and rates in accordance with previous GAAP result in amounts that differ materially from those required in accordance with Ind-ASs (for example, if they were adopted solely for tax purposes and do not reflect a reasonable estimate of the asset's useful life in accordance with Ind-ASs). If no such restatement is made, the carrying amount of those assets in the opening Ind-AS Balance Sheet equals their carrying amount in accordance with previous GAAP at the date of transition to Ind-ASs (Rs 200) (paragraph IG7).

(e) if there is any indication that identifiable assets are impaired, tests those assets for impairment, based on conditions that existed at the date of transition to Ind-ASs (see AS 28 (Revised 20XX)).

(f) recognises the pension liability, and measures it, at the present value of the defined benefit obligation (Rs130) less the fair value of the plan assets (Rs 100), giving a carrying amount of Rs 30, with a corresponding debit of Rs 30 to retained earnings (paragraph C4(d) of this Ind-AS). However, if subsidiary C had already adopted Ind-ASs in an earlier period, entity B would measure the pension liability at the same amount as in subsidiary C's financial statements (paragraph D17 of this Ind-AS and IG Example 9).

(g) recognises a net deferred tax liability of Rs 6 (Rs 20 at 30 per cent) arising from:

(i) the taxable temporary difference of Rs 50 (Rs 200 less Rs 150) associated with the identifiable assets acquired and non-pension liabilities assumed, less

(ii) the deductible temporary difference of Rs 30 (Rs 30 less nil) associated with the pension liability.

The entity recognises the resulting increase in the deferred tax liability as a deduction from retained earnings (paragraph C4(k) of this Ind-AS). If a taxable temporary difference arises from the initial recognition of the goodwill, entity B does not recognise the resulting deferred tax liability (paragraph 15(a) of AS 22 (Revised 20XX) *Income Taxes*).

IG Example 3 Business combination—restructuring provision

Background

Entity D's first Ind-AS financial statements are for a period that ends on 31 March 2012 and has elected not to provide comparative information for the year ending 31 March, 2011 under Ind-AS. On 1 January 2011, entity D acquired 100 per cent of subsidiary E. In accordance with its previous GAAP, entity D recognised an (undiscounted) restructuring provision of Rs 100 that would not have qualified as an identifiable liability in accordance with AS XX (Revised 20XX) . The recognition of this restructuring provision increased goodwill by Rs100. At 31 March 2011 (date of transition to Ind-ASs), entity D:

(a) had paid restructuring costs of Rs 60; and

(b) estimated that it would pay further costs of Rs 40 in 2011-12 and that the effects of discounting were immaterial. At 31 March 2011 , those further costs did not qualify for recognition as a provision in accordance with AS 29 (Revised 20XX) *Provisions, Contingent Liabilities and Contingent Assets*.

Application of requirements

In its opening Ind-AS Balance Sheet, entity D:

(a) does not recognise a restructuring provision (paragraph C4(c) of this Ind-AS).

(b) does not adjust the amount assigned to goodwill. However, entity D tests the goodwill for impairment in accordance with AS 28 (Revised 20XX) *Impairment of Assets*, and recognises any resulting impairment loss (paragraph C4(g) of this Ind-AS).

(c) as a result of (a) and (b), reports retained earnings in its opening Ind-AS Balance Sheet that are higher by Rs 40 (before income taxes, and before recognising any impairment loss) than in the Balance Sheet at the same date in accordance with previous GAAP.

IG Example 4 Business combination—intangible assets

Background

Entity F's first Ind-AS financial statements are for a period that ends on 31 March 2012 and has elected not to provide comparative information for the year ending 31 March, 2011 under Ind-AS.

On 1 October 2009entity F acquired 75 per cent of subsidiary G. In accordance with its previous GAAP, entity F assigned an initial carrying amount of Rs 200 to intangible assets that would not have qualified for recognition in accordance with AS 26 (Revised 20XX) *Intangible Assets*. The tax base of the intangible assets was nil, giving rise to a deferred tax liability (at 30 per cent) of Rs 60.

On 31 March 2011 (the date of transition to Ind-ASs) the carrying amount of the intangible assets in accordance with previous GAAP was Rs 160, and the carrying amount of the related deferred tax liability was Rs 48 (30 per cent of Rs 160).

Application of requirements

Because the intangible assets do not qualify for recognition as separate assets in accordance with AS 26 (Revised 20XX), entity F transfers them to goodwill, together with the related deferred tax liability (Rs 48) and non-controlling interests (paragraph C4(g)(i) of this Ind-AS). The related non-controlling interests amount to Rs 28 (25 per cent of [Rs 160 –Rs 48 = Rs 112]). Thus, the increase in goodwill is Rs 84—intangible assets (Rs 160) less deferred tax liability (Rs 48) less non-controlling interests (Rs 28).

Entity F tests the goodwill for impairment in accordance with AS 28 (Revised 20XX) *Impairment of Assets* and recognises any resulting impairment loss, based on conditions that existed at the date of transition to Ind-ASs (paragraph C4(g)(ii) of this Ind-AS).

IG Example 5 Business combination—goodwill deducted from equity and treatment of related intangible assets

Background

Entity H acquired a subsidiary before the date of transition to Ind-ASs. In accordance with its previous GAAP, entity H:

(a) recognised goodwill as an immediate deduction from equity;

(b) recognised an intangible asset of the subsidiary that does not qualify for recognition as an asset in accordance with AS 26 (Revised 20XX) *Intangible Assets*; and

(c) did not recognise an intangible asset of the subsidiary that would qualify in accordance with AS 26 (Revised 20XX) for recognition as an asset in the financial statements of the subsidiary. The subsidiary held the asset at the date of its acquisition by entity H.

Application of requirements

In its opening Ind-AS Balance Sheet, entity H:

(a) does not recognise the goodwill, as it did not recognise the goodwill as an asset in accordance with previous GAAP (paragraph C4(g)–(i) of this Ind-AS).

(b) does not recognise the intangible asset that does not qualify for recognition as an asset in accordance with AS 26 (Revised 20XX). Because entity H deducted goodwill from equity in accordance with its previous GAAP, the elimination of this intangible asset reduces retained earnings (paragraph C4(c)(ii) of this Ind-AS).

(c) recognises the intangible asset that qualifies in accordance with AS 26 (Revised 20XX) for recognition as an asset in the financial statements of the subsidiary, even though the amount assigned to it in accordance with previous GAAP in entity H's consolidated financial statements was nil (paragraph C4(f) of this Ind-AS). The recognition criteria in AS 26 (Revised 20XX) include the availability of a reliable measurement of cost (paragraphs IG45–IG48) and entity H measures the asset at cost less accumulated depreciation and less any impairment losses identified in accordance with AS 28 (Revised 20XX)*Impairment of Assets*. Because entity H deducted goodwill from equity in accordance with its previous GAAP, the recognition of this intangible asset increases retained earnings (paragraph C4(c)(ii) of this Ind-AS). However, if this intangible asset had been subsumed in goodwill recognised as an asset in accordance with previous GAAP, entity H would have decreased the carrying amount of that goodwill accordingly (and, if applicable, adjusted deferred tax and non-controlling interests) (paragraph C4(g)(i) of this Ind-AS).

IG Example 6 Business combination—subsidiary not consolidated in accordance with previous GAAP

Background

Parent J's date of transition to Ind-ASs is 1 April 2011. In accordance with its previous GAAP, parent J did not consolidate its 75 per cent subsidiary K, acquired in a business combination on 15 October 2009. On 1 April 2011:

(a) the cost of parent J's investment in subsidiary K is Rs 180.

(b) in accordance with Ind-ASs, subsidiary K would measure its assets at Rs 500 and its liabilities (including deferred tax in accordance with AS 22 (Revised 20XX)*Income Taxes*) at Rs 300. On this basis, subsidiary K's net assets are Rs 200 in accordance with Ind-ASs.

Application of requirements

Parent J consolidates subsidiary K. The consolidated Balance Sheet at 1 April 2011 includes:

(a) subsidiary K's assets at Rs 500 and liabilities at Rs 300;

(b) non-controlling interests of Rs 50 (25 per cent of [Rs 500 –Rs 300]); and

(c) goodwill of Rs 30 (cost of Rs180 less 75 per cent of [Rs 500 –Rs 300]) (paragraph C4(j) of this Ind-AS). Parent J tests the goodwill for impairment in accordance with AS 28 (Revised 20XX) *Impairment of Assets* and recognises any resulting impairment loss, based on conditions that existed at the date of transition to Ind-ASs (paragraph C4(g)(ii) of this Ind-AS).

IG Example 7 Business combination—finance lease not capitalised in accordance with previous GAAP

Background

Parent L's date of transition to Ind-ASs is 1 April 2011. Parent L acquired subsidiary M on 15 April 2009 and did not capitalise subsidiary M's finance leases. If subsidiary M prepared financial statements in accordance with Ind-ASs, it would recognise finance lease obligations of 300 and leased assets of 250 at 1 April 2011..

Application of requirements

In its consolidated opening Ind-AS Balance Sheet, parent L recognises finance lease obligations of Rs 300 and leased assets of Rs 250, and charges Rs 50 to retained earnings (paragraph C4(f)).

AS 16 (Revised 20XX) *Borrowing Costs*

IG23 [Deleted]

IG24 [Deleted]

IG25 [Deleted]

AS 21 (Revised 20XX) *Consolidated and Separate Financial Statements*

IG26 A first-time adopter consolidates all subsidiaries (as defined in AS 21 (Revised 20XX)), unless AS 21 (Revised 20XX) requires otherwise.

IG27 If a first-time adopter did not consolidate a subsidiary in accordance with previous GAAP, then:

(a) in its consolidated financial statements, the first-time adopter measures the subsidiary's assets and liabilities at the same carrying amounts as in this Ind-AS financial statements of the subsidiary, after adjusting for consolidation procedures and for the effects of the business combination in which it acquired the subsidiary (paragraph D17 of this Ind-AS). If the subsidiary has not adopted Ind-ASs in its financial statements, the carrying amounts described in the previous sentence are those that Ind-ASs would require in those financial statements (paragraph C4(j) of this Ind-AS).

(b) if the parent acquired the subsidiary in a business combination before the date of transition to Ind-AS, the parent recognises goodwill, as explained in IG Example 6.

(c) if the parent did not acquire the subsidiary in a business combination because it created the subsidiary, the parent does not recognise goodwill.

IG28 When a first-time adopter adjusts the carrying amounts of assets and liabilities of its subsidiaries in preparing its opening Ind-AS Balance Sheet, this may affect non-controlling interests and deferred tax.

IG29 IG Examples 8 and 9 illustrate paragraphs D16 and D17 of this Ind-AS,which address cases where a parent and its subsidiary become first-time adopters at different dates.

IG Example 8 Parent adopts Ind-ASs before subsidiary
Background Parent N presents its (consolidated) first Ind-AS financial statements for the year ended March 31, 2012. Its foreign subsidiary O, wholly owned by parent N since formation, prepares information in accordance with Ind-ASs for internal consolidation purposes from that date, but subsidiary O does not present its first Ind-AS financial statements until March 31, 2014. **Application of requirements** If subsidiary O applies paragraph D16(a) of this Ind-AS, the carrying

amounts of its assets and liabilities are the same in both its opening Ind-AS Balance Sheet at 1 April 2014 and parent N's consolidated Balance Sheet (except for adjustments for consolidation procedures) and are based on parent N's date of transition to Ind-ASs.

Alternatively, subsidiary O may, in accordance with paragraph D16(b) of this Ind-AS, measure all its assets or liabilities based on its own date of transition to Ind-ASs (1 April 1, 2014). However, the fact that subsidiary O becomes a first-time adopter in 2014-15 does not change the carrying amounts of its assets and liabilities in parent N's consolidated financial statements.

IG Example 9 Subsidiary adopts Ind-ASs before parent

Background

Parent P presents its (consolidated) first Ind-AS financial statements in 2013-14. Its foreign subsidiary Q, wholly owned by parent P since formation, presented its first Ind-AS financial statements in 2011-12. Until 2013-2014, subsidiary Q prepared information for internal consolidation purposes in accordance with parent P's previous GAAP.

Application of requirements

The carrying amounts of subsidiary Q's assets and liabilities at 1 April 2013 are the same in both parent P's (consolidated) opening Ind-AS Balance Sheet and subsidiary Q's financial statements (except for adjustments for consolidation procedures) and are based on subsidiary Q's date of transition to Ind-ASs. The fact that parent P becomes a first-time adopter in 2013-14 does not change those carrying amounts (paragraph D17 of this Ind-AS).

IG30 Paragraphs D16 and D17 of this Ind-AS do not override the following requirements:

(a) to apply Appendix C to this Ind-AS to assets acquired, and liabilities assumed, in a business combination that occurred before the acquirer's date of transition to Ind-ASs. However, the acquirer applies paragraph D17 to new assets acquired, and liabilities assumed, by the acquiree after that business combination and still held at the acquirer's date of transition to Ind-ASs.

(b) to apply the rest of this Ind-AS in measuring all assets and liabilities for which paragraphs D16 and D17 are not relevant.

(c) to give all disclosures required by this Ind-AS as of the first-time adopter's own date of transition to Ind-ASs.

IG31 Paragraph D16 of this Ind-AS applies if a subsidiary becomes a first-time adopter later than its parent, for example if the subsidiary previously prepared a reporting package in accordance with Ind-ASs for consolidation purposes but did not present a full set of financial statements in accordance with Ind-ASs. This may be relevant not only when a subsidiary's reporting package complies fully with the recognition and measurement requirements of Ind-ASs, but also when it is adjusted centrally for matters such as review of events after the reporting period and central allocation of pension costs. For the disclosure required by paragraph 26 of this Ind-AS, adjustments made centrally to an unpublished reporting package are not corrections of errors. However, paragraph D16 does not permit a subsidiary to ignore misstatements that are immaterial to the consolidated financial statements of its parent but material to its own financial statements.

AS 34 *Financial Reporting in Hyperinflationary Economies*

IG32 An entity complies with AS 11 (Revised 20XX) *The Effects of Changes in Foreign Exchange Rates* in determining its functional currency and presentation currency. When the entity prepares its opening Ind-AS Balance Sheet, it applies AS 34 (Revised 20XX) to any periods during which the economy of the functional currency or presentation currency was hyperinflationary.

IG33 An entity may elect to use the fair value of an item of property, plant and equipment at the date of transition to Ind-ASs as its deemed cost at that date (paragraph D5 of this Ind-AS), in which case it gives the disclosures required by paragraph 30 of this Ind-AS.

IG34 If an entity elects to use the exemptions in paragraphs D5–D8 of this Ind-AS, it applies AS 34 (Revised 20XX) to periods after the date for which the revalued amount or fair value was determined.

AS 31 (Revised 20XX) Financial Instruments: Presentatio*n*

IG35 In its opening Ind-AS Balance Sheet, an entity applies the criteria in AS 31 (Revised 20XX) to classify financial instruments issued (or components of compound instruments issued) as either financial liabilities or equity instruments in accordance with the substance of the contractual arrangement when the instrument first satisfied the recognition criteria in AS 31 (Revised 20XX) (paragraphs 15 and 30), without considering events after that date (other than changes to the terms of the instruments).

IG36 For compound instruments outstanding at the date of transition to Ind-ASs, an entity determines the initial carrying amounts of the components on the basis of circumstances existing when the instrument was issued (AS 31 (Revised 20XX) paragraph 30). An entity determines those carrying amounts using the version of AS 31 (Revised 20XX) effective at the end of its first Ind-AS reporting period. If the liability component is no longer outstanding at the date of transition to Ind-ASs, a first-time adopter need not separate the initial equity component of the instrument from the cumulative interest accreted on the liability component (paragraph D18 of this Ind-AS).

AS 25 (Revised 20XX) Interim Financial Reporting

IG37 AS 25 (Revised 20XX) applies if an entity is required, or elects, to present an interim financial report in accordance with Ind-AS. Accordingly, neither AS 25 (Revised 20XX) nor this Ind-AS requires an entity:

(a) to present interim financial reports that comply with AS 25 (Revised 20XX); or

(b) to prepare new versions of interim financial reports presented in accordance with previous GAAP. However, if an entity presents an interim financial report in accordance with AS 25 (Revised 20XX) for part of the period covered by its first Ind-AS financial statements, the entity shall, in addition to the requirements of AS 25 (Revise 20XX), include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross-reference to another published document that includes these reconciliations. In addition, if an entity has decided to present the comparative financial period in accordance with Ind-AS then if an entity does prepare an interim financial report in accordance with AS 25 (Revised 20XX) for part of the period covered by its first Ind-AS financial statements, the entity restates the comparative information presented in that report so that it complies with Ind-AS and provides the information required under paragraph 24(d).

IG38 An entity applies this Ind-AS in each interim financial report that it presents in accordance with AS 25 (Revised 20XX) for part of the period covered by its first Ind-AS financial statements. In particular, paragraph 32 of the Ind-AS 41 requires an entity to disclose various reconciliations (see IG Example 10).

IG Example 10 Interim financial reporting

Background

Entity R's first Ind-AS financial statements are for a period that ends on 31 March 2012, and its first interim financial report in accordance with AS 25 (Revised 20XX) is for the quarter ended 30 June 2011. Entity R prepared previous GAAP annual financial statements for the year ended 31 March 2011, and prepared quarterly reports throughout 2010-11 .

Application of requirements

In each quarterly interim financial report for 2011-12, entity R includes reconciliations of:

a) its equity reported in accordance with previous GAAP to its equity in accordance with Ind-ASs on the date of transition to Ind-ASs; and

b) its total comprehensive income (or, if it did not report such a total, profit or loss) in accordance with previous GAAP and the total comprehensive income in accordance with Ind-AS as at the end of June 30, 2011 assuming the previous GAAP would have continued to be applied for those periods. However, where an entity has decided to present the comparative financial information in accordance with Ind-AS then it shall additionally provide (i) reconciliation with equity in accordance with previous GAAP at the end of the comparable quarter i.e. 30 June, 2010, and (ii) reconciliation to its total comprehensive income prepared in accordance with Ind-AS with the previous GAAP for the comparable quarter i.e. for the quarter ending 30 June, 2010

Each of the above reconciliations gives sufficient detail to enable users to understand the material adjustments to the Balance Sheet and statement of comprehensive income. Entity R also explains the material adjustments to the statement of cash flows.

If entity R becomes aware of errors made in accordance with previous GAAP, the reconciliations distinguish the correction of those errors from changes in accounting policies.

If entity R did not, in its most recent annual financial statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial reports for 2011-12 disclose that information or include a cross-reference to another published document that includes it (paragraph 33 of this Ind-AS).

AS 28 (Revised 20XX) Impairment of Assets and AS 29 (Revised 20XX) Provisions, Contingent Liabilities and Contingent Assets

IG39 An entity applies AS 28 (Revised 20XX) in:

(a) determining whether any impairment loss exists at the date of transition to Ind-ASs; and

(b) measuring any impairment loss that exists at that date, and reversing any impairment loss that no longer exists at that date. An entity's first Ind-AS financial statements include the disclosures that AS 28 (Revised 20XX) would have required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to Ind-ASs (paragraph 24(c) of this Ind-AS).

IG40 The estimates used to determine whether an entity recognises an impairment loss or provision (and to measure any such impairment loss or provision) at the date of transition to Ind-ASs are consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error (paragraphs 14 and 15 of this Ind-AS). The entity reports the impact of any later revisions to those estimates as an event of the period in which it makes the revisions.

IG41 In assessing whether it needs to recognise an impairment loss or provision (and in measuring any such impairment loss or provision) at the date of transition to Ind-ASs, an entity may need to make estimates for that date that were not necessary in accordance with its previous GAAP. Such estimates and assumptions do not reflect conditions that arose after the date of transition to Ind-ASs (paragraph 16 of this Ind-AS).

IG42 Deleted.

IG43 AS 28 (Revised 20XX) requires the reversal of impairment losses in some cases. If an entity's opening Ind-AS Balance Sheet reflects impairment losses, the entity recognises any later reversal of those impairment losses in profit or loss (except when AS 28 (Revised 20XX) requires the entity to treat that reversal as a revaluation). This applies to both impairment losses recognised in accordance with previous GAAP and additional impairment losses recognised on transition to Ind-ASs.

AS 26 (Revised 20XX) Intangible Assets

IG44 An entity's opening Ind-AS Balance Sheet:

(a) excludes all intangible assets and other intangible items that do not meet the criteria for recognition in accordance with AS 26 (Revised 20XX) at the date of transition to Ind-ASs; and

(b) includes all intangible assets that meet the recognition criteria in AS 26 (Revised 20XX) at that date, except for intangible assets acquired in a business combination that were not recognised in the acquirer's consolidated statement of Balance Sheet in accordance with previous GAAP and also would not qualify for recognition in accordance with AS 26 (Revised 20XX) in the separate Balance Sheet of the acquiree (see paragraph C4(f) of the Ind-AS).

IG45 The criteria in AS 26 (Revised 20XX) require an entity to recognise an intangible asset if, and only if:

(a) it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and

(b) the cost of the asset can be measured reliably.

AS 26 (Revised 20XX) supplements these two criteria with further, more specific, criteria for internally generated intangible assets.

IG46 In accordance with paragraphs 65 and 71 of AS 26 (Revised 20XX), an entity capitalises the costs of creating internally generated intangible assets prospectively from the date when the recognition criteria are met. AS 26 (Revised 20XX) does not permit an entity to use hindsight to conclude retrospectively that these recognition criteria are met. Therefore, even if an entity concludes retrospectively that a future inflow of economic benefits from an internally generated intangible asset is probable and the entity is able to reconstruct the costs reliably, AS 26 (Revised 20XX) prohibits it from capitalising the costs incurred before the date when the entity both:

(a) concludes, based on an assessment made and documented at the date of that conclusion, that it is probable that future economic benefits from the asset will flow to the entity; and

(b) has a reliable system for accumulating the costs of internally generated intangible assets when, or shortly after, they are incurred.

IG47 If an internally generated intangible asset qualifies for recognition at the date of transition to Ind-ASs, an entity recognises the asset in its opening Ind-AS Balance Sheet even if it had recognised the related expenditure as an expense in accordance with previous GAAP. If the asset does not qualify for recognition in accordance with AS 26 (Revised 20XX) until a later date, its cost is the sum of the expenditure incurred from that later date.

IG48 The criteria discussed in paragraph IG45 also apply to an intangible asset acquired separately. In many cases, contemporaneous documentation prepared to support the decision to acquire the asset will contain an assessment of the future economic benefits. Furthermore, as explained in paragraph 26 of AS 26 (Revised 20XX), the cost of a separately acquired intangible asset can usually be measured reliably.

IG49 For an intangible asset acquired in a business combination before the date of transition to Ind-ASs, its carrying amount in accordance with previous GAAP immediately after the business combination is its deemed cost in accordance with Ind-ASs at that date (paragraph C4(e) of this Ind-AS). If that carrying amount was zero, the acquirer does not recognise the intangible asset in its consolidated opening Ind-AS Balance Sheet, unless it would qualify in accordance with AS 26 (Revised 20XX), applying the criteria discussed in paragraphs IG45–IG48, for recognition at the date of transition to Ind-ASs in the Balance Sheet of the acquiree (paragraph C4(f) of this Ind-AS). If those recognition criteria are met, the acquirer measures the asset on the basis that AS 26 (Revised 20XX) would require in the Balance Sheet of the acquiree. The resulting adjustment affects goodwill (paragraph C4(g)(i) of this Ind-AS).

IG50 A first-time adopter may elect to use the fair value of an intangible asset at the date of an event such as a privatisation or initial public offering as its deemed cost at the date of that event (paragraph D8 of this Ind-AS), provided that the intangible asset qualifies for recognition in accordance with AS 26 (Revised 20XX) (paragraph 10 of this Ind-AS). In addition, if, and only if, an intangible asset meets both the recognition criteria in AS 26 (Revised 20XX) (including reliable measurement of original cost) and the criteria in AS 26 (Revised 20XX) for revaluation (including the existence of an active market), a first-time adopter may elect to use one of the following amounts as its deemed cost (paragraph D7 of this Ind-AS):

a) fair value at the date of transition to Ind-ASs (paragraph D5 of this Ind-AS), in which case the entity gives the disclosures required by paragraph 30 of this Ind-AS; or
b) revaluation in accordance with previous GAAP that meets the criteria in paragraph D6 of this Ind-AS.

IG51 If an entity's amortisation methods and rates in accordance with previous GAAP would be acceptable in accordance with Ind-ASs, the entity does not restate the accumulated amortisation in its opening Ind-AS Balance Sheet. Instead, the entity accounts for any change in estimated useful life or amortisation pattern prospectively from the period when it makes that change in estimate (paragraph 13 of this Ind-AS and paragraph 104 of AS 26 (Revised 20XX)). However, in some cases, an entity's amortisation methods and rates in accordance with previous GAAP may differ from those that would be acceptable in accordance with Ind-ASs (for example, if they were adopted solely for tax purposes and do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the entity adjusts the accumulated amortisation in its opening Ind-AS Balance Sheet retrospectively so that it complies with Ind-ASs (paragraph 14 of this Ind-AS).

AS 30 (Revised 20XX) Financial Instruments: Recognition and Measurement

IG52 An entity recognises and measures all financial assets and financial liabilities in its opening Ind-AS. Balance Sheet in accordance with AS 30 (Revised 20XX), except as specified in paragraphs B2–B6 of this Ind-AS, which address derecognition and hedge accounting.

Recognition

IG53 An entity recognises all financial assets and financial liabilities (including all derivatives) that qualify for recognition in accordance with AS 30 (Revised 20XX) and have not yet qualified for derecognition in accordance with AS 30 (Revised 20XX), except non-derivative financial assets and non-derivative financial liabilities derecognised in accordance with previous GAAP before date of transition, to which the entity does not choose to apply paragraph B3 (see paragraphs B2 and B3 of this Ind-AS). For example, an entity that does not apply paragraph B3 does not recognise assets transferred in a securitisation, transfer or other derecognition transaction that occurred before date of transition if those transactions qualified for derecognition in accordance with previous GAAP. However, if the entity uses the same securitisation arrangement or other derecognition arrangement for further transfers after date of transition, those further transfers qualify for derecognition only if they meet the derecognition criteria of AS 30 (Revised 20XX) .

IG54 An entity does not recognise financial assets and financial liabilities that do not qualify for recognition in accordance with AS 30 (Revised 20XX) or have already qualified for derecognition in accordance with AS 30 (Revised 20XX) .

Embedded derivatives

IG55 When AS 30 (Revised 20XX) requires an entity to separate an embedded derivative from a host contract , the initial carrying amounts of the components at the date when the instrument first satisfies the recognition criteria in AS 30 (Revised 20XX) reflect circumstances at that date (AS 30 (Revised 20XX) paragraph 11). If the entity cannot determine the initial carrying amounts of the embedded derivative and host contract reliably, it designates the entire combined contract as at fair value through profit or loss (AS 30 (Revised 20XX) paragraph 12).This results in fair value measurement (except when the entity cannot determine a reliable fair value, see AS 30 (Revised 20XX) paragraph 51(c), with changes in fair value recognised in profit or loss.

Measurement

IG56 In preparing its opening Ind-AS Balance Sheet, an entity applies the criteria in In AS 30 (Revised 20XX) to identify those financial assets and financial liabilities that are measured at fair value and those that are measured at amortised cost. In particular:

(a) to comply with AS 30 (Revised 20XX) paragraph 51, classification of financial assets as held-to-maturity investments relies on a designation made by the entity in applying AS 30 (Revised 20XX) reflecting the entity's intention and ability at the date of transition to Ind-ASs. It follows that sales or transfers of held-to-maturity investments before the date of transition to Ind-ASs do not trigger the 'tainting' rules in AS 30 (Revised 20XX) paragraph 9.

(b) to comply with AS 30 (Revised 20XX) paragraph 9, the category of 'loans and receivables' refers to the circumstances when the financial asset first satisfied the recognition criteria in AS 30 (Revised 20XX).

(c) in accordance with AS 30 (Revised 20XX) paragraph 9, derivative financial assets and derivative financial liabilities are always deemed held for trading (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). The result is that an entity measures at fair value all derivative financial assets and derivative financial liabilities that are not financial guarantee contracts.

(d) to comply with AS 30 (Revised 20XX) paragraph 50, an entity classifies a non-derivative financial asset or non-derivative financial liability in its opening Ind-AS Balance Sheet as at fair value through profit or loss only if the asset or liability was:

   i. acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
   ii. at the date of transition to Ind-ASs, part of a portfolio of identified financial instruments that were managed together and for which there was evidence of a recent actual pattern of short-term profit-taking; or
   iii. designated as at fair value through profit or loss at the date of transition to Ind-ASs.

(e) to comply with AS 30 (Revised 20XX) paragraph 9, available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale and those non-derivative financial assets that are not in any of the previous categories.

IG57 For those financial assets and financial liabilities measured at amortised cost in the opening Ind-AS Balance Sheet, an entity determines their cost on the basis of circumstances existing when the assets and liabilities first satisfied the recognition criteria in AS 30 (Revised 20XX). However, if the entity acquired those financial assets and financial liabilities in a past business combination, their carrying amount in accordance with previous GAAP immediately following the business combination is their deemed cost in accordance with Ind-ASs at that date (paragraph C4(e) of this Ind-AS).

IG58 An entity's estimates of impairments of financial assets measured at amortised cost at the date of transition to Ind-ASs are consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those assumptions were in error (paragraph 14 of this Ind-AS). The entity treats the impact of any later revisions to those estimates as impairment losses (or, if the criteria in AS 30 (Revised 20XX) are met, reversals of impairment losses) of the period in which it makes the revisions.

Transition adjustments

IG58A An entity shall treat an adjustment to the carrying amount of a financial asset or financial liability as a transition adjustment to be recognised in the opening balance of retained earnings at the date of transition to Ind-ASs only to the extent that it results from adopting AS 30 (Revised 20XX). Because all derivatives, other than those that are financial guarantee contracts or are designated and effective hedging instruments, are classified as held for trading, the differences between the previous carrying amount (which may have been zero) and the fair value of the derivatives are recognised as an adjustment of the balance of retained earnings at the transition date (other than for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

IG58B AS 5 (Revised 20XX) applies to adjustments resulting from changes in estimates. If an entity is unable to determine whether a particular portion of the adjustment is a transition adjustment or a change in estimate, it treats that portion as a change in accounting estimate in accordance with AS 5 (Revised 20XX), with appropriate disclosures (AS 5 (Revised 20XX) paragraphs 32–40).

IG59 An entity may, in accordance with its previous GAAP, have measured investments at fair value and recognised the revaluation gain outside profit or loss. If an investment is classified as at fair value through profit or loss, the pre-AS 30(Revised 20XX) revaluation gain that had been recognised outside profit or loss is reclassified into retained earnings on initial application of AS 30(Revised 20XX). If, on initial application of AS 30(Revised 20XX), an investment is classified as available-for-sale then the pre- AS 30(Revised 20XX) revaluation gain is recognised in a separate component of equity. Subsequently, the entity recognises gains and losses on the available-for-sale financial asset in other comprehensive income and accumulates the cumulative gains and losses in that separate component of equity until the investment is impaired, sold, collected or otherwise disposed of. On subsequent derecognition or impairment of the available-for-sale financial asset, the entity reclassifies to profit or loss the cumulative gain or loss remaining in equity (AS 30(Revised 20XX), paragraph 61(b)).

Hedge accounting

IG60 Paragraphs B4–B6 of this Ind-AS deal with hedge accounting. The designation and documentation of a hedge relationship must be completed on or before the date of transition to Ind-ASs if the hedge relationship is to qualify for hedge accounting from that date. Hedge accounting can be applied prospectively only from the date that the hedge relationship is fully designated and documented.

IG60A An entity may, in accordance with its previous GAAP, have deferred or not recognised gains and losses on a fair value hedge of a hedged item that is not measured at fair value. For such a fair value hedge, an entity adjusts the carrying amount of the hedged item at the date of transition to Ind-ASs. The adjustment is the lower of:

(a) that portion of the cumulative change in the fair value of the hedged item that ref lects the designated hedged risk and was not recognised in accordance with previous GAAP; and

(b) that portion of the cumulative change in the fair value of the hedging instrument that reflects the designated hedged risk and, in accordance with previous GAAP, was either (i)not recognised or (ii) deferred in the Balance Sheet as an asset or liability.

IG60B An entity may, in accordance with its previous GAAP, have deferred gains and losses on a cash flow hedge of a forecast transaction. If, at the date of transition to Ind-ASs, the hedged forecast transaction is not highly probable, but is expected to occur, the entire deferred gain or loss is recognised in equity. Any net cumulative gain or loss that has been reclassified to equity on initial application of AS 30 (Revised 20XX) remains in equity until (a) the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, (b) the forecast transaction affects profit or loss or (c) subsequently circumstances change and the forecast transaction is no longer expected to occur, in which case any related net cumulative gain or loss is reclassified from equity to profit or loss. If the hedging instrument is still held, but the hedge does not qualify as a cash flow hedge in accordance with AS 30 (Revised 20XX) hedge accounting is no longer appropriate starting from the date of transition to Ind-ASs.

AS 37 (Revised 20XX) Investment Property

IG61 An entity that adopts the fair value model in AS 37 (Revised 20XX) measures its investment property at fair value at the date of transition to Ind-ASs.

IG62 An entity that adopts the cost model in AS 37 (Revised 20XX) applies paragraphs IG7–IG13 on property, plant and equipment.

AS 24 (Revised 20XX) Non-current Assets Held for Sale and Discontinued Operations

IG62A AS 24 (Revised 20XX) requires that an entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use as at the date of transition to Ind-AS. However a first time adopter may measure non-current assets (or disposal groups) that meet the criteria to be classified as held for sale or for distribution to the owners and operations as at the date of transition to Ind-AS rather than going back to the date when the criteria to classify a non-current asset (or disposal group) as held for sale is met.

Explanation of transition to Ind-ASs

IG63 Paragraphs 24(a), (b) and (d), 25 and 26 of this Ind-AS require a first-time adopter to disclose reconciliations that give sufficient detail to enable users to understand the material adjustments to the Balance Sheet, statement of comprehensive income and, if applicable, statement of cash flows. Paragraph 24(a) and (b) requires specific reconciliations of equity and total comprehensive income where an entity elects to apply paragraph 21(a). Additional reconciliation are required under paragraph 24(d) where an entity voluntarily decides to provide one year comparative information under Ind-AS.. IG Example 11 shows one way of satisfying these requirements.

IG Example 11 Reconciliation of equity and total comprehensive income.

Background

An entity first adopted Ind-ASs in 2011-12, with a date of transition to Ind-ASs of 1 April 2011. Its last financial statements in accordance with previous GAAP were for the year ended 31 March 2011.

Application of requirements

The entity's first Ind-AS financial statements include the reconciliations and related notes shown below.

Among other things, this example includes a reconciliation of equity at the date of transition to Ind-ASs (1 April 2011). This Ind-AS also requires a reconciliation at the end of the period presented in accordance with previous GAAP (not included in this example).

In practice, it may be helpful to include cross-references to accounting policies and supporting analyses that give further explanation of the adjustments shown in the reconciliations below.

If a first-time adopter becomes aware of errors made in accordance with previous GAAP, the reconciliations distinguish the correction of those errors from changes in accounting policies (paragraph 26 of this Ind-AS). This example does not illustrate disclosure of a correction of an error.

Reconciliation of equity at 1 April 2011 (date of transition to Ind-ASs)

Notes		*Previous GAAP*	*Effect of transition to* **Ind-ASs**	**Ind-ASs**
		Rs	Rs	Rs
1	Property, plant and equipment	8,299	100	8,399
2	Goodwill	1,220	150	1,370
2	Intangible assets	208	(150)	58
3	Financial assets	3,471	420	3,891
	Total non-current assets	**13,198**	**520**	**13,718**
	Trade and other receivables	3,710	0	3,710
4	Inventories	2,962	400	3,362
5	Other receivables	333	431	764
	Cash and cash equivalents	748	0	748
	Total current assets	**7,753**	**831**	**8,584**
	Total assets	20,951	1,351	22,302
	Interest-bearing loans	9,396	0	9,396
	Trade and other payables	4,124	0	4,124
6	Employee benefits	0	66	66
7	Restructuring provision	250	(250)	0
	Current tax liability	42	0	42
8	Deferred tax liability	579	460	1,039
	Total liabilities	**14,391**	**276**	**14,667**
	Total assets less total liabilities	6,560	1,075	7,635
	Issued capital	1,500	0	1,500
3	Other reserves	0	294	294
5, 9	Retained earnings	5,060	781	5,841
	Total equity	6,560	1,075	7,635

Notes to the reconciliation of equity at 1 April 2011::

1. Depreciation was influenced by tax requirements in accordance with previous GAAP, but in accordance with Ind-ASs reflects the useful life of the assets. The cumulative adjustment increased the carrying amount of property, plant and equipment by 100.

2. Intangible assets in accordance with previous GAAP included Rs 150 for items that are transferred to goodwill because they do not qualify for recognition as intangible assets in accordance with Ind-ASs

3. Financial assets are all classified as at available for sale in accordance with Ind-ASs and are carried at their fair value of Rs 3,891. They were carried at cost of Rs 3,471 in accordance with previous GAAP. The resulting gains of Rs 294 (Rs 420, less related deferred tax of Rs 126) are included in the other reserves.

4. Inventories include fixed and variable production overhead of Rs 400 in accordance with Ind-ASs, but this overhead was excluded in accordance with previous GAAP.

5. Unrealised gains of Rs 431 on unmatured forward foreign exchange contracts are recognised in accordance with Ind-ASs, but were not recognised in accordance with previous GAAP. The resulting gains of Rs 302 (Rs 431, less related deferred tax of Rs 129) are included in the retained earnings.

6. A pension liability of Rs 66 is recognised in accordance with Ind-ASs, but was not recognised in accordance with previous GAAP, which used a cash basis.

7. A restructuring provision of Rs 250 relating to head office activities was recognised in accordance with previous GAAP, but does not qualify for recognition as a liability in accordance with Ind-ASs.

8. The above changes increased the deferred tax liability as follows:

	Rs
Other reserves (note 3)	126
Retained earnings	334
Increase in deferred tax liability	460

Because the tax base at 1 April 2011 of the items reclassified from intangible assets to goodwill (note 2) equaled their carrying amount at that date, it is assumed for the purposes of this illustration that the reclassification did not affect deferred tax liabilities.

9. The adjustments to retained earnings are as follows

	Rs
Depreciation (note 1)	100
Production overhead (note 4)	400
Pension liability (note 6)	(66)

Restructuring provision (note 7)	250
Unrealised gain on forward contracts (note 5)	431
Tax effect of the above	(334)
Total adjustment to retained earnings	781

Reconciliation of total comprehensive income for 2011-12:

Note		***Previous GAAP*** Rs	***Effect of transition to Ind-ASs*** Rs	***Ind-ASs*** Rs
	Revenue	20,910	0	20,910
1,2,3	Cost of sales	(15,283)	(97)	(15,380)
	Gross profit	5,627	(97)	5,530
1	Distribution costs	(1,907)	(30)	(1,937)
1,4	Administrative expenses	(2,842)	(300)	(3,142)
7	Forward contract	0	(40)	(40)
	Finance income	1,446	0	1,446
	Finance costs	(1,902)	0	(1,902)
	Profit before tax	422	(467)	(45)
5	Tax expense	(158)	140	(18)
	Profit (loss) for the year	264	(299)	(27)
6	Available-for-sale financial assets	0	180	180
8	Tax relating to other comprehensive income	0	(60)	(60)
	Other comprehensive income	0	120	120
	Total comprehensive income	264	(179)	147

Notes to the reconciliation of total comprehensive income for Year 2011-12:

1 A pension liability is recognised in accordance with Ind-AS, but was not to be recognised in accordance with previous GAAP. The pension liability increased by Rs. 130 during 2011-12, which caused increases in cost of sales (Rs 50), distribution costs (Rs 30) and administrative expenses (Rs 50).

2 Cost of sales is higher by Rs.47 in accordance with Ind-ASs because inventories include fixed and variable production overhead in accordance with Ind-ASs but not in accordance with previous GAAP.

3 Depreciation was influenced by tax requirements in accordance with previous GAAP, but reflects the useful life of the assets in accordance with Ind-ASs. The effect on the profit for 2011-12 was not material.

4 A restructuring provision of Rs 250 which was accounted in accordance with previous GAAP prior to transition date i.e April 1, 2011 in this example, but did not qualify for recognition in accordance with Ind-ASs until subsequent to the transition date. This increases administrative expenses for 2011-12 in accordance with Ind-ASs.

5 Deleted.

6 Available-for-sale financial assets carried at fair value in accordance with Ind-ASs increased in value by Rs 180 during 2011-12 . They were carried at cost in accordance with previous GAAP. Fair value changes have been included in other comprehensive income..

7 The fair value of forward foreign exchange contracts decreased by Rs 40 during 2011-12 .

8 Adjustments 1-4 and 7 above lead to a reduction of Rs 140 in deferred tax expenses and adjustment 6 above lead to an increase of Rs 60 in deferred tax expense.

Explanation of material adjustments to the statement of cash flows for 2011-12:

Income taxes of Rs 133 paid during **2011-12** are classified as operating cash flows in accordance with Ind-ASs, but were included in a separate category of tax cash flows in accordance with previous GAAP. There are no other material differences between the statement of cash flows presented in accordance with Ind-ASs and the statement of cash flows presented in accordance with previous GAAP.

AS 33 (Revised 20XX) Share-based Payment

IG64 A first-time adopter is encouraged, but not required, to apply AS 33 (Revised 20XX) *Share-based Payment* to equity instruments that were vested before the date of transition to IFRSs.

IG65 For example, if an entity's date of transition to IFRSs is 1 April 2011, the entity applies AS 33 (Revised 20XX) to shares, share options or other equity instruments that had not yet vested at 1 April 2011.

[Paragraphs IG66–IG200 reserved for possible guidance on future standards]

Appendices to Indian Accounting Standards

Appendix A to AS 10 (Revised 20XX) Changes in Existing Decommissioning, Restoration and Similar Liabilities

IG201 AS 10 (Revised 20XX) requires the cost of an item of property, plant and equipment to include the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. AS 29 (Revised 20XX) requires the liability, both initially and subsequently, to be measured at the amount required to settle the present obligation at the end of the reporting period, reflecting a current market-based discount rate.

IG202 Appendix A to AS 10 (Revised 20XX) requires that, subject to specified conditions, changes in an existing decommissioning, restoration or similar liability are added to or deducted from the cost of the related asset. The resulting depreciable amount of the asset is depreciated over its useful life, and the periodic unwinding of the discount on the liability is recognised in profit or loss as it occurs.

IG203 Paragraph D21 of Ind-AS 41 provides a transitional exemption. Instead of retrospectively accounting for changes in this way, entities can include in the depreciated cost of the asset an amount calculated by discounting the liability at the date of transition to Ind-ASs back to, and depreciating it from, when the liability was first incurred. IG Example 201 illustrates the effect of applying this exemption, assuming that the entity accounts for its property, plant and equipment using the cost model.

IG Example 201 Changes in existing decommissioning, restoration and similar liabilities

Background

An entity's first Ind-AS financial statements are for a period that ends on 31 March 2012 and with transition date of 1 April, 2011.

The entity acquired an energy plant on 1 April 2008, with a life of 40 years. As at the date of transition to Ind-ASs, the entity estimates the decommissioning cost in 37 years' time to be Rs 470, and estimates that the appropriate risk-adjusted discount rate for the liability is 5 per cent. It judges that the appropriate discount rate has not changed since 1 April 2008.

Application of requirements

The decommissioning liability recognised at the transition date is Rs 77 (Rs 470 discounted for 37 years at 5 per cent).

Discounting this liability back for a further three years to 1 April 2008 gives an estimated liability at acquisition, to be included in the cost of the asset, of Rs 67. Accumulated depreciation on the asset is Rs 67 × 3/40 = Rs 5.

The amounts recognised in the opening Ind-AS Balance Sheet on the date of transition to Ind-ASs (1April,2011) are, in summary:

	Rs
Decommissioning cost included in cost of	67
Accumulated depreciation	(5)
Decommissioning liability	(77)
Net assets/retained earnings	(15)

Appendix C to AS 19 (Revised 20XX) Determining whether an Arrangement contains a Lease

IG204 Appendix C to AS 19 (Revised 20XX) specifies criteria for determining, at the inception of an arrangement, whether the arrangement contains a lease. It also specifies when an arrangement should be reassessed subsequently.

IG205 Paragraph D9 of the Ind-AS provides a transitional exemption. Instead of determining retrospectively whether an arrangement contains a lease at the inception of the arrangement and subsequently reassessing that arrangement as required in the periods before transition to Ind-ASs, entities may determine whether arrangements in existence on the date of transition to Ind-ASs contain leases by applying paragraphs 6–9 of Appendix C to AS 19 (Revised 20XX) to those arrangements on the basis of facts and circumstances existing on that date.

IG Example 202 Determining whether an arrangement contains a lease

Background

An entity's first Ind-AS financial statements are for a period that ends on 31 March 2012. Its date of transition to Ind-ASs is therefore 1 April 2011.

On 1 April 2010 the entity entered into a take-or-pay arrangement to supply gas.
On 1 April 2011, there was a change in the contractual terms of the arrangement.

Application of requirements

On 1 April 2011 the entity may determine whether the arrangement contains a lease by applying the criteria in paragraphs 6–9 of Appendix C to AS 19 (Revised 20XX) on the basis of facts and circumstances existing on that date. Alternatively, the entity applies those criteria on the basis of facts and circumstances existing on 1 April 2010 and reassesses the arrangement on 1 April 2011. If the arrangement is determined to contain a lease, the entity follows the guidance in paragraphs IG14–IG16.

IG206 Paragraph D9A of Ind-AS 41 provides a transitional exemption in addition to that discussed in paragraph IG205. The exemption in paragraph D9A applies only to arrangements that were assessed in the same manner as required by Appendix C to AS 19 (Revised 20XX). If arrangements exist at the date of transition to Ind-ASs that an entity did not assess under previous GAAP in the same manner as required by Appendix C to AS 19 (Revised 20XX) to determine whether they contain a lease, the entity may apply the transition exemption discussed in paragraph IG205.

Appendix G
Major differences between Indian Accounting Standard (Ind-AS) 41 *First-time Adoption of Indian Accounting Standards and IFRS 1*

Note: This Appendix is not a part of the Accounting Standard (AS) 41, First-time Adoption of Indian Accounting Standards. The purpose of this Appendix is only to highlight major differences between AS 41 and corresponding International Financial Reporting Standard (IFRS) 1, First-time Adoption of International Financial Reporting Standards.

This exposure draft differs from IFRS 1 in the following major respects.

1. IFRS 1 *First-time Adoption of International Financial Reporting Standards* was first issued by the International Accounting Standards Board in June 2003 and thereafter has been amended many times to accommodate the changes to other relevant IASs and IFRSs and the first time accommodation required arising from those changes. For the purposes of Ind-AS 41, the IFRS 1, as restructured and issued in 2008 has been used as the basis and updated to reflect subsequent amendments upto November 2009 excluding the amendments so far as they relate to changes arising from introduction of IFRS 9, – *Financial Instruments*. To that extent, Ind-AS 41 reflects only the current set of provisions and exemptions and does not present all the evolution.

2. Generally, there is only one transition date for a country transitioning to IFRS. In India, as the converged IFRS standards become applicable in a phased manner it is expected that Ind-AS 41 would be available to each company considering its relevant transition date.

3. IFRS 1 defines transitional date as beginning of the earliest period for which an entity presents full comparative information under IFRS. It is this date which is the starting point for IFRS and it is on this date the cumulative impact of transition is recorded based on assessment of conditions at that date.

   Ind-AS 41, however, provides an entity with a choice to either consider the beginning of the current period or the comparative period as the transition date. Thus, the transition date has been defined as the beginning date of financial year on or after 1 April, 2011 for which an entity presents financial information under Ind-AS in its first Ind-AS financial statements but where an entity voluntarily decides to provide a prior period comparatives in accordance with Ind-AS then the date of transition would be the beginning of the earliest period for which an entity presents full comparative information under Ind-AS in its first Ind-AS financial statements i.e. beginning of financial year on or after 1 April, 2010.

   Arising from this fundamental change, there are other consequential changes to Ind-AS 41. For example, disclosures required under paragraph 21 and reconciliations under paragraphs 24 to 26 Ind-AS 41 have been modified to accommodate this option available under Ind-AS 41. The relevant Implementation Guidance and illustrative examples have been appropriately modified to reflect the option provided to transitioning entities.

4. IFRS 1 provides for various optional exemptions that an entity can seek while and entity transitions to IFRS from its previous GAAP. Similar provisions have been retained under

Ind-AS 41. However, there are few fundamental changes that have been made, which can be broadly categorized as follows:

(a) Elimination of effective dates prior to transition date. IFRS 1 provides for various dates from which a standard could have been implemented. For example, under paragraph B2 of IFRS 1, an entity would have had to adopt the de-recgonition requirements for transactions entered after 1 January, 2004. However, for Ind-AS 41 purposes, all these dates have been changed to coincide with the transition date elected by the entity adopting this converged standards;

(b) Deletion of certain exemptions not relevant for India. For example, paragraph D10 of IFRS 1 provided an entity that adopted the corridor approach for recording actuarial gain and losses arising from accounting for employee obligations with an option to recognize the entire such gain or loss to retained earnings, at the date of transition, rather than requiring them to split such gains and losses as recognized and unrecognized gains and losses. In India, since corridor approach is not elected, the resultant first time transition provision has been deleted; and

(c) Inclusion/modification of existing exemptions to make it relevant for India. For example, paragraph D 26 has been added to provide for transitional relief while applying AS 24 (Revised 20XX) - *Non-current Assets Held for Sale and Discontinued Operations*. Paragraph D26 provides an entity to use the transitional date circumstances to measure such assets or operations at the lower of carrying value and fair value less cost to sell.

5. Different terminology is used in this Exposure Draft as compared to IFRS 1, for example, the term 'Balance Sheet' is used instead of 'Statement of Financial Position' and 'Statement of Profit and Loss' instead of 'Statement of Comprehensive Income'.