

Differences between Ind ASs and Existing ASs

Ind AS 1, *Presentation of Financial Statements* and existing AS 1 (issued 1979), *Disclosure of Accounting Policies*

Ind AS 1 generally deals with presentation of financial statements, whereas existing AS 1 (issued 1979) deals only with the disclosure of accounting policies. The scope of Ind AS 1 is thus much wider and line by line comparison of the difference with the present standard is not possible. However, the major requirements as laid down in Ind AS 1 are as follows:

- (i) An enterprise shall make an explicit statement in the financial statements of compliance with all the Indian Accounting Standards. Further, Ind AS 1 allows deviation from a requirement of an accounting standard in case the management concludes that compliance with Ind ASs will be misleading and if the regulatory framework requires or does not prohibit such a departure.
- (ii) Ind AS 1 requires presentation and provides criteria for classification of Current / Non- Current assets / liabilities.
- (iii) Ind AS 1 prohibits presentation of any item as extraordinary Item in the statement of profit and loss or in the notes.
- (iv) Ind AS 1 requires disclosure of judgments made by management while framing of accounting policies. Also, it requires disclosure of key assumptions about the future and other sources of measurement uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year.

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- (v) Ind AS 1 requires classification of expenses to be presented based on nature of expenses.
- (vi) Ind AS 1 requires presentation of balance sheet *as at the beginning of the earliest period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in the financial statements, or when it reclassifies items in its financial statements.*
- (vii) In respect of reclassification of items, Ind AS 1 requires disclosure of nature, amount and reason for reclassification in the notes to financial statements.
- (viii) Ind AS 1 requires the financial statements to include a Statement of Changes in Equity to be shown as a part of the balance sheet which, inter alia, includes reconciliation between opening and closing balance for each component of equity

Ind AS 2, Inventories and existing AS 2, Valuation of Inventories

- (i) Ind AS 2 deals with the subsequent recognition of cost/carrying amount of inventories as an expense, whereas the existing AS 2 does not provide the same (refer paragraphs 1 and 34 of Ind AS 2).
- (ii) Ind AS 2 provides explanation with regard to inventories of service providers whereas the existing AS 2 does not contain such an explanation (refer paragraphs 8, 19 and 29 of Ind AS 2).
- (iii) The existing AS 2 explains that inventories do not include machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular; such machinery spares are accounted for in accordance with Accounting Standard (AS) 10, *Accounting for Fixed Assets*. Ind AS 2 does not contain specific explanation in respect of such spares as this aspect is covered under Ind AS 16.
- (iv) Ind AS 2 does not apply to measurement of inventories held by commodity broker-traders, who measure their inventories at fair

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value less costs to sell. However, this aspect is not there in the existing AS 2. Accordingly, Ind AS 2 defines fair value and provides an explanation in respect of distinction between 'net realisable value' and 'fair value'. The existing AS 2 does not contain the definition of fair value and such explanation.

- (v) Ind AS 2 provides detailed guidance in case of subsequent assessment of net realisable value (refer paragraph 33 of Ind AS 2). It also deals with the reversal of the write-down of inventories to net realisable value to the extent of the amount of original write-down, and the recognition and disclosure thereof in the financial statements. The existing AS 2 does not deal with such reversal.
- (vi) Ind AS 2 excludes from its scope only the measurement of inventories held by producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products though it provides guidance on measurement of such inventories (refer paragraphs 4 and 20 of Ind AS 2). However, the existing AS 2 excludes from its scope such types of inventories.
- (vii) The existing AS 2 specifically provides that the formula used in determining the cost of an item of inventory should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition whereas Ind AS 2 does not specifically state so and requires the use of consistent cost formulas for all inventories having a similar nature and use to the entity. Ind AS 2 also explains this aspect (refer paragraphs 25 and 26).
- (viii) Ind AS 2 requires more disclosures as compared to the existing AS 2 (refer paragraph 36 of the Ind AS 2).

Ind AS 7, Statement of Cash Flows and the existing AS 3, Cash Flow Statements

- (i) Ind AS 7 specifically includes bank overdrafts which are repayable on demand as a part of cash and cash equivalents, whereas the

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existing AS 3 is silent on this aspect (refer paragraph 8 of Ind AS 7).

- (ii) Ind AS 7 provides the treatment of cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale in the ordinary course of business as cash flows from operating activities. Further, treatment of cash receipts from rent and subsequent sale of such assets as cash flow from operating activity is also provided (refer paragraph 14 of Ind AS 7). The existing AS 3 does not contain such requirements.
- (iii) Ind AS 7 includes the following new examples of cash flows arising from financing activities (refer paragraph 17 of Ind AS 7):
 - (a) cash payments to owners to acquire or redeem the entity's shares
 - (b) cash proceeds from mortgages
 - (c) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.
- (iv) As compared to the existing AS 3, Ind AS 7 specifically requires adjustment of the profit or loss for the effects of 'undistributed profits of associates and non-controlling interests' while determining the net cash flow from operating activities using the indirect method (refer paragraph 20(b) of the Ind AS 7).
- (v) The existing AS 3 requires cash flows associated with extraordinary activities to be separately classified as arising from operating, investing and financing activities, whereas Ind AS 7 does not contain this requirement.
- (vi) As compared to the existing AS 3, Ind AS 7 requires to disclose the amount of cash and cash equivalents and other assets and liabilities in the subsidiaries or other businesses over which control is obtained or lost (refer paragraph 40(c) and (d) of Ind AS 7). Ind AS 7 also requires to report the aggregate amount of the cash paid or received as consideration for obtaining or losing control of subsidiaries or other businesses in the statement of

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cash flows, net of cash and cash equivalents acquired or disposed of as a part of such transactions, events or changes in circumstances (refer paragraph 42 of Ind AS 7). The existing AS 3 does not contain such requirements.

- (vii) Ind AS 7 requires to classify cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control as cash flows from financing activities (refer paragraphs 42A and 42B of Ind AS 7). The existing AS 3 does not contain such a requirement.
- (viii) Ind AS 7 mentions the use of Equity or Cost method while accounting for an investment in an associate or a subsidiary (refer paragraph 37 of Ind AS 7). It also specifically deals with the reporting of interest in a jointly controlled entity using proportionate consolidation and using equity method (refer paragraph 38 of Ind AS 7). The existing AS 3 does not contain such requirements.
- (ix) Ind AS 7 uses the term 'functional currency' instead of 'reporting currency' (as used in the existing AS 3). Ind AS 7 also deals with translation of cash flows of a foreign subsidiary (refer paragraphs 25 to 27 of Ind AS 7) whereas in the existing AS 3, it is not dealt with.
- (x) Ind AS 7 requires more disclosures as compared to the existing AS 3 (refer paragraph 50 of the Ind AS 7).

Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors and existing AS 5 (Revised 1997) Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

- (i) Objective of existing AS 5 is to prescribe the classification and disclosure of certain items in the statement of profit and loss for uniform preparation and presentation of financial statements. Objective of Ind AS 8 is to prescribe the criteria for selecting and

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changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Ind AS 8 intends to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities.

- (ii) Keeping in view that Ind AS 1, *Presentation of Financial Statements*, prohibits the presentation of any items of income or expense as extraordinary items and deals with profit or loss for the period, and in accordance with the objective of Ind AS 8, this standard does not deal with the same, which at present is dealt with by existing AS 5.
- (iii) Existing AS 5 restricts the definition of accounting policies to specific accounting principles and the methods of applying those principles while Ind AS 8 broadens the definition to include bases, conventions, rules and practices (in addition to principles) applied by an entity in the preparation and presentation of financial statements.
- (iv) In addition to the situations allowed under Ind AS 8 for change in accounting policy, existing AS 5 allows the situation where change in accounting policy is required by statute.
- (v) Ind AS 8 specifically states that an entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an Ind AS specifically requires or permits categorisation of items for which different policies may be appropriate. Neither existing AS 5 nor any other existing Standard specifically requires accounting policies to be consistent for similar transactions, other events and conditions.
- (vi) Ind AS 8 requires that changes in accounting policies should be accounted for with retrospective effect subject to limited exceptions viz., where it is impracticable to determine the period specific effects or the cumulative effect of applying a new accounting policy. On the other hand, existing AS 5 does not specify how change in accounting policy should be accounted for.

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- (vii) Existing AS 5 defines prior period items as incomes or expenses which arise in the current period as a result of errors or omissions in the preparation of financial statements of one or more prior periods. Ind AS 8 uses the term errors and relates it to errors or omissions arising from a failure to use or misuse of reliable information (in addition to mathematical mistakes, mistakes in application of accounting policies etc.) that was available when the financial statements of the prior periods were approved for issuance and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Ind AS 8 specifically states that errors include frauds, which is not covered in existing AS 5.
- (viii) Ind AS 8 requires rectification of material prior period errors with retrospective effect subject to limited exceptions viz., where it is impracticable to determine the period specific effects or the cumulative effect of applying a new accounting policy. On the other hand, existing AS 5 requires the rectification of prior period items with prospective effect.
- (ix) Disclosure requirements given in Ind AS 8 are more detailed as compared to the disclosure requirements given in the existing AS 5.

Ind AS 10, Events after the Reporting Period and existing AS 4, Contingencies and Events occurring after the Balance Sheet Date

- (i) In Ind AS 10, material non-adjusting events are required to be disclosed in the financial statements, whereas the existing AS 4 requires the same to be disclosed in the report of approving authority.
- (ii) As per Ind AS 10 dividend proposed or declared after the reporting period, can not be recognised as a liability in the financial statements because it does not meet the criteria of a present obligation as per Ind AS 37. Such dividend is required to be disclosed in the notes in the financial statements as per Ind AS 1,

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whereas as per the existing AS 4 the same is required to be adjusted in financial statements because of the requirements prescribed in the Schedule VI to the Companies Act, 1956.

- (iii) If after the reporting date, it is determined that the fundamental accounting assumption of going concern is no longer appropriate, Ind AS 10 requires a fundamental change in the basis of accounting. Whereas existing AS 4 requires assets and liabilities to be adjusted for events occurring after the balance sheet date that indicate that the fundamental accounting assumption of going concern is not appropriate.

In this regard, Ind AS 10 refers to Ind AS 1, which requires an entity to make the following disclosures:

- disclose the fact that the financial statements are not prepared on a going concern basis together with the basis on which the financial statements are prepared
- state the reason why the entity is not regarded as a going concern.

Existing AS 4 does not require any such disclosure, However, existing AS 1 requires the disclosure of the fact in case going concern assumption is not followed.

- (iv) Ind AS 10 includes an Appendix *Distribution of Non-cash Assets to Owners* which deals , inter alia, with when to recognise dividends payable to its owners.

Ind AS 11 ‘*Construction Contracts*’, and existing AS 7 (revised 2002), *Construction Contracts*

- (i) Existing AS 7 includes borrowing costs as per AS 16, *Borrowing Costs*, in the costs that may be attributable to contract activity in general and can be allocated to specific contracts, whereas Ind AS 11 does not specifically make reference to Ind AS 23.

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- (ii) Existing AS 7 does not recognise fair value concept as contract revenue is measured at consideration received/receivable, whereas Ind AS 11 requires that contract revenue shall be measured at fair value of consideration received/receivable.
- (iii) Existing AS 7 does not deal with accounting for Service Concession Arrangements, i.e., the arrangement where private sector entity (an operator) constructs or upgrades the infrastructure to be used to provide the public service and operates and maintains that infrastructure for a specified period of time, whereas Appendix A of Ind AS 11 deals with accounting aspects involved in such arrangements and Appendix B of Ind AS 11 deals with disclosures of such arrangements.
- (iv) Agreements for construction of real estate are scoped in Ind AS 11. The effect of this inclusion is that percentage of completion method is to be applied for such agreements, whereas IASB has issued IFRIC 15 according to which in certain cases completed contract method would be applicable.

Ind AS 12 , *Income Taxes*, and the existing AS 22 *Taxes on Income*

- (i) Ind AS 12 is based on balance sheet approach. It requires recognition of tax consequences of differences between the carrying amounts of assets and liabilities and their tax base. Existing AS 22 is based on income statement approach. It requires recognition of tax consequences of differences between taxable income and accounting income. For this purpose differences between taxable income and accounting income are classified into permanent and timing differences.
- (ii) As per Ind AS 12, subject to limited exceptions, deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, The criteria for recognising deferred tax assets arising from the carry forward of unused tax losses and tax credits are the same that for recognising deferred tax assets arising from deductible temporary differences. However, the existence of unused tax

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losses is strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses, the entity recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity

As per the existing AS 22, deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Where deferred tax asset is recognised against unabsorbed depreciation or carry forward of losses under tax laws, it is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

- (iii) As per Ind AS 12, current and deferred tax are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised outside profit or loss, either in other comprehensive income or directly in equity, in those cases tax is also recognised in other comprehensive income or in equity, as appropriate. Existing AS 22 does not specifically deal with this aspect.
- (iv) Existing AS 22 deals with disclosure of deferred tax assets and liabilities in the balance sheet. Ind AS 12 does not deal with this aspect except that it requires that income tax relating to each component of other comprehensive income shall be disclosed as current or non-current asset/liability in accordance with the requirements of Ind AS 1.
- (v) Disclosure requirements given in the Ind AS 12 are more detailed as compared to existing AS 22.
- (vi) Ind AS 12 provides guidance that deferred tax asset/liability arising from revaluation of assets shall be measured on the basis

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of tax consequences from the sale of asset rather than through use. Existing AS 22 does not deal with this aspect.

- (vii) Ind AS 12 provides guidance as to how an entity should account for the tax consequences of a change in its tax status or that of its shareholders. Existing AS 22 does not deal with this aspect.
- (viii) Existing AS 22 explains virtual certainty supported by convincing evidence. Since the concept of virtual certainty does not exist in Ind AS 12, this explanation is not included.
- (ix) Existing AS 22 specifically provides guidance regarding recognition of deferred tax in the situations of Tax Holiday under Sections 80-IA and 80-IB and Tax Holiday under Sections 10A and 10B of the Income Tax Act, 1961.

Similarly, existing AS 22 provides guidance regarding recognition of deferred tax asset in case of loss under the head 'capital gains'.

Ind AS 12 does not specifically deal with these situations.

- (x) Existing AS 22 specifically provides guidance regarding tax rates to be applied in measuring deferred tax assets/liability in a situation where a company pays tax under section 115JB. Ind AS 12 does not specifically deal with this aspect.

Ind AS 16 Property, Plant and Equipment, and existing AS 10, Accounting for Fixed Assets and AS 6, Depreciation Accounting

Ind AS 16 deals with accounting for property, plant and equipment which are covered by existing AS 10, *Accounting for Fixed Assets*. Ind AS 16 also deals with depreciation of property, plant and equipment which is presently covered by AS 6, *Depreciation Accounting*. Therefore, the major differences mentioned below are between the Ind AS 16 and existing AS 10 and existing AS 6.

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- (i) Existing AS 10 specifically excludes accounting for real estate developers from its scope, whereas Ind AS 16 does not exclude such developers from its scope.
- (ii) Ind AS 16, apart from defining the term property, plant and equipment, also lays down the following criteria which should be satisfied for recognition of items of property, plant and equipment:
 - (a) it is probable that future economic benefits associated with the item will flow to the entity, and
 - (b) the cost of the item can be measured reliably.

Existing AS 10 does not lay down any specific recognition criteria for recognition of a fixed asset. As per the standard, any item which meets the definition of a fixed asset should be recognised as a fixed asset.

- (iii) As per Ind AS 16, initial costs as well as the subsequent costs are evaluated on the same recognition principles to determine whether the same should be recognised as an item of property, plant and equipment. Existing AS 10 on the other hand, prescribes separate recognition principles for subsequent expenditure. As per existing AS 10, subsequent expenditures related to an item of fixed asset are capitalised only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. (Paragraph 7 of Ind AS 16 and Paragraph 12 of existing AS 10)
- (iv) Ind AS 16 requires that major spare parts qualify as property, plant and equipment when an entity expects to use them during more than one period and when they can be used only in connection with an item of property, plant and equipment.

As per existing AS 10, only those spares are required to be capitalised which can be used only in connection with a fixed asset and whose use is expected to be irregular. (Paragraph 8 of Ind AS 16 and Paragraph 8.2 of existing AS 10)

- (v) Ind AS 16 is based on the component approach. Under this approach, each major part of an item of property plant and equipment with a cost that is significant in relation to the total

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cost of the item is depreciated separately. As a corollary, cost of replacing such parts is capitalised, if recognition criteria are met with consequent derecognition of carrying amount of the replaced part. The cost of replacing those parts which have not been depreciated separately is also capitalised with the consequent derecognition of the replaced parts. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

Existing AS 10, however, does not mandatorily require full adoption of the component approach. It recognises the said approach in only one paragraph by stating that accounting for a tangible fixed asset may be improved if total cost thereof is allocated to its various parts. Apart from this, neither existing AS 10 nor existing AS 6 deals with the aspects such as separate depreciation of components, capitalising the cost of replacement, etc. (Paragraphs 43, 70 of Ind AS 16 and paragraph 8.3 of Existing AS 10)

- (vi) Ind AS 16 requires that the cost of major inspections should be capitalised with consequent derecognition of any remaining carrying amount of the cost of the previous inspection. Existing AS 10 does not deal with this aspect. (Paragraph 14 of Ind AS 16)
- (vii) In line with the requirement of Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets*, for creating a provision towards the costs of dismantling and removing the item of property plant and equipment and restoring the site on which it is located at the time the item is acquired or constructed, Ind AS 16 requires that the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located should be included in the cost of the respective item of property plant and equipment. Existing AS 10 does not contain any such requirement. (Paragraphs 16 (c) and 18 of Ind AS 16)
- (viii) Ind AS 16 requires an entity to choose either the cost model or the revaluation model as its accounting policy and to apply that

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policy to an entire class of property plant and equipment. It requires that under revaluation model, revaluation be made with reference to the fair value of items of property plant and equipment. It also requires that revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Existing AS 10 recognises revaluation of fixed assets. However, the revaluation approach adopted therein is ad hoc in nature, as it does not require the adoption of fair value basis as its accounting policy or revaluation of assets with regularity. It also provides an option for selection of assets within a class for revaluation on systematic basis. (Paragraphs 29 and 31 of Ind AS 16 and paragraph 27 of existing AS 10)

- (ix) Ind AS 16 provides that the revaluation surplus included in equity in respect of an item of property plant and equipment may be transferred to the retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on its original cost. Transfers from revaluation surplus to the retained earnings are not made through profit or loss. (Paragraph 41 of Ind AS 16)

As compared to the above, neither existing AS 10 nor existing AS 6 deals with the transfers from revaluation surplus. To deal with this aspect, the Institute issued a *Guidance Note on Treatment of Reserve Created on Revaluation of Fixed Assets*. The Guidance Note provides that if a company has transferred the difference between the revalued figure and the book value of fixed assets to the 'Revaluation Reserve' and has charged the additional depreciation related thereto to its profit and loss account, it is possible to transfer an amount equivalent to accumulated additional depreciation from the revaluation reserve to the profit and loss account or to the general reserve as the

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circumstances may permit, provided suitable disclosure is made in the accounts. However, the said Guidance Note also recognises that it would be prudent not to charge the additional depreciation arising due to revaluation against the revaluation reserve.

- (x) With regard to self-constructed assets, Ind AS 16, specifically states that the cost of abnormal amounts of wasted material, labour, or other resources incurred in the construction of an asset is not included in the cost of the assets. Existing AS 10 while dealing with self-constructed fixed assets does not mention the same. (Paragraph 22 of Ind AS 16)
- (xi) Ind AS 16 provides that the cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with Ind AS 16. Similarly, the concept of cash price equivalent has been followed in case of disposal of fixed assets also. Existing AS 10 does not contain this requirement. (Paragraphs 23 and 72 of Ind AS 16)
- (xii) Existing AS 10 specifically deals with the fixed assets owned by the entity jointly with others. Ind AS 16 does not specifically deal with this aspect as these would basically be covered by Ind AS 31 as jointly controlled assets. (Paragraph 15.2 of existing AS 10)
- (xiii) Existing AS 10 specifically deals with the situation where several assets are purchased for a consolidated price. It provides that the consideration should be apportioned to the various assets on the basis of their respective fair values. However, Ind AS 16 does not specifically deal with this situation. (Paragraph 15.3 of existing AS 10)
- (xiv) Ind AS 16 requires that the residual value and useful life of an asset be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with AS 5. Under existing AS 6, such a review is not

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obligatory as it simply provides that useful life of an asset may be reviewed periodically. (Paragraph 51 of Ind AS 16)

- (xv) Ind AS 16 requires that the depreciation method applied to an asset should be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method should be changed to reflect the changed pattern. In existing AS 6, change in depreciation method can be made only if the adoption of the new method is required by statute or for compliance with an accounting standard or if it is considered that the change would result in a more appropriate preparation or presentation of the financial statements. (Paragraph 61 of Ind AS 16)
- (xvi) Ind AS 16 requires that change in depreciation method should be considered as a change in accounting estimate and treated accordingly. In existing AS 6, it is considered as a change in accounting policy and treated accordingly. (Paragraph 61 of Ind AS 16)
- (xvii) Ind AS 16 requires that compensation from third parties for items of property, plant and equipment that were impaired, lost or given up should be included in the statement of profit and loss when the compensation becomes receivable. Existing AS 10 does not specifically deal with this aspect. (Paragraph 65 of Ind AS 16)
- (xviii) Ind AS 16 specifically provides that gains arising on derecognition of an item of property, plant and equipment should not be treated as revenue as defined in AS 9. Existing AS 10 is silent on this aspect. (Paragraph 68 of Ind AS 16)
- (xix) Ind AS 16 deals with the situation where entities hold the items of property, plant and equipment for rental to others and subsequently sell the same. No such provision is there in existing AS 10. (Paragraph 68A of Ind AS 16)
- (xx) Ind AS 16 does not deal with the assets 'held for sale' because the treatment of such assets is covered in Ind AS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Existing AS

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10 deals with accounting for items of fixed assets retired from active use and held for sale.

- (xxi) Ind AS 16 requires that if property, plant and equipment is acquired in exchange for a non-monetary asset, it should be recognised at its fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The existing standard requires that when a fixed asset is acquired in exchange for another asset, its cost is usually determined by reference to the fair market value of the consideration given. It may be appropriate to consider also the fair market value of the asset acquired if this is more clearly evident. Existing AS 10 also prescribes an alternative accounting treatment that is sometimes used for an exchange of assets, particularly when the assets exchanged are similar, is to record the asset acquired at the net book value of the asset given up; in each case an adjustment is made for any balancing receipt or payment of cash or other consideration.
- (xxii) Ind AS 16 includes Appendix A which addresses how the changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted for .
- (xxiii) The disclosure requirements of Ind AS 16 are significantly elaborate as compared to AS 10/AS 6.

Ind AS 17, *Leases* and AS 19, *Leases*

- (i) The existing standard excludes leases of land from its scope. Ind AS 17 does not have such scope exclusion. It has specific provisions dealing with leases of land and building applicable. Further, Ind AS 17 is not applicable as the basis of measurement for property held by lessees/provided by lessors under operating leases but treated as investment property and biological assets held by lessees/provided by lessors under operating dealt with in the Standard on Agriculture. The existing standard does not contain such provisions.

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- (ii) The definition of residual value appearing in the existing standard has been deleted in Ind AS 17.
- (iii) Consequent upon the difference between the existing standard and Ind AS 17 in respect of treatment of initial direct costs incurred by a non-manufacturer/non-dealer-lessor in respect of a finance lease (see point 5 below), the term ‘initial direct costs’ has been specifically defined in Ind AS 17 and definition of the term ‘interest rate implicit in the lease’ as per the existing standard has been modified in Ind AS 17.
- (iv) Ind AS 17 makes a distinction between inception of lease and commencement of lease. In the existing standard, though both the terms are used at some places, these terms have not been defined and distinguished. Further, Ind AS 17 deals with adjustment of lease payments during the period between inception of the lease and the commencement of the lease term. This aspect is not dealt with in the existing standard. Also, as per Ind AS 17, the lessee shall recognise finance leases as assets and liabilities in balance sheet at the commencement of the lease term whereas as per the existing standard such recognition is at the inception of the lease.
- (v) Treatment of initial direct costs under Ind AS 17 differs from the treatment prescribed under the existing standard. This is tabulated below:

<i>Subject</i>	<i>Existing standard</i>	<i>Ind AS 17</i>
Finance lease-lessee accounting	Added to the amount recognised as asset.	Same as per the existing standard.
Finance lease-lessor accounting		
<i>Non-manufacturer/Non-dealer:</i>	Either recognised as expense immediately or allocated against the finance income over the lease term.	Interest rate implicit in the lease is defined in such a way that the initial direct costs included automatically in the finance lease receivable; there is no

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<i>Manufacturer/dealer:</i>	Recognised as expense at the commencement of the lease term.	need to add them separately. Same as per the existing standard.
Operating lease-Lessee accounting	No discussion	No discussion
Operating lease-Lessor accounting	Either deferred and allocated to income over the lease term in proportion to the recognition of rent income, or recognised as expense in the period in which incurred.	Added to the carrying amount of the leased asset and recognised as expense over the lease term on the same basis as lease income.

- (vi) Ind AS 17 requires current/non-current classification of lease liabilities if such classification is made for other liabilities. Also, it makes reference to Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*. These matters are not addressed in the existing standard.
- (vii) As per the existing standard, if a sale and leaseback transaction results in a finance lease, excess, if any, of the sale proceeds over the carrying amount shall be deferred and amortised by the seller-lessee over the lease term in proportion to depreciation of the leased asset. While Ind AS 17 retains the deferral and amortisation principle, it does not specify any method of amortisation.
- (viii) Ind AS 17 provides guidance on accounting for incentives in the case of operating leases, evaluating the substance of transactions involving the legal form of a lease and determining whether an arrangement contains a lease. The existing standard does not contain such guidance.

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- (ix) There are some differences in disclosure requirements as per the existing standard and disclosure requirements as per Ind AS 17.

Ind AS 18, *Revenue* and the existing AS 9 (Issued 1985)

- (i) Definition of 'revenue' given in the Ind AS 18 is broad compared to the definition of 'revenue' given in existing AS 9 because it covers all economic benefits that arise in the ordinary course of activities of an entity which result in increases in equity, other than increases relating to contributions from equity participants. On the other hand, as per the existing AS 9, revenue is gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends.
- (ii) Revenue arising from agreements of real estate development are specifically scoped out from Ind AS18. Existing AS 9 does not exclude the same.
- (iii) Measurement of revenue is briefly covered in the definition of revenue in the existing AS 9, while Ind AS 18 deals separately in detail with measurement of revenue. As per existing AS 9, revenue is recognised at the nominal amount of consideration receivable. Ind AS 18 requires the revenue to be measured at fair value of the consideration received or receivable.
- (iv) Ind AS 18 specifically deals with the exchange of goods and services with goods and services of similar and dissimilar nature. In this regard specific guidance is given regarding barter transactions involving advertising services. This aspect is not dealt with in the existing AS 9.
- (v) Ind AS 18 provides guidance on application of recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. Existing AS 9 does not specifically deal with the same.

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- (vi) For recognition of revenue in case of rendering of services, existing AS 9 permits the use of completed service contract method. Ind AS 18 requires recognition of revenue using percentage of completion method only.
- (vii) Existing AS 9 requires the recognition of revenue from interest on time proportion basis. Ind AS 18 requires interest to be recognised using effective interest rate method.
- (viii) Disclosure requirements given in the Ind AS 18 are more detailed as compared to existing AS 9.
- (ix) Ind AS 18 specifically provides guidance regarding revenue recognition in case the entity is under any obligation to provide free or discounted goods or services or award credits to its customers due to any customer loyalty programme. Existing AS 9 does not deal with this aspect.
- (x) Ind AS 18 deals with accounting of transfer of property, plant and equipment by the customers to the entity, which are used by the entity to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. Existing AS 9 does not deal with this aspect.
- (xi) Existing AS 9 specifically deals with disclosure of excise duty as a deduction from revenue from sales transactions. Ind AS 18 does not specifically deal with the same.

Ind AS 19, *Employees Benefits*, and existing AS 15 (revised 2005) *Employees Benefits*

- (i) In Ind AS 19 employee benefits arising from constructive obligations are also covered whereas the existing AS 15 does not deal with the same. (Paragraph 3(c) of Ind AS 19)
- (ii) As per the existing standard, the term employee includes whole-time directors whereas under Ind AS 19 the term includes directors. (Paragraph 6 of Ind AS 19)

Differences between Ind ASs and Existing ASs

- (iii) Definitions of short-term employee benefits, other long-term employee benefits, return on plan assets and past service cost as per the existing AS 15 have been changed in Ind AS 19. (Paragraph 7 of Ind AS 19)
- (iv) Ind AS 19 deals with situations where there is a contractual agreement between a multi-employer plan and its participants that determines how the surplus in the plan will be distributed to the participants (or the deficit funded). (Paragraph 32A of Ind AS 19) The existing AS 15 does not deal with it.
- (v) As per Ind AS 19, participation in a defined benefit plan sharing risks between various entities under common control is a related party transaction for each group entity and some disclosures are required in the separate or individual financial statements of an entity whereas the existing AS 15 does not contain similar provisions. (Paragraph 34 B of Ind AS 19).
- (vi) Cross-reference to recognition of, or disclosure of information, of contingent liabilities under the Standard on Provisions, Contingent Liabilities, Contingent Assets, in the case of multi-employer plans, appearing in the existing standard has been amended in Ind AS 19 as disclosure only, since, contingent liabilities should not be recognised as per the Standard on Provisions, Contingent Liabilities, Contingent Assets. (Paragraph 32 B of Ind AS 19)
- (vii) Ind AS 19 encourages, but does not require, an entity to involve a qualified actuary in the measurement of all material post-employment benefit obligations whereas the existing standard, though does not require involvement of a qualified actuary, does not specifically encourage the same. (Paragraph 57 of Ind AS 19)
- (viii) In the existing AS 15, in respect of defined benefit plans, one of the limits for 'asset ceiling' comprises present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In the revised standard, on the other hand, the said limit is the total of (i) any cumulative unrecognised past service cost and (ii) the present

Differences between Ind ASs and Existing ASs

value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. (Paragraph 58(b) of Ind AS 19).

- (ix) Ind AS 19 makes it clear that financial assumptions shall be based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled whereas the existing standard does not clarify the same. (Paragraph 77 of Ind AS 19)
- (x) Ind AS 19 contains the following clarifications which are not there in the existing standard:
 - (a) negative past service cost arises when an entity changes the benefits attributable to past service so that the present value of the defined benefit obligation decreases. (Paragraph 97 of Ind AS 19)
 - (b) a curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service. (Paragraph 111 of Ind AS 19)
 - (c) when a plan amendment reduces benefits, only the effect of the reduction for future service is a curtailment and that the effect of any reduction for past service is a negative past service cost. (Paragraph 111 A of Ind AS 19)

Further, with reference to curtailments, as against the requirement of 'present obligation' in the existing standard, the revised standard requires 'demonstrable commitment in respect of reduction in the number of employees'. Also, the terms 'material reduction in the number of employees' and 'material element of future service' appearing in the existing standard have been replaced by the terms 'significant reduction in the number of employees' and 'significant element of future service' respectively in Ind AS 19. (Paragraph 111 of Ind AS 19)

- (xi) Under Ind AS 19, more guidance has been given for timing of recognition of termination benefits. Recognition criteria for termination benefits under the revised standard differ from the criteria prescribed in the existing standard. Measurement criteria

Differences between Ind ASs and Existing ASs

have also been expanded in the revised standard to deal with voluntary redundancy. (Paragraphs 133, 134 and 140 of Ind AS 19).

- (xii) Ind AS 19 requires recognition of the actuarial gains and losses in other comprehensive income, both for post-employment defined benefit plans and other long-term employment benefit plans. The actuarial gains and losses recognised in other comprehensive income should be recognised immediately in retained earnings and should not be reclassified to profit or loss in a subsequent period. Existing AS 15 requires recognition of the actuarial gains and losses immediately in the statement of profit and loss as income or expense
- (xiii) Ind AS 19 gives guidance on the interaction of ceiling of asset recognition and minimum funding requirement in the case of defined benefit obligations, whereas this guidance is not available in the existing standard.(Appendix A of Ind AS 19)

Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance, and AS 12 Accounting for Government Grants

- (i) Ind AS 20 deals with the other forms of government assistance which do not fall within the definition of government grants. It requires that an indication of other forms of government assistance from which the entity has directly benefited should be disclosed in the financial statements. However, AS 12 does not deal with such government assistance.
- (ii) AS 12 requires that in case the grant is in respect of non-depreciable assets, the amount of the grant should be shown as capital reserve which is a part of shareholders' funds. It further requires that if a grant related to a non-depreciable asset requires the fulfilment of certain obligations, the grant should be credited to income over the same period over which the cost of meeting such obligations is charged to income. AS 12 also gives an alternative to treat such grants as a deduction from the cost of such asset.

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As compared to the above, Ind AS 20, is based on the principle that all government grants would normally have certain obligations attached to them and these grants should be recognised as income over the periods which bear the cost of meeting the obligation. It, therefore, specifically prohibits recognition of grants directly in the shareholders' funds.

- (iii) AS 12 recognises that some government grants have the characteristics similar to those of promoters' contribution. It requires that such grants should be credited directly to capital reserve and treated as a part of shareholders' funds. Ind AS 20 does not recognise government grants of the nature of promoters' contribution. As stated at (ii) above, Ind AS 20 is based on the principle that all government grants would normally have certain obligations attached to them and it, accordingly, requires all grants to be recognised as income over the periods which bear the cost of meeting the obligation.
- (iv) AS 12 requires that government grants in the form of non-monetary assets, given at a concessional rate, should be accounted for on the basis of their acquisition cost. In case a non-monetary asset is given free of cost, it should be recorded at a nominal value. Ind AS 20 requires to value non-monetary grants at their fair value, since it results into presentation of more relevant information and is conceptually superior as compared to valuation at a nominal amount.
- (v) Existing AS 12 gives an option to present the grants related to assets, including non-monetary grants at fair value in the balance sheet either by setting up the grant as deferred income or by deducting the grant from the gross value of asset concerned in arriving at its book value. Ind AS 20 requires presentation of such grants in balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at its book value is not available under Ind AS 20
- (v) Ind AS 20 includes Appendix A which deals with *Government Assistance—No Specific Relation to Operating Activities*

Differences between Ind ASs and Existing ASs

- (vi) Ind AS 20 requires that loans received from a government that have a below-market rate of interest should be recognised and measured in accordance with Ind AS 39 (which requires all loans to be recognised at fair value, thus requiring interest to be imputed to loans with a below-market rate of interest) whereas AS 12 does not require so.

Ind AS 21 The Effects of Changes in Foreign Exchange Rates, and existing AS 11 The Effects of Changes in Foreign Exchange Rates

- (i) Ind AS 21 excludes from its scope forward exchange contracts and other similar financial instruments, which are treated in accordance with Ind AS 39 *Financial Instruments: Recognition and Measurement*. The existing AS 11 does not such exclude accounting for such contracts.
- (ii) Ind AS 21 is based on functional currency approach whereas existing AS 11 is not.
- (iii) The existing AS 11 is based on integral foreign operations and non-integral foreign operations approach for accounting for a foreign operation, whereas Ind AS 21 is based on the functional currency approach. However, in Ind AS 21 the factors to be considered in determining an entity's functional currency are similar to the indicators in existing AS 11 to determine the foreign operations as non-integral foreign operations. As a result, despite the difference in the term, there are no substantive differences in respect of accounting of a foreign operation.
- (iv) As per Ind AS 21, presentation currency can be different from local currency and it gives detailed guidance on this, whereas the existing AS 11 does not explicitly state so.
- (v) Ind AS 21 permits an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity. In this situation, Ind AS 21 requires the accumulated exchange

Differences between Ind ASs and Existing ASs

differences to be transferred to profit or loss in an appropriate manner. AS 11 does not permit such a treatment.

- (vi) Ind AS 21 permits an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity and to transfer the same to profit or loss over the term of such items. Existing AS 11, however, gives an option to the foreign currency gains and losses to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity to be transferred to profit or loss over the life of the relevant liability/asset if such items are not related to acquisition of fixed assets upto 31st March 2011; where such items are related to acquisition of fixed assets, the foreign exchange differences can be recognised as part of the cost of the asset.

Ind AS 23, *Borrowing Costs*, and existing AS 16 *Borrowing Costs*

- (i) Ind AS 23 does not require an entity to apply this standard to borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset measured at fair value, for example, a biological asset whereas the existing AS 16 does not provide for such scope relaxation.
- (ii) Ind AS 23 excludes the application of this Standard to borrowing costs directly attributable to the acquisition, construction or production of inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis whereas existing AS 16 does not provide for such scope relaxation and is applicable to borrowing costs related to all inventories that require substantial period of time to bring them in saleable condition.
- (iii) As per existing AS 16, *Borrowing Costs*, inter alia, include the following:
 - (a) interest and commitment charges on bank borrowings and other short-term and long-term borrowings;

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- (b) amortisation of discounts or premiums relating to borrowings;
- (c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings;

Ind AS 23 requires to calculate the interest expense using the effective interest rate method as described in Ind AS 39 *Financial Instruments: Recognition and Measurement*. Items (b) and (c) above have been deleted, as some of these components of borrowing costs are considered as the components of interest expense calculated using the effective interest rate method.

- (iii) Existing AS 16 gives explanation for meaning of 'substantial period of time' appearing in the definition of the term 'qualifying asset'. This explanation is not included in the Ind AS 23.
- (iv) Ind AS 23 provides that when *the Standard on Financial Reporting in Hyperinflationary Economies* is applied, part of the borrowing costs that compensates for inflation should be expensed as required by that Standard (and not capitalised in respect of qualifying assets). The existing AS 16 does not contain a similar clarification because at present, in India, there is no Standard on *Financial Reporting in Hyperinflationary Economies*.
- (v) Ind AS 23 specifically provides that in some circumstances, it is appropriate to include all borrowings of the parent and its subsidiaries when computing a weighted average of the borrowing costs while in other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable to its own borrowings. This specific provision is not there in the existing AS 16.
- (vi) Ind AS 23 requires disclosure of capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation. The existing AS 16 does not have this disclosure requirement.

Ind AS 24, *Related Party Disclosures*, and the existing AS 18 (Issued 2000) *Related Party Disclosures*

- (i) Existing AS 18 uses the term “**relatives of an individual**”, whereas Ind AS 24 uses the term “**a close member of that person’s family**”. Definition of close members of family as per Ind AS 24 includes the persons specified within the meaning of ‘relative’ under the Companies Act 1956 and that person’s domestic partner, children of that person’s domestic partner and dependants of that person’s domestic partner. However, the existing AS 18 covers the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise. Hence, the definition as per Ind AS 24 is much wider. **(Paragraph 3 of existing AS 18 and paragraph 9 of Ind AS 24).**
- (ii) Existing AS-18 defines state-controlled enterprise as “*an enterprise which is under the control of the Central Government and/or any State Government(s)*”. However, in Ind AS 24, there is extended coverage of Government Enterprises, as it defines a government-related entity as “an entity that is controlled, jointly controlled or significantly influenced by a government.” Further, “Government refers to government, government agencies and similar bodies whether local, *national or international*.” **(paragraph 10 of existing AS 18 and paragraph 9 of Ind AS 24)**
- (iii) Existing AS 18 covers key management personnel (KMP) of the entity only, whereas, Ind AS 24 covers KMP of the parent as well. **(Paragraph 3 of existing As 18 and paragraph 9 of Ind AS 24)**
- (iv) Under Ind AS 24 there is extended coverage in case of joint ventures. Two entities are related to each other in both their financial statements, if they are either co-venturers or one is a venturer and the other is an associate. Whereas as per existing AS 18, co-venturers or co-associates are not related to each other.

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- (v) Existing AS 18 mentions that where there is an inherent difficulty for management to determine the effect of influences which do not lead to transactions, disclosure of such effects is not required whereas Ind AS 24 does not specifically mention this. **(paragraph 18 of existing AS 18)**
- (vi) Existing AS 18 does not specifically cover entities that are post employment benefit plans, as related parties. However, Ind AS 24 specifically includes post employment benefit plans for the benefit of employees of an entity or its related entity as related parties.
- (vii) Ind AS 24 requires an additional disclosure as to the name of the next most senior parent which produces consolidated financial statements for public use, whereas the existing AS-18 has no such requirement. **(paragraph 13 of Ind AS 24)**
- (viii) Ind AS 24 requires extended disclosures for compensation of KMP under different categories, whereas the existing AS 18 does not specifically require. **(paragraph 17 of Ind AS 24)**
- (ix) Ind AS 24 requires “*the amount of the transactions*” need to be disclosed, whereas existing AS 18 gives an option to disclose the “*Volume of the transactions either as an amount or as an appropriate proportion*”. **(paragraph 23(iv) of existing AS 18 and paragraph 18 (a) of Ind AS 24)**
- (x) Ind AS 24 requires disclosures of certain information by the government related entities, whereas the existing AS 18 presently exempts the disclosure of such information. **(paragraph 25 of Ind AS 24 and paragraph 9 of existing standard)**
- (xi) Existing AS 18 includes clarificatory text, primarily with regard to control, substantial interest (including 20% threshold), significant influence (including 20% threshold) . However, Ind AS 24 does not include such clarificatory text and allows respective standards to deal with the same.

Ind AS 27 Consolidated and Separate Financial Statements, and existing AS 21, Consolidated Financial Statements

- (i) Ind AS 27 makes the preparation of Consolidated Financial Statements mandatory for a parent. Existing AS 21 does not mandate the preparation of Consolidated Financial Statements by a parent.

As far as separate financial statements are concerned, as per existing AS 21, Consolidated Financial Statements are prepared in addition to separate financial statements. However, Ind AS 27 does not mandate preparation of separate financial statements.

- (ii) Ind AS 27 provides guidance for accounting for investments in subsidiaries, jointly controlled entities and associates in preparing the separate financial statements. Existing AS 21 does not deal with the same.

- (iii) As per existing AS 21, subsidiary is excluded from consolidation when control is intended to be temporary or when subsidiary operates under severe long term restrictions. Ind AS 27 does not give any such exemption from consolidation except that if a subsidiary meets the criteria to be classified as held for sale, in that case it shall be accounted for as per Ind AS 105, *Non-current Assets held for Sale and Discontinued Operations*.

Existing AS 21 explains where an entity owns majority of voting power because of ownership and all the shares are held as stock-in-trade, whether this amounts to temporary control. Existing AS 21 also explains the term 'near future'. However, Ind AS 27 does not explain the same, as these are not relevant.

- (iv) As per the definition given in Ind AS 27, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. However, the definition of control given in the existing AS 21 is rule-based, which requires the ownership, directly or indirectly through subsidiary(ies), of more than half of the voting power of an enterprise; or control of the

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composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities.

Existing AS 21 also provides clarification regarding consolidation in case an entity is controlled by two entities. No clarification has been provided in this regard in Ind AS 27, keeping in view that as per the definition of control given in Ind AS 27, control of an entity could be with one entity only.

- (v) For considering share ownership, potential equity shares of the investee held by investor are not taken into account as per existing AS 21. However, as per Ind AS 27, existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has control over the subsidiary.
- (vi) As per existing AS 21 minority interest should be presented in the consolidated balance sheet separately from liabilities and equity of the parent's shareholders. However, as per Ind AS 27 non-controlling interests shall be presented in the consolidated balance sheet within equity separately from the parent shareholders' equity.
- (vii) Existing AS 21 permits the use of financial statements of the subsidiaries drawn upto a date different from the date of financial statements of the parent after making adjustments regarding effects of significant transactions. The difference between the reporting dates should not be more than six months. As per Ind AS 27, the length of difference in the reporting dates of the parent and the subsidiary should not be more than three months.
- (viii) Both the existing AS 21 and Ind AS 27, require the use of uniform accounting policies. However, existing AS 21 specifically states that if it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied. However, Ind AS 27 does not recognise the situation of impracticability.

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- (ix) Ind AS 27 provides detailed guidance as compared to existing AS 21 regarding accounting in case of loss of control over subsidiary.
- (x) Existing AS 21 provides clarification regarding inclusion of notes appearing in the separate financial statements of the parent and its subsidiaries in the consolidated financial statements. However, Ind AS 27 does not provide any clarification in this regard.
- (xi) Existing AS 21 provides clarification regarding accounting for taxes on income in the consolidated financial statements. However, the same has not been dealt with in Ind AS 27, as the same is dealt with in Ind AS 12 *Income taxes*.
- (xii) Existing AS 21 provides clarification regarding disclosure of parent's share in post-acquisition reserves of a subsidiary. The same has not been dealt with in Ind AS 27.
- (xiii) Existing AS 21 does not provide guidance on consolidation of Special Purpose Entities (SPEs), whereas Appendix A of Ind AS 27 provides guidance on the same.

Ind AS 28, *Investments in Associates*, and existing AS 23 (issued 2001), *Accounting for Investments in Associates in Consolidated Financial Statements*

- (i) Ind AS 28 excludes from its scope, investments in associates held by venture capital organisations, mutual funds, unit trusts and similar entities including investment-linked insurance funds, which are treated in accordance with Ind AS 39 *Financial Instruments: Recognition and Measurement*. The existing AS 23 does not make such exclusion.
- (ii) As per the definition given in Ind AS 28, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The definition of control given in the existing AS 23 is rule-based, which requires the ownership, directly or indirectly through subsidiary(ies), of more than half of

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the voting power of an enterprise; or control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other entity so as to obtain economic benefits from its activities.

- (iii) In the existing AS 23, 'Significant Influence' has been defined as 'power to participate in the financial *and/or* operating policy decisions of the investee but is not control over those policies'. In Ind AS 28, the same has been defined as 'power to participate in the financial *and* operating policy decisions of the investee but is not control *or joint control* over those policies'. Ind AS 28 defines the joint control also.
- (iv) For considering share ownership for the purpose of significant influence, potential equity shares of the investee held by investor are not taken into account as per the existing AS 23. As per Ind AS 28, existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has significant influence or not.
- (v) Existing AS 23 requires application of the equity method only when the entity has subsidiaries and prepares Consolidated Financial Statements. Ind AS 28 requires application of equity method in financial statements other than separate financial statements even if the investor does not have any subsidiary.
- (vi) One of the exemptions from applying equity method in the existing AS 23 is where the associate operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investee. No such exemption is provided in Ind AS 28.

An explanation has been given in existing AS 23 regarding the term 'near future' used in another exemption from applying equity method, ie, where the investment is acquired and held exclusively with a view to its subsequent disposal in the near future. This explanation has not been given in the Ind AS 28 as such situations are covered by Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*.

- (vii) As per the existing AS 23, in separate financial statements, investment in an associate is not accounted for as per the equity

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method, the same is accounted for in accordance with existing AS 13, *Accounting for investments*. As per Ind AS 27, the same is to be accounted for at cost or in accordance with Ind AS 39 *Financial Instruments: Recognition and Measurement*.

- (viii) The existing AS 23 permits the use of financial statements of the associate drawn upto a date different from the date of financial statements of the investor when it is impracticable to draw the financial statements of the associate upto the date of the financial statements of the investor. There is no limit on the length of difference in the reporting dates of the investor and the associate. As per Ind AS 28, length of difference in the reporting dates of the investor and the associate should not be more than three months unless it is impracticable.
- (ix) Both the existing AS 23 and Ind AS 28 require that similar accounting policies should be used for preparation of investor's financial statements and in case an associate uses different accounting policies for like transactions, appropriate adjustments shall be made to the accounting policies of the associate. The existing AS 23 provides exemption to this that if it is not possible to make adjustments to the accounting policies of the associate, the fact shall be disclosed along with a brief description of the differences between the accounting policies. Ind AS 28 provides that the investor's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances unless it is impracticable to do so.
- (x) As per existing AS 23, investor's share of losses in the associate is recognised to the extent of carrying amount of investment in the associate. As per Ind AS 28, carrying amount of investment in the associate as well as its other long term interests in the associate that, in substance form part of the investor's net investment in the associate shall be considered for recognising investor's share of losses in the associate.
- (xi) With regard to impairment, the existing AS 23 requires that the carrying amount of investment in an associate should be reduced to recognise a decline, other than temporary, in the value of the investment. Ind AS 28 requires that after application of equity method, including recognising the associate's losses, the

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requirements of Ind AS 39 shall be applied to determine whether it is necessary to recognise any additional impairment loss.

- (xii) Ind AS 28 requires more disclosures as compared to the existing AS 23.

Ind AS 31, Interests in Joint Ventures and existing AS 27 (issued 2002), Financial Reporting of Interests in Joint Ventures

- (i) The scope of Ind AS 31 specifically excludes joint venture investments made by venture capital organizations, mutual funds, unit trusts and similar entities including investment-linked insurance funds which are treated in accordance with Ind AS 39 *Financial Instruments: Recognition and Measurement*. The existing AS 27 does not make such exclusion.
- (ii) Existing AS 27 provides that in some exceptional cases, an enterprise by a contractual arrangement establishes joint control over an entity which is a subsidiary of that enterprise within the meaning of Accounting Standard (AS) 21, *Consolidated Financial Statements*. In those cases, the entity is consolidated under AS 21 by the said enterprise, and is not treated as a joint venture. Ind AS 31 does not recognise such cases keeping in view the definition of control given in Ind AS 27.
- (iii) Ind AS 31 provides that a venturer can recognise its interest in jointly controlled entity using either proportionate consolidation method or equity method. Existing AS 27 prescribes the use of proportionate consolidation method only.
- (iv) Existing AS 27 requires application of the proportionate consolidation method only when the entity has subsidiaries and prepares Consolidated Financial Statements. Ind AS 31 requires proportionate consolidation of jointly controlled entities, even if the venturer does not have any subsidiary in financial statements other than separate financial statements.

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- (v) In case of separate financial statements under existing AS 27, interest in jointly controlled entity is accounted for as per AS 13, *Accounting for Investments*, i.e., at cost less provision for other than temporary decline in the value of investment. Ind AS 31 refers to Ind AS 27 in this regard, which requires it to be recognised at cost or in accordance with Ind AS 39.
- (vi) An explanation has been given in existing AS 27 regarding the term 'near future' used in an exemption given from applying proportionate consolidation method, ie, where the investment is acquired and held exclusively with a view to its subsequent disposal in the near future. This explanation has not been given in Ind AS 31, as such situations are now covered by Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*.
- (vii) Existing AS 21 provides clarification regarding disclosure of venturer's share in post-acquisition reserves of a jointly controlled entity. The same has not been dealt with in Ind AS 31.
- (viii) Ind AS 31 specifically deals with the venturer's accounting for non-monetary contributions to a jointly controlled entity. Existing AS 27 does not deal with this aspect.

Ind AS 32, *Financial Instruments: Presentation*, and existing AS 31 *Financial Instruments: Presentation*

- (i) The existing AS 31 does not apply to contracts for contingent consideration in a business combination in case of acquirers. Ind AS 32 does not exempt such contracts. **(Paragraph 3 (c) of existing AS 31)**
- (ii) Ind AS 32 includes the definition of puttable instruments and deals with the same. The existing AS 31 does not deal with the same. **(Primarily Paragraphs 11, 16A-16D, and consequential changes in paragraphs 17, 18, 19, 22, 22A, 23, 25, AG13AG14A-AG 14J, AG27, AG 29A of Ind AS 32)**

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- (iii) Ind AS 32 does not include deposits and advances in common examples of financial assets and financial liabilities. The existing AS 31 includes the same. **(AG 4 of Ind AS 32 and paragraph 12 (e) of existing AS 31)**
- (iv) Ind AS 32 specifies conditions for offsetting a financial liability or financial asset. The existing AS 31 does not specify the same. **(AG 38 of Ind AS 32)**
- (v) Ind AS 32 requires that in some circumstances, because of the differences between interest and dividends with respect to matters such as tax deductibility, it is desirable to disclose them separately in the statement of profit and loss. Disclosures of the tax effects are made in accordance with Ind AS 12. The existing AS 31 does not mention this aspect. **(paragraph 40 of Ind AS 32 and paragraph 77 of existing AS 31)**
- (vi) Ind AS 32 specifically mentions that the related amount of income taxes recognised directly in equity is included in the aggregate amount of current and deferred income tax credited or charged to equity that is disclosed under Ind AS 12, *Income Taxes*. The existing AS 31 does not mention so. **(Paragraph 39 of Ind AS 32 and paragraph 75 of existing AS 31)**
- (vii) As an exception to the definition of 'financial liability' in paragraph 11 (b) (ii), Ind AS 32 considers the equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments as an equity instrument if the exercise price is fixed in any currency. This exception is not provided in AS 31.

Ind AS 33, Earnings per Share, and existing AS 20, Earnings per Share

- (i) Existing AS 20 does not specifically deal with options held by the entity on its shares, e.g., purchased options, written put option etc. Ind AS 33 deals with the same.

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- (ii) Ind AS 33 requires presentation of basic and diluted EPS from continuing and discontinued operations separately. However, existing AS 20 does not require any such disclosure.
- (iii) Existing AS 20 requires the disclosure of EPS with and without extraordinary items. Since as per Ind AS 1, *Presentation of Financial Statements*, no item can be presented as extraordinary item, Ind AS 33 does not require the aforesaid disclosure.

Ind AS 34, *Interim Financial Reporting*, and existing AS 25 (Issued 2002) *Interim Financial Reporting*

- (i) Under the existing AS 25, if an entity is required or elects to prepare and present an interim financial report, it should comply with that standard. Ind AS 34 applies only if an entity is required or elects to prepare and present an interim financial report in accordance with Accounting Standards. Consequently, it is specifically stated in Ind AS 34 that the fact that an entity may not have provided interim financial reports during a particular financial year or may have provided interim financial reports that do not comply with the revised standard does not prevent the entity's annual financial statements from conforming to Accounting Standards if they otherwise do so. (Paragraph 2 of Ind AS 34)
- (ii) In Ind AS 34, the term 'complete set of financial statements' appearing in the definition of interim financial report has been expanded as compared to AS 25 as complete set of financial statements (as described in Ind AS 1, *Presentation of Financial Statements*). Accordingly, the said term includes balance sheet as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. (Paragraph 5 of Ind AS 34)
- (iii) As per the existing standard, the contents of an interim financial report include, at a minimum, a condensed balance sheet, a condensed statement of profit and loss, a condensed cash flow

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statement and selected explanatory notes. Ind AS 34 requires, in addition to the above, a condensed statement of changes in equity for the period which is presented as a part of the balance sheet. (Consequential to change in Ind AS 1)

- (iv) Ind AS 34 prohibits reversal of impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. There is no such specific prohibition in the existing standard. Ind AS 34 includes Appendix A which addresses the interaction between the requirements of Ind AS 34 and the recognition of impairment losses on goodwill in Ind AS 36 and certain financial assets in Ind AS 39, and the effect of that interaction on subsequent interim and annual financial statements
- (v) Under the existing standard, if an entity's annual financial report included the consolidated financial statements in addition to the separate financial statements, the interim financial report should include both the consolidated financial statements and separate financial statements, complete or condensed. Ind AS 34 states that it neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim report prepared on a consolidated basis. (Paragraph 14 of revised AS 25)
- (vi) The existing standard requires the Notes to interim financial statements, (if material and not disclosed elsewhere in the interim financial report), to contain a statement that the same accounting policies are followed in the interim financial statements as those followed in the most recent annual financial statements or, in case of change in those policies, a description of the nature and effect of the change. Ind AS 34 *additionally* requires the above information in respect of methods of computation followed. (Paragraph 16A(a) of Ind AS 34)
- (vii) The existing standard requires furnishing information, in interim financial report, of dividends, aggregate or per share (in absolute or percentage terms), for equity and other shares. Ind AS 34 requires furnishing of information, in interim financial report, on dividends **paid**, aggregate or per share separately for equity and other shares. (Paragraph 16A(f) of revised Ind AS 34)

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- (viii) While the existing standard requires furnishing of information on contingent liabilities only, Ind AS 34 requires furnishing of information on both contingent liabilities and contingent assets, if they are significant. (Paragraph 15B(m) of Ind AS 34)
- (ix) In comparison to AS 25, reference to extraordinary items (in the context of materiality) in the existing standard is deleted in Ind AS 34 in line with the Ind AS 1. (Paragraph 23 of existing AS 25)
- (x) Ind AS 34 requires that, where an interim financial report has been prepared in accordance with the requirements of the revised standard, that fact should be disclosed. Further, an interim financial report should not be described as complying with Accounting Standards unless it complies with all of the requirements of Accounting Standards. (The latter statement is applicable when interim financial statements are prepared on complete basis instead of 'condensed basis'). The existing standard does not contain these requirements. (Paragraph 19 of Ind AS 34)
- (xi) Under the existing standard, a change in accounting policy, other than one for which the transitional provisions are specified by a new Standard, should be reflected by restating the financial statements of prior interim periods of the current financial year. Ind AS 34 *additionally* requires restatement of the comparable interim periods of prior financial years that will be restated in annual financial statements in accordance with Ind AS 8, subject to special provisions when such restatement is impracticable. (Paragraph 43 of Ind AS 34)
- (xii) Convergence of all other standards with IFRSs also has impact on interim financial reporting. For example, treatment of constructive obligation in Ind AS 37, treatment of foreign exchange differences in Ind AS 21 etc. will have impact in interim financial reporting which could be different in the context of relevant existing standards. There are other consequential impacts also. For example, existing AS 20 requires EPS with and without extraordinary items. Since the concept of extraordinary items is no longer valid in the context of Ind AS 1 the question of EPS with and without extraordinary items does not arise in the context

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of Ind AS 33. This changed requirement of Ind AS 33 is equally applicable to interim financial reporting under Ind AS 34

- (xiii) Illustration B to Ind AS 34 (not an integral part of the standard), *inter alia*, gives example of application of Accounting Standard on *Financial Reporting in Hyperinflationary Economies* to interim periods. Similar example was not given in the existing standard, there being no Indian standard on accounting in hyperinflationary economies. [In addition, Examples of applying the recognition and measurement principles and examples of the use of estimates given in Illustrations have been increased in Ind AS 34].
- (xiv) Under the existing standard, when an interim financial report is presented for the first time in accordance with that Standard, an entity need not present, in respect of all the interim periods of the current financial year, comparative statements of profit and loss for the comparable interim periods (current and year-to-date) of the immediately preceding financial year and comparative cash flow statement for the comparable year-to-date period of the immediately preceding financial year. Ind AS 34 removes this transitional provision.

Ind AS 36, *Impairment of Assets*, and existing AS 28 (issued 2002), *Impairment of Assets*

- (i) Ind AS 36 applies to financial assets classified as:
 - (a) subsidiaries, as defined in Ind AS 27,
 - (b) associates as defined in Ind AS 28)
 - (c) joint ventures as defined in Ind AS 31

The existing AS 28 does not apply to the above assets.

- (ii) Ind AS 36 specifically excludes biological assets related to Agricultural activity. Existing AS 28 does not specifically exclude biological assets.

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- (iii) Ind AS 36 requires annual impairment testing for an intangible asset with an indefinite useful life or not yet available for use and goodwill acquired in a business combination. The existing AS 28 does not require the annual impairment testing for the goodwill unless there is an indication of impairment.
- (iv) Ind AS 36 gives additional guidance on, *inter alia*, the following aspects compared to the existing AS 28:
 - (a) estimating the value in use of an asset;
 - (b) for managements to assess the reasonableness of the assumptions on which cash flows are based; and
 - (c) using present value techniques in measuring an asset's value in use.
- (v) The existing AS 28 requires that the impairment loss recognised for goodwill should be reversed in a subsequent period when it was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events that have occurred that reverse the effect of that event whereas Ind AS 36 prohibits the recognition of reversals of impairment loss for goodwill.
- (vi) In the existing AS 28, goodwill is allocated to CGUs only when the allocation can be done on a reasonable and consistent basis. If that requirement is not met for a specific CGU under review, the smallest CGU to which the carrying amount of goodwill can be allocated on a reasonable and consistent basis must be identified and the impairment test carried out at this level. Thus, when all or a portion of goodwill cannot be allocated reasonably and consistently to the CGU being tested for impairment, two levels of impairment tests are carried out, viz., bottom-up test and top-down test.

In Ind AS 36, goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. There is no bottom-up or top-down approach for allocation of goodwill.

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- (vii) Ind AS 36 requires certain extra disclosures as compared to the existing AS 28.

Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets, and Existing AS 29 (issued 2003) Provisions, Contingent Liabilities and Contingent Assets

- (i) Unlike the existing AS 29, Ind AS 37 requires creation of provisions in respect of constructive obligations also. [However, the existing standard requires creation of provisions arising out of normal business practices, custom and a desire to maintain good business relations or to act in an equitable manner]. This has resulted in some consequential changes also. For example, definition of provision and obligating event have been revised in Ind AS 37, while the terms 'legal obligation' and 'constructive obligation' have been inserted and defined in Ind AS 37. Similarly, the portion of existing AS 29 pertaining to restructuring provisions has been revised in Ind AS 37. Additional examples have also been included in Appendices F and G of Ind AS 37.
- (ii) The existing AS 29 prohibits discounting the amounts of provisions. Ind AS 37 requires discounting the amounts of provisions, if effect of the time value of money is material.
- (iii) The existing AS 29 notes the practice of disclosure of contingent assets in the report of the approving authority but prohibits disclosure of the same in the financial statements. Ind AS 37 requires disclosure of contingent assets in the financial statements when the inflow of economic benefits is probable. The disclosure, however, should avoid misleading indications of the likelihood of income arising.
- (iv) Ind AS 37 makes it clear that before a separate provision for an onerous contract is established, an entity should recognise any impairment loss that has occurred on assets dedicated to that contract in accordance with Ind AS 36. There is no such specific provision in the existing standard.

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- (v) The existing AS 29 states that identifiable future operating losses up to the date of restructuring are not included in a provision. Ind AS 37 gives an exception to this principle viz. such losses related to an onerous contract.
- (vi) Ind AS 37 gives guidance on (i) Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds and (ii) Liabilities arising from Participating in a Specific Market— Waste Electrical and Electronic Equipment.

Ind AS 38, *Intangible Assets*, and the existing AS 26 (Issued 2002)

- (i) The existing standard (paragraph 5), does not apply to accounting issues of specialised nature also arise in respect of accounting for discount or premium relating to borrowings and ancillary costs incurred in connection with the arrangement of borrowings, share issue expenses and discount allowed on the issue of shares. Ind AS 38 does not include any such exclusion specifically as these are covered by other accounting standards.
- (ii) The existing standard defines an intangible asset as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes whereas in Ind AS 38 , the requirement for the asset to be held for use in the production or supply of goods or services, for rental to others, or for administrative purposes has been removed from the definition of an intangible asset. (Paragraph 8 of Ind AS 38)
- (iii) The existing standard does not define 'identifiability', but states that an intangible asset could be distinguished clearly from goodwill if the asset was separable, but that separability was not a necessary condition for identifiability. Ind AS 38 provides detailed guidance in respect of identifiability. (Paragraphs 11 and 12 of Ind AS 38)
- (iv) As per Ind AS 38 , in the case of separately acquired intangibles, the criterion of probable inflow of expected future economic benefits is always considered satisfied, even if there is uncertainty

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about the timing or the amount of the inflow. However, there is no such provision in the existing standard. (Paragraph 25 of Ind AS 38).

- (v) Under Ind AS 38, if payment for an intangible asset is deferred beyond normal credit terms, the difference between this amount and the total payments is recognised as interest expense over the period of credit unless it is capitalised as per Ind AS 23. However, there is no such provision in the existing standard. (Paragraph 32 of Ind AS 38)
- (vi) Ind AS 38 deals in detail in respect of intangible assets acquired in a business combination. On the other hand, the existing standard refers only to intangible assets acquired in an amalgamation in the nature of purchase and does not refer to business combinations as a whole.
- (vii) The existing standard is silent regarding the treatment of subsequent expenditure on an in-process research and development project acquired in a business combination whereas Ind AS 38 gives guidance for the treatment of such expenditure (Paragraphs 42 and 43 of Ind AS 38)
- (viii) Ind AS 38 requires that if an intangible asset is acquired in exchange of a non-monetary asset, it should be recognised at the fair value of the asset given up unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. However, the existing standard requires the principles of existing AS 10 to be followed which requires that when an asset is acquired in exchange for another asset, its cost is usually determined by reference to the fair market value of the consideration given. It may be appropriate to consider also the fair market value of the asset acquired if this is more clearly evident. An alternative accounting treatment to record the asset acquired at the net book value of the asset given up; in each case an adjustment is made for any balancing receipt or payment of cash or other consideration also.
- (ix) As per Ind AS 38, when intangible assets are acquired free of charge or for nominal consideration by way of government grant,

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an entity should, in accordance with Ind AS 20, record both the grant and the intangible asset at fair value. As per the existing standard, intangible assets acquired free of charge or for nominal consideration by way of government grant is recognised at nominal value or at acquisition cost, as appropriate plus any expenditure that is attributable to making the asset ready for intended use. (Paragraph 33 of existing AS 26) (Paragraph 44 of Ind AS 38)

- (x) The existing standard is based on the assumption that the useful life of an intangible asset is always finite, and includes a rebuttable presumption that the useful life cannot exceed ten years from the date the asset is available for use. That rebuttable presumption is not there in Ind AS 38. Ind AS 38 recognizes that the useful life of an intangible asset can even be indefinite subject to fulfillment of certain conditions, in which case it should not be amortised but should be tested for impairment. (Paragraphs 88- 93, 129 of Ind AS 38)
- (xi) In Ind AS 38, guidance is available on cessation of capitalisation of expenditure (Paragraph 30 of Ind AS 38), de-recognition of a part of an intangible asset (Paragraph 115 of Ind AS 38) and useful life of a reacquired right in a business combination (Paragraph 94 of Ind AS 38). There is no such guidance in the existing standard on these aspects.
- (xii) Ind AS 38 permits an entity to choose either the cost model or the revaluation model as its accounting policy, whereas in the existing standard, revaluation model is not permitted.
- (xiii) Ind AS 38 provides more guidance on recognition of intangible items recognised as expense. Ind AS 38 clarifies that in respect of prepaid expenses, recognition of an asset would be permitted only upto the point at which the entity has the right to access the goods or upto the receipt of services. Further, unlike the existing standard, mail order catalogues have been specifically identified as a form of advertising and promotional activities which are required to be expensed. (Paragraph 69 and 70 of Ind AS 38)
- (xiv) Paragraph 94 of Ind AS 38 acknowledges that the useful life of an intangible asset arising from contractual or legal rights may

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be shorter than the legal life. The existing standard does not include such a provision.

- (xv) As per the existing standard (Paragraph 73), there will rarely, if ever, be persuasive evidence to support an amortisation method for intangible assets that results in a lower amount of accumulated amortisation than under straight-line method. Ind AS 38 does not contain any such provision.
- (xvi) Under Ind AS 38, the residual value is reviewed at least at each financial year-end. If it increases to an amount equal to or greater than the asset's carrying amount, amortisation charge is zero unless the residual value subsequently decreases to an amount below the asset's carrying amount. However, the existing standard specifically requires that the residual value is not subsequently increased for changes in prices or value.
- (xvii) As per the existing standard, change in the method of amortisation is a change in accounting policy whereas as per Ind AS 38 (paragraph 104), this would be a change in accounting estimate.
- (xviii) The existing standard also requires annual impairment testing of asset not yet available for use. There is no such requirement in Ind AS 38.
- (xix) As per Ind AS 38, if payment of consideration on disposal of an intangible asset is deferred, the consideration recognised initially at the cost is cash price equivalent. There is no such provision in the existing standard. (Paragraph 116 of Ind AS 38).
- (xx) Ind AS 38 also requires certain additional disclosures as compared to existing AS 26.
- (xxi) Intangible assets retired from use and held for sale are covered by the existing standard. However, Ind AS 38 does not include such intangible assets since they would be covered by Ind AS 105.

Ind AS 39, *Financial Instruments: Recognition and Measurement* and the existing AS 30, *Financial Instruments: Recognition and Measurement*

- (i) The financial instruments to which Ind AS 39 does not apply include financial instruments issued by the entity that meet the definition of an equity instrument in Ind AS 32 (including options and warrants) or that are required to be classified as an equity instrument in accordance with paragraphs 16A and 16B or paragraphs 16C and 16D of Ind AS 32. The existing standard does not exclude the latter. (Paragraph 2(d) of Ind AS 39).
- (ii) As per Paragraph 2(f) of AS 30, the contracts for contingent consideration in a business combination in case of acquirers are exempted from the scope of the Standard. However, Ind AS 39 does not include this exemption. .
- (iii) Paragraph 8.2(a)(ii) of AS 30 states that a financial asset or financial liability at fair value through profit or loss is classified as held for trading if *'it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking'*. Ind AS 39 states that a financial asset or financial liability at fair value through profit or loss is classified as held for trading if 'on initial recognition it is part of a portfolio of identified financial instruments.....'. The existing standard does not use the words 'on initial recognition'.
- (iv) Ind AS 39 does not include the paragraph *'this would normally be relevant in case of a venture capital organisation, mutual fund, unit trust or similar entity whose business is investing in financial assets with a view to profiting from their total return in the form of interest or dividends and changes in fair value* corresponding to paragraph 8.2(b)(ii) of AS 30 when a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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- (v) Ind AS 39 states that **'an entity shall not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated by the entity as at fair value through profit or loss; and may, if a financial asset is no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), reclassify that financial asset out of the fair value through profit or loss category if the requirements in paragraph 50B or 50D are met.'** AS 30 prohibits any financial instruments into or out of the category of financial instruments designated at fair value through profit or loss. *(Paragraph 50(b) of Ind AS 39)*
- (vi) AS 30 states that **'an entity should not reclassify a financial instruments into or out of the fair value through profit or loss category while it is held or issued'** while Ind AS 39 states that **'an entity shall not reclassify a derivative out of the fair value through profit or loss category while it is held or Issued.'** *(Paragraph 50 of Ind AS 39).*
- (vii) Ind AS 39 (Application Guidance on effective interest rate) specifically states that **'if a financial asset is reclassified in accordance with paragraphs 50B, 50D or 50E, and the entity subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase shall be recognised as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the asset at the date of the change in estimate.'** AS 30 does not specify so. *(AG 8 of Ind AS 39).*
- (viii) The following paragraph has been added in Ind AS 39: **'if an entity is unable to measure separately the embedded derivative that would have to be separated on reclassification of a hybrid (combined) contract out of the fair value through profit or loss category, that reclassification is prohibited. In such circumstances the hybrid (combined) contract remains classified as at fair value through profit or loss in its entirety.'** *(Paragraph 12, of Ind AS 39)*

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- (ix) Ind AS 39 modifies paragraph 2(g) of the existing standard as **'any forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date. The term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction.'** (Paragraph 2(g), of Ind AS 39)(Changes shown in bold)
- (x) Paragraph 80 of AS 39 states that 'for hedge accounting purposes, only assets, liabilities, firm commitments or highly probable forecast transactions that involve a party external to the entity can be designated as hedged items. It follows that hedge accounting can be applied to transactions between entities or segments in the same group only in the individual or separate financial statements of those entities or segments and not in the consolidated financial statements of the group.' The words 'or segments' have been deleted in Ind AS 39. (Paragraph 80 of Ind AS 39, paragraph 89 of AS 30)
- (xi) Paragraph 97 of Ind AS 39 modifies paragraph 108 of AS 30 to state 'if a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income in accordance with paragraph 95 shall be reclassified from equity to profit or loss as a reclassification adjustment (see Ind AS 1) in the same period or periods during which the **hedged forecast cash flows** affects profit or loss (such as in the periods that interest income or interest expense is recognised). However, if an entity expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into profit or loss **as a reclassification adjustment** the amount that is not expected to be recovered.' (Paragraph 97 of Ind AS 39, AS 30, paragraph 108 of AS 30) (Changes shown in bold)
- (xii) The financial instruments to which Ind AS 39 does not apply include financial instruments issued by the entity that meet the definition of an equity instrument in Ind AS 32 (including options

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and warrants) **or that are required to be classified as an equity instrument in accordance with paragraphs 16A and 16B or paragraphs 16C and 16D of Ind AS 32.** The existing standard does not refer to the latter. **(Paragraph 2(d) of Ind AS 39)**

- (xiii) Ind AS 39 does not exempt contracts for contingent consideration in a business combination from its scope while the existing standard provides an exemption. In the existing standard, the exemption applies only to the acquirer. **(Paragraph 2(f) of Ind AS 39).**
- (xiv) Ind AS 39 provides that in determining the fair value of the financial liabilities which upon initial recognition are designated at fair value through profit or loss, any change in fair value consequent to changes in the entity's own credit risk shall be ignored. AS 30, however, requires all changes in fair values in case of such liabilities to be recognised in profit or loss.
- (xv) Ind AS 39 gives guidance on- (i) Reassessment of Embedded Derivatives (ii) Hedges of a Net Investment in a Foreign Operation and Extinguishing Financial Liabilities with Equity Instruments. AS 30 does not give such guidance.

Ind AS 103, Business Combinations, and existing AS 14, *Accounting for Amalgamations*

- (i) Ind AS 103 defines business combination which has a wider scope whereas the existing AS 14 deals only with amalgamation. **(Appendix A of Ind AS 103 and Paragraph 1 of existing AS 14)**
- (ii) Under the existing AS 14 there are two methods of accounting for amalgamation. The pooling of interest method and the purchase method. Ind AS 103 prescribes only the acquisition method for each business combination. **(Paragraph 7 of existing AS 14 and paragraph 4 of revised AS 14)**
- (iii) Under the existing AS 14, the acquired assets and liabilities are recognised at their existing book values or at fair values under the purchase method. Ind AS 103 requires the acquired identifiable assets liabilities and non-controlling interest to be

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recognised at fair value under acquisition method. **(Paragraph 12 of existing AS 14 and paragraphs 18-19 of Ind AS 103)**

- (iv) Ind AS 103 requires that for each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. On other hand, the existing AS 14 states that the minority interest is the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and it is shown outside shareholders' equity. **(Paragraph 13 (e) of existing AS 21 and paragraph 19 of Ind AS 103)**
- (v) Under Ind AS 103, the goodwill is not amortised but tested for impairment on annual basis in accordance with Ind AS 36. The existing AS 14 requires that the goodwill arising on amalgamation in the nature of purchase is amortised over a period not exceeding five years. **(Paragraph 19 of existing AS 14 and paragraphs B63 (a) of Appendix B of Ind AS 103)**
- (vi) Ind AS 103 deals with reverse acquisitions whereas the existing AS 14 does not deal with the same. **(Paragraph B 19-B27 of Ind AS 103)**
- (vii) Under Ind AS 103, the consideration the acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The existing AS 14 does not provide specific guidance on this aspect. **(Paragraph 39 of Ind AS 103)**
- (viii) Ind AS 103 requires bargain purchase gain arising on business combination to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve. Under existing AS 14 the excess amount is treated as capital reserve **(paragraph 34 of Ind AS 103 and paragraph 17 of the existing AS 14).**

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- (ix) Appendix C of Ind AS 103, deals with accounting for common control transactions, which prescribes a method of accounting different from Ind AS 103. Existing AS 14 does not prescribe accounting for such transactions different from other amalgamations.

Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, and the existing AS 24 (issued 2002), *Discontinuing Operations*

- (i) Ind AS 105 specifies the accounting for non- current assets held for sale, and the presentation and disclosure of *discontinued operations*. The existing AS 24 establishes principles for reporting information about *discontinuing operations*. It does not deal with the non-current assets held for sale; fixed assets retired from active used and held for sale, are dealt in existing AS 10, *Accounting for Fixed Assets*. **(Paragraph 1 of Ind AS 105 and ‘Objective’ of existing AS 24)**
- (ii) In the existing AS 24, requirements related to cash flow statement are applicable when the enterprise presents a cash flow statement. Ind AS 105 does not mention so. **(Paragraph 2 of existing AS 24)**
- (iii) Under Ind AS 105, a discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. In the existing AS 24, there is no concept of discontinued operations but it deals with discontinuing operations.
- (iv) As per Ind AS 105, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification with certain exceptions. The existing AS 24 does not specify any time period in this regard as it relates to discontinuing operations
- (v) The existing AS 24 specifies about the initial disclosure event in respect to a discontinuing operation. Ind AS 105 does not mention so as it relates to discontinued operation. **(Paragraph 15 of existing AS 24)**

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- (vi) Under Ind AS 105, non-current assets (disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the balance sheet. The existing AS 24 requires to apply the principles set out in other relevant Accounting Standards, e.g., the existing AS 10 requires that the fixed assets retired from active use and held for disposal should be stated at the lower of their net book value and net realisable value and shown separately in the financial statements. **(Paragraphs 15 and 38 of Ind AS 105 and Paragraph 18 of existing AS 24 and Paragraph 14.2 of existing AS 10)**
- (vii) Ind AS 105 specifically mentions that abandonment of assets should not be classified as held for sale. In the existing AS 24, abandonment of assets is classified as a discontinuing operation; however changing the scope of an operations or the manner in which it is conducted is not abandonment and hence not a discontinuing operation. **(Paragraph 7 of existing AS 24 and paragraph 13 of Ind AS 105).**
- (viii) Ind AS 105 provides guidance regarding measurement of changes to a plan of sale. The existing AS 24 does not give any specific guidance regarding this aspect. **(Paragraphs 26-29 of Ind AS 105).**
- (ix) As per Ind AS 105, a discontinued operation is a component of an entity that represents a separate major line of business or geographical area, or is a subsidiary acquired exclusively with a view to resale. Under the existing AS 24, a discontinuing operation is a component of an entity that represents the major line of business or geographical area of operations and that can be distinguished operationally and for financial reporting purposes. **(Paragraph 3 of existing AS 24 and paragraph 32 of Ind AS 15).**

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Ind AS 107, *Financial Instruments: Disclosures*, and the existing AS 32 (Issued 2008) *Financial Instruments: Disclosures*

- (i) The existing AS 32 does not apply to contracts for contingent consideration in a business combination in case of acquirers. Ind AS 107 does not exempt such contracts. **(Paragraph 3 (c) of existing AS 32)**
- (ii) Ind AS 107 excludes from its scope puttable instruments dealt with by Ind AS 32. AS 32 does not exclude the same from its scope. **(Paragraph 3 (f) of Ind AS 107)**
- (iii) Ind AS 107 specifies disclosures in case of reclassification of a financial asset out of fair value through profit or loss category or out of available-for-sale category in accordance with Ind AS 39. Ind AS 32 does not provide for same. **(Paragraph 12A of Ind AS 107)**
- (iv) Ind AS 107 requires enhanced disclosures about fair value measurements and liquidity risk, as compared to existing AS 32. **(Paragraphs 27, 27A-27B, 39, definition of liquidity risk, paragraphs B10A, B11, B11A-B11F of Appendix B and paragraphs IG13A-IG13B of Implementation Guidance of Ind AS 107. Paragraphs B12-B16 of Appendix B and IG 30-31 of Implementation Guidance of existing AS 32 has been deleted.)**

Ind AS 108 *Operating Segments*, and the existing AS 17 (Issued 2000), *Segment Reporting*

- (i) Identification of segments under Ind AS 108 is based on 'management approach' i.e. operating segments are identified based on the internal reports regularly reviewed by the entity's chief operating decision maker. Existing AS 17 requires identification of two sets of segments—one based on related products and services, and the other on geographical areas based on the risks and returns approach. One set is regarded as primary segments and the other as secondary segments.

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- (ii) Ind AS 108 requires that the amounts reported for each operating segment shall be measured on the same basis as used by the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Existing AS 17 requires segment information to be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements. Accordingly, existing AS 17 also defines segment revenue, segment expense, segment result, segment assets and segment liabilities.
- (iii) Ind AS 108 specifies aggregation criteria for aggregation of two or more segments. Existing AS 17 does not deal specifically with this aspect.
- (iv) An explanation has been given in the existing AS 17 that in case there is neither more than one business segment nor more than one geographical segment, segment information as per this standard is not required to be disclosed. However, this fact shall be disclosed by way of footnote. Ind AS 108 requires certain disclosures even in case of entities having single reportable segment.
- (v) An explanation has been given in the existing AS 17 that interest expense relating to overdrafts and other operating liabilities identified to a particular segment should not be included as a part of the segment expense. It also provides that in case interest is included as a part of the cost of inventories and those inventories are part of segment assets of a particular segment, such interest should be considered as a segment expense. These aspects are specifically dealt with keeping in view that the definition of 'segment expense' given in AS 17 excludes interest. Ind AS 108 requires the separate disclosures about interest revenue and interest expense of each reportable segment, therefore, these aspects have not been specifically dealt with.
- (vi) Ind AS 108 requires disclosures of revenues from external customers for each product and service. With regard to geographical information, it requires the disclosure of revenues from customers in the country of domicile and in all foreign countries, non-current assets in the country of domicile and all

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foreign countries. It also requires disclosure of information about major customers. Disclosures in existing AS 17 are based on the classification of the segments as primary or secondary segments. Disclosure requirements for primary segments are more detailed as compared to secondary segments.