Exposure Draft

Amendments to Indian Accounting Standards

(Last date for Comments: February 17, 2014)

Issued by
Accounting Standards Board
The Institute of Chartered Accountants of India

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Ind ASs addressed

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Exposure Draft

Amendments to *Indian Accounting Standards*

Following is the Exposure Draft of the Amendments to the following Indian Accounting Standards (Ind AS) issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments:

i) *Ind AS 1 Presentation of Financial Statements*
ii) *Ind AS 16 Property, Plant and Equipment*
iii) *Ind AS 32 Financial Instruments: Presentation*
iv) *Ind AS 34 Interim Financial Reporting*

The Board invites comments on any aspect of this Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

Comments should be submitted in writing to the Secretary, Accounting Standards Board. The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002, so as to be received not later than February 17, 2014. Comments can also be sent by e-mail at commentsasb@icai.in or asb@icai.in.

(This Exposure Draft of the Indian Accounting Standard includes paragraphs set in ***bold*** *type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. This Exposure Draft of the amendments to Indian Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards[1])*

Amendment to Ind AS 1 *Presentation of Financial Statements*

Paragraphs 10, 38 and 41 and paragraph 8 of Appendix 1 are amended. Paragraphs 39 and 40 are deleted. Paragraphs 38A–38D and 40A–40D are added (even though the content of paragraphs 38A and 38B is based on previous paragraphs 39 and 40 that have now been deleted) as well as the headings before paragraphs 38, 38C and 40A. New text is underlined and deleted text is struck through.

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

Complete set of financial statements

10 A complete set of financial statements comprises:

(a) a balance sheet as at the end of the period(including statement of changes in equity which is presented as a part of the balance sheet);

(b) a statement of profit and loss for the period;

(c) [Refer to Appendix 1];

(d) a statement of cash flows for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information; ~~and~~

<u>(ea)</u> <u>comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and</u>

(f) a balance sheet as at the beginning of the ~~earliest~~ ~~comparative~~ <u>preceding</u> 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 <u>in accordance with paragraphs 40A–40D.</u>

Comparative information

<u>*Minimum comparative information*</u>

38 Except when Ind ASs permit or require otherwise, an entity shall ~~disclose~~ <u>present</u> comparative information in respect of the ~~previous~~ <u>preceding</u> period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information ~~when~~ <u>if</u> it is relevant to ~~an~~ understanding ~~of~~ the current period's financial statements.

<u>38A</u> <u>An entity shall present, as a minimum, two balance sheets (including statement of changes in equity) , two statements of profit and loss and two statements of cash flows and related notes.</u>

<u>38B</u> <u>In some cases, narrative information provided in the financial statements for the preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved.</u>

Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from the disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

Additional comparative information

38C An entity may present comparative information in addition to the minimum comparative financial statements required by Ind ASs, as long as that information is prepared in accordance with Ind ASs. This comparative information may consist of one or more statements referred to in paragraph 10, but need not comprise a complete set of financial statements. When this is the case, the entity shall present related note information for those additional statements.

38D For example, an entity may present a third statement of profit and loss (thereby presenting the current period, the preceding period and one additional comparative period). However, the entity is not required to present a third balance sheet or a third statement of cash flows. The entity is required to present, in the notes to the financial statements, the comparative information related to that additional statement of profit and loss.

39-40 [Refer to Appendix 1] ~~An entity disclosing comparative information shall present, as a minimum, two balance sheets, two of each of the other statements, and related notes. 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, it shall present, as a minimum, three balance sheets, two of each of the other statements, and related notes. An entity presents balance sheets as at:~~

~~(a) the end of the current period,~~
~~(b) the end of the previous period (which is the same as the beginning of the current period), and~~

~~(c) the beginning of the earliest comparative period.~~

~~In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute whose outcome was uncertain at the end of the immediately preceding reporting period and that is yet to be resolved. Users benefit from information that the uncertainty existed at the end of the immediately preceding reporting period, and about the steps that have been taken during the period to resolve the uncertainty.~~

Change in accounting policy, retrospective restatement or Reclassification

40A An entity shall present a third balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements required in paragraph 38A if:

(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and

(b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period.

40B In the circumstances described in paragraph 40A, an entity shall present three balance sheets as at:

(a) the end of the current period;

(b) the end of the preceding period; and

(c) the beginning of the preceding period.

40C When an entity is required to present an additional balance sheet in accordance with paragraph 40A, it must disclose the information required by paragraphs 41–44 and Ind AS 8. However, it need not present the related notes to the opening balance sheet as at the beginning of the preceding period.

40D The date of that opening balance sheet shall be as at the beginning of the preceding period regardless of whether an entity's financial statements present comparative information for earlier periods (as permitted in paragraph 38C).

41 ~~When the~~ If an entity changes the presentation or classification of items in its financial statements, ~~the entity~~ it shall reclassify comparative amounts unless reclassification is impracticable. When ~~the~~ an entity reclassifies comparative amounts, ~~the entity~~ it shall disclose (including as at the beginning of the preceding period):

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

Appendix 1 of Ind AS 1

8. Paragraph numbers 39, 40 and 106(c) appears as ‘Deleted ‘in IAS 1. In order to maintain consistency with paragraph numbers of IAS 1, the paragraph number is retained in Ind AS 1.

Consequential amendments to other standards resulting from the amendment to Ind AS 1

The following amendments to other Ind ASs are necessary to ensure consistency with the revised Ind AS 1.

Amendment to Ind AS 34 *Interim Financial Reporting*

Paragraph 5 is amended (new text is underlined and deleted text is struck through)

Content of an interim financial report

5 Ind AS 1 defines a complete set of financial statements as including the following components:

(a) a balance sheet as at the end of the period (including statement of changes in equity for the period which is presented as a part of the balance sheet);

(b) a statement of profit and loss for the period;

(c) [Refer to appendix 1];

(d) a statement of cash flows for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information; ~~and~~

<u>(ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A of Ind AS 1; and</u>

(f) a balance sheet as at the beginning of the ~~earliest comparative~~ <u>preceding</u> 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 <u>in accordance with paragraphs 40A–40D of Ind AS 1.</u>

Amendment to Ind AS 16 *Property, Plant and Equipment*

Paragraph 8 is amended (new text is underlined and deleted text is struck through)

Recognition

8 ~~Spare~~ Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this Ind AS ~~are usually carried as inventory and recognised in profit or loss as consumed. However, major spare parts, stand-by equipment and servicing equipment qualify as property, plant and equipment~~ when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory. ~~an entity expects to use them during more than one period.~~

Amendment to Ind AS 32 *Financial Instruments: Presentation*

Paragraphs 35, 37 and 39 are amended (new text is underlined and deleted text is struck through).

Presentation

Interest, dividends, losses and gains (see also paragraph AG37)

35 **Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument shall be <u>recognised</u> ~~debited~~ by the entity directly ~~to~~ <u>in</u> equity, ~~net of any related income tax benefit~~. Transaction costs of an equity transaction shall be accounted for as a deduction from equity~~, net of any related income tax benefit~~.**

<u>35A</u> <u>Income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with Ind AS 12 *Income Taxes*.</u>

37 An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity ~~(net of any related income tax benefit)~~ to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

39 The amount of transaction costs accounted for as a deduction from equity in the period is disclosed separately ~~under~~ <u>in accordance with</u> Ind AS 1. ~~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*.~~

Amendment to Ind AS 34 *Interim Financial Reporting*

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Paragraph 16A is amended (new text is underlined and deleted text is struck through).

Content of an interim financial report

Other disclosures

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis.

(a) …

(g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if IFRS 8 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):

(i) …

(iv) a measure of total assets and liabilities for a particular reportable segment if such amounts are regularly provided to the chief operating decision maker and if ~~for which~~ there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

(v) …

(h) …