# IFRS vs. IGAAP

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# Fixed Assets

| IFRS | IGAAP |
|---|---|
| Requires component accounting where each item of fixed assets are separately depreciated based on its useful life. | No such method. Entire asset is depreciated at a flat rate based on useful life as decided by Mgmt or Rates prescribed by Companies Act w.e. **higher**. |
| Change in method of depreciation/ useful life is treated as change in accounting estimates and hence accounted prospectively. | Change in method of depreciation/ useful life is treated as change in accounting policy and hence accounted retrospectively. |

# Business Combinations

| IFRS | IGAAP |
| --- | --- |
| • Requires looking beyond the legal form hence all business combinations are considered as acquisitions and accounted using purchase method.<br>• Acquisition date is the date on which acquirer effectively obtains control of the acquiree. | • Driven by the legal form hence all business combinations are accounted using pooling of interest (if meets certain criteria's) or purchase method.<br>• Acquisition date is not specifically defined. |

# Financial Instruments

| IFRS | IGAAP |
| --- | --- |
| Preference shares are considered as a financial liability. | Preference shares are considered as part of Shareholders capital. |
| Repurchased share are considered as treasury stock and shown as deduction from shareholders equity. | No specific description but Repurchase of own share are cancelled and cannot be kept as treasury stock. |

# Financial Instruments (Contd.)

| IFRS | IGAAP |
| --- | --- |
| Option to classify financial assets in 4 categories:<br>• Fair Value through P/L<br>• Held to Maturity<br>• Loans and Receivable<br>• Available for Sale<br>Option to classify financial liabilities in 2 categories:<br>• Fair Value through P/L<br>• Others<br>Changes in fair value of such investments are recognized in income statement except for AFS category which is routed through equity. | No comprehensive guidelines but classification in the said categories is recommended as per AS-30 but it is not mandatory |

# Statement of changes in Equity

| IFRS | IGAAP |
|---|---|
| Mandatory to prepare statement of changes in equity showing:<br>• Total Comprehensive income<br>• Transactions with owners<br>• Reconciliation between opening and closing balance of each component of equity.<br>• Retrospective application/ restatement of each component of equity. | • A statement of changes in equity is not required.<br>• Movements in share capital, retained earnings, reserves etc. is presented as a schedule to financial statements. |

# Foreign currency translation

| IFRS | IGAAP |
| --- | --- |
| Mandatory to determine functional currency and presentation currency. Functional currency has direct impact on treatment of exchange gains/losses.<br>Exchange gains/losses from monetary assets/liabilities are recognized immediately in P/L a/c (except to the extent of borrowing cost). | No concept of functional currency and presentation currency. Reporting currency is currency in which it is domiciled.<br>If long term foreign currency item relates to acquisition of depreciable assets, exchange diff can be adjusted in such capital asset. But if it relates to other than acquisition of depreciable assets, entity has an option to accumulate such diff in "Foreign currency Monetary Reserve" |

# Share based payment Transactions

| IFRS | IGAAP |
| --- | --- |
| Requires an entity to recognize share based payment transactions in its financial statements, including transactions with employees or others to be settled in cash/other assets/ equities at Fair Value. | No such specific standard  but accounted based on guidance note of SEBI/ ICAI for listed entities and applies to employees. Intrinsic Value Method is used for ESOP. |

# Segment Reporting

| IFRS | IGAAP |
|---|---|
| Operating segments are identifies based on financial information evaluated by CFO/ Decision maker | Entity has to identify 2 sets of segments i.e. Business and Geographical, using risks and rewards approach. |
| 2 or more segments can be aggregated into 1 operating segment if such aggregation is consistent with the core principal of IFRS. | No specific guidance in this regards. |

# Related Party Disclosures

**IFRS**

- Covers close members of the family of key management personnel (KMP) or a party who exercises control or significant influence.
- Covers executive as well as non –executive directors in KMP. Also covers KMP of entity and its parent.
- Post-employment benefit plan of entity or any related party of entity is also related party.

**IGAAP**

- Covers only relatives of key management personnel (KMP).
- Does not cover non-executive directors in KMP unless they have authority and responsibility for planning, directing and controlling activities.
- Does not specifically identify employee benefit trusts as related party.

# Consolidated Financial Statements

**IFRS**

- Non-controlling Interest (NCI) are presented as component of Equity.
- Losses incurred by subsidiary have to be allocated to NCI even if it results in deficit balance of NCI.
- SPE shall be consolidated if relation indicates that SPE is controlled by the entity.
- Interest in JV is accounted using proportionate consideration method or equity method

**IGAAP**

- Minority Interests (MI) represented separately from liabilities and Equity.
- Losses exceeding MI in equity of the subs has to be adjusted in MI, except to extent MI is able to make good the losses.
- No such provision.
- Interest in JV is accounted only using proportionate consideration method .

# Intangible Assets

| IFRS | IGAAP |
| --- | --- |
| • Capitalize the asset<br>• Amortized over useful life (but if indefinite useful life then no Amortization but reviewed annually for impairment).<br>• Revaluation are permitted in rare circumstances. | • Capitalize the asset<br>• Amortized over useful life but with rebuttable presumption of not exceeding 10 yrs.<br>• Revaluation are not permitted. |

# Debts

| IFRS | IGAAP |
|---|---|
| Convertible debt has to be split between liability and equity portion and recorded accordingly. | Convertible debt is recognized as liability and no split shall be required. |
| Debt issuance/origination cost shall form part of the value of debt and shall be amortized. | Debt issuance/origination cost shall be charged to Profit and loss a/c as and when incurred. |

# Miscellaneous

| IFRS | IGAAP |
| --- | --- |
| Preliminary Expenses shall be charged to Income statement. | Preliminary Expenses shall be deferred and w/off over  period of 5yrs. |
| Leasehold Land is treated as prepaid assets | Leasehold Land is treated as fixed assets. |
| Deferred Tax are driven by temporary differences and recorded using full provision method. But recognize deferred tax asset only if recovery is probable. | Deferred Tax assets and liabilities should be recognized for all timing differences but subject to consideration of prudence for deferred tax assets |