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CHAPTER

INTRODUCTION OF INDIAN ACCOUNTING STANDARDS (IND AS); COMPARATIVE STUDY OF AS VIS-A-VIS IND AS; CARVE-OUTS/CARVE-INS FROM INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Introduction

33.1 India is one of the emerging economics in the world. For the economic development foreign direct investment (FDI) is needed, to facilitate the investment climate, it wants to integrate its financial reporting with rest of the economies of the globe so that investors from outside will understand the financial results and financial positions of the companies. There will be uniformity and comparability of these financial statements with the other financial statements prepared in other countries. At present, Indian companies are preparing their financial statements as per generally accepted accounting principles in India (Indian GAAP). These Principles are based on IFRS issued by International Accounting Standard Board (IASB); however these principles were modified substantially as per Indian laws and practices.

What are IFRSs and who issues IFRSs?

33.2 International Financial Reporting Standards (IFRS) is a set of high quality and globally acceptable financial reporting standards developed by the International Accounting Standard Board (IASB). The IASB is the independent Standard - setting body of the IFRS Foundation, its headquarter is in London. The IFRSs issued by International Accounting Standard Board (IASB) are being followed in more than 114 countries of the world. However the major economies like, USA, Japan and India is yet to follow these Standards. The objective of the following the IFRSs is to speak one accounting language all over the world. Till date the IASB has so far issued 41 International Accounting Standards (IAS). The large numbers of standards have been revised, 15 IAS have been superseded and deleted. IASs have been given a new number series as IFRS. The total number of IFRSs issued till date are 15.

Need of convergence with IFRS

33.3 The idea of global harmonization of accounting standards stems from lack of comparability of financial statements across the countries. In particular, a company having presence in different countries has to prepare financial reports as per generally accepted accounting principles of the country of operations and then it is required to reconcile all such reports for the purpose of consolidation as per Accounting Standards of the country to which the parent company belongs.

The needs to communicate across the borders has increased with the increase in global trade, consequently there is globalization of capital markets. Company in one country is borrowing in the capital market of another country. Therefore, financial statements produced in one country are used in other country more and more frequently; this has raised the issue of harmonization of accounting policies, presentation, disclosure, etc. Harmonization in the accounting context may be defined as the process aimed at enhancing the comparability of financial statement produced in different countries accounting regulation.

Investors would like to direct their capital to the most efficient and productive companies globally provided they are in position to understand their accounting reports/financial reports, further rationale behind the harmonization is that it will enhance comparability of financial statement. This makes them easier to use across the border.

To achieve complete harmonization, may not be possible because of difference in the economic, political, legal and cultural environment in countries. However the much deviation can be eliminated by standardization of accounting practices, which will result in issuance of accounting standards.

Indian approach to move to IFRS

33.4 India made a commitment to G20 to follow IFRS from 2011, however this date was postponed and now the IFRS will be implemented from April 2016 for specified companies. Indian approach to move IFRS is by convergence and not the adoption as convergence gives a scope for making country specific changes. It was decided that the converged

Standards with the IFRS be named as ***Indian Accounting Standards (Ind AS).***

Indian Accounting Standards (abbreviated as Ind AS) are set of accounting standards notified by the Ministry of Corporate Affairs, Government of India which are converged with International Financial Reporting Standards (IFRS). These accounting standards are formulated by Accounting Standards Board of Institute of Chartered Accountants of India. Now India will have two sets of accounting standards viz., existing Accounting Standards under Companies (Accounting Standard) Rules, 2006 and IFRS converged Indian Accounting Standards (Ind AS). The Ind AS are named and numbered in the same way as the corresponding IFRS. The MCA has notified 39 Ind ASs as Companies (Indian Accounting Standards) Rules, 2015 with following roadmap of implementation:

Phase-I	1st April 2015 or thereafter: Voluntary Basis for all companies (with Comparatives)
	1st April 2016 : Mandatory Basis
	(*a*) Companies listed/in process of listing on Stock Exchanges in India or Outside India having net worth > INR 5 Billion (*b*) Unlisted Companies having net worth > INR 5 Billion (*c*) Parent, Subsidiary, Associate and J. V of above
Phase-II	1st April 2017: Mandatory Basis
	(*a*) All companies which are listed/or in process of listing inside or outside India on Stock Exchanges not covered in Phase I (other than companies listed on SME Exchanges) (*b*) Unlisted companies having net worth of INR 2.5 Billion or more (*c*) Parent, Subsidiary, Associate and J. V of above
	Companies listed on SME exchange not required to apply Ind AS
	Once Ind ASs are applicable, an entity shall be required to follow the Ind AS for all the subsequent financial statements.

Companies not covered by the above roadmap shall continue to apply existing Accounting Standards notified in Companies (Accounting Standards) Rules, 2006.

The list of 39 Ind AS with corresponding converged IFRS as notified by the MCA are as under:

Ind AS	***Title***	***Corresponding IAS/IFRS No.***
Ind AS 1	Presentation of Financial Statements	IAS 1
Ind AS 2	Inventories	IAS 2
Ind AS 7	Cash Flow Statements	IAS 7
Ind AS 8	Accounting policies, Change in Accounting Estimates and Errors	IAS 8
Ind AS 10	Events after the Balance Sheet Date	IAS 10
Ind AS 11	Construction Contracts *(See Note)*	IAS 11
Ind AS 12	Income Taxes	IAS 12
Ind AS 16	Property, Plant and Equipment	IAS 16
Ind AS 17	Leases	IAS 17
Ind AS 18	Revenue *(See Note)*	IAS 18
Ind AS 19	Employees Benefits	IAS 19
Ind AS 20	Accounting for Govt. Grants and Disclosure of Government Assistance	IAS 20
Ind AS 21	The Effects of changes in the Foreign Exchange Rates	IAS 21
Ind AS 23	Borrowing Costs	IAS 23
Ind AS 24	Related Party Disclosures	IAS 24
Ind AS 27	Separate financial statements	IAS 27
Ind AS 28	Investments in Associates and Joint Ventures	IAS 28
Ind AS 29	Financial Reporting in Hyper Inflationary Economies	IAS 29
Ind AS 32	Financial Instruments: Presentation	IAS 32
Ind AS 33	Earnings Per Share	IAS 33
Ind AS 34	Interim Financial Reporting	IAS 34
Ind AS 36	Impairment of Assets	IAS 36
Ind AS 37	Provisions, Contingent liabilities and Contingent Assets	IAS 37
Ind AS 38	Intangible Assets	IAS 38

Ind AS	*Title*	*Corresponding IAS/IFRS No.*
Ind AS 40	Investment Property	IAS 40
Ind AS 41	Agriculture	IAS 41
Ind AS 101	First time adoption of India Accounting Standards (Ind AS)	IFRS 1
Ind AS 102	Share Based Payments	IFRS 2
Ind AS 103	Business Combination	IFRS 3
Ind AS 104	Insurance Contracts	IFRS 4
Ind AS 105	Non-current assets held for sale and discontinued operations	IFRS 5
Ind AS 106	Exploration for and evaluation of mineral resources	IFRS 6
Ind AS 107	Financial Instrument: disclosure	IFRS 7
Ind AS 108	Operating Segment	IFRS 8
Ind AS 109	Financial Instruments	IFRS 9
Ind AS 110	Consolidated Financial Statements	IFRS10
Ind AS 111	Joint Arrangement	IFRS 11
Ind AS 112	Disclosure of interest in other entities	IFRS 12
Ind AS 113	Fair Value Measurement	IFRS 13
Ind AS 114	Regulatory Deferral Accounts	IFRS 14
Ind AS 115	Revenue from Contracts with Customers *(See Note)**	IFRS 15

Note: *The Ind AS 115 'Revenue from Contracts with Customers' has been postponed for implementation and being replaced by Ind AS 11 'Construction Contracts' and Ind AS 18 'Revenue' which are yet to be notified by MCA after that there will be 40 Ind ASs in total.*

33.5 Comparative study of AS vis-à-vis Ind AS

Ind AS (Converged IFRS)	**Existing AS**
Ind AS-1 'Presentation of Financial Statements'	**AS-1 'Disclosure of Accounting Policies'**
Ind AS 1 deals with presentation of financial statements.	AS 1 deals with disclosure of accounting policies
Scope is wider.	Scope is comparatively narrow.

Ind AS (Converged IFRS)	Existing AS
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.	No Such requirement
Requires presentation and provides criteria for classification of Current/ Non-Current assets/liabilities.	Such bifurcation is not required. However it is required as per the Schedule III of the Companies Act, 2013
Prohibits presentation of any item as extraordinary Item in the statement of profit and loss or in the notes.	No such prohibition. However AS-5 requires presentation of extraordinary item
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.	No such requirement
Requires classification of expenses to be presented based on nature of expenses.	No specific restriction.
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.	No such requirement
Requires the financial statements to include a Statement of Changes in Equity to be shown as a part of the balance sheet.	No such requirement
Ind AS-2 'Inventories'	**AS-2 'Valuation of Inventories'**
Provides explanation with regard to inventories of service providers.	AS 2 does not contain such an explanation.
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.	Does not contain specific explanation in respect of such Spares.

Ind AS (Converged IFRS)	**Existing AS**
Ind AS 2 defines fair value and provides an explanation in respect of distinction between 'net realizable value' and 'fair value'.	Does not contain the definition of fair value.
Provides detailed guidance in case of subsequent assessment of net realizable value. Also deals with the reversal of the write-down of inventories to net realizable value to the extent of the amount of original write-down, and the recognition and disclosure thereof in the financial statements	Does not deal with such reversal.
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.	Excludes from its scope such types of inventories.
Requires more disclosures	Comparatively requires less disclosure.
Ind AS-7 'Statement of Cash Flows'	**AS-3 'Cash Flow Statements'**
Specifically includes bank overdrafts which are repayable on demand as a part of cash and cash equivalents.	Existing AS 3 is silent on this aspect
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	Does not contain such requirements.
Treatment of cash receipts from rent and subsequent sale of such assets as cash flow from operating activity	Does not contain such requirements
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	Does not contain such requirements

Ind AS (Converged IFRS)	Existing AS
Does not contain the requirement of separate classification of extraordinary activities as Ind AS does not recognise any activity as extraordinary activities.	Cash flows associated with extraordinary activities to be separately classified as arising from operating, investing and financing activities
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	Does not contain such requirements
Uses the term 'functional currency' instead of 'reporting currency' Ind AS 7 also deals with the translations of cash flows of a foreign subsidiary	Uses the term 'reporting currency'. AS-3 does not deal with translation of cash flows of a foreign subsidiary
Requires more disclosures	Comparatively requires less disclosure.
Ind AS-8 'Accounting Policies, Changes in Accounting Estimates and Errors'	**AS-5 'Net Profit or Loss for the Period, Prior Period Items, and Changes in Accounting Policies'**
Objective of Ind AS 8 is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. 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.	Objective 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.
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	Restricts the definition of accounting policies to specific accounting principles and the methods of applying those principles
Such situation is not mentioned as Ind ASs are converged IFRS which does not consider the provision of country specific statute.	Allows the situation where change in accounting policy is required by statute.

Ind AS (Converged IFRS)	Existing AS
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 categorization of items for which different policies may be appropriate.	Neither existing AS 5 nor any other exiting Standard specifically requires accounting policies to be consistent for similar transactions, other events and conditions.
Requires that changes in accounting policies should be accounted for with retrospective effect subject to limited exceptions and requires restatement.	Does not specify how change in accounting policy should be accounted for. However it requires the material effect should be disclosed in the year of change with retrospective calculation.
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.	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.
Specifically states that errors include frauds.	Does not contain such requirements
Requires rectification of material prior period errors with retrospective effect and restatement subject to limited exceptions.	Requires the rectification of prior period items with prospective effect.
Requires more disclosures	Comparatively requires less disclosure.
Ind AS-10 'Events occurring after the reporting period'	**AS-4 'Contingencies and Events occurring after the balance sheet date'**
Material non-adjusting events are required to be disclosed in the financial statements.	Requires the same to be disclosed in the financial statement and in the report of approving authority

Ind AS (Converged IFRS)	Existing AS
Dividend proposed or declared after the reporting period, cannot 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	The same is required to be adjusted in financial statements
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.	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.
Ind AS-11 'Construction Contracts'	**AS-7 'Construction Contracts'**
Requires that contract revenue shall be measured at fair value of consideration received/receivable.	Does not recognise fair value concept as contract revenue is measured at consideration received/receivable
Appendix A of Ind AS 11 deals with accounting aspects involved in Service Concession, Arrangements and Appendix B of Ind AS 11 deals with disclosures of such arrangements.	Does not deal with accounting for Service Concession Arrangements
Ind AS-18 'Revenue'	**AS-9 'Revenue Recognition'**
Definition of 'revenue' 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.	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.
Revenue arising from agreements of real estate development are specifically scoped out	Existing AS 9 does not exclude the same
Requires the revenue to be measured at fair value of the consideration received or receivable	Revenue is recognised at the nominal amount of consideration receivable

Ind AS (Converged IFRS)	Existing AS
Specifically deals with the exchange of goods and services with goods and services of similar and dissimilar nature	This aspect is not dealt with in the existing AS 9.
Requires recognition of revenue using percentage of completion method only	Completed Service Contract method is permitted.
Requires interest to be recognised using effective interest rate method.	Requires the recognition of revenue from interest on time proportion basis.
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.	Does not deal with this aspect.
Does not specifically deal with the same.	Specifically deals with disclosure of excise duty as a deduction from revenue from sales transactions.
Ind AS-12 'Income Taxes'	**AS-22 'Accounting for Income Taxes'**
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.	Based on income statement approach. It requires recognition of tax consequences of differences between taxable income and accounting income.
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 utilized. 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 losses is strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses,	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 realized. 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 realized.

Ind AS (Converged IFRS)	Existing AS
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 utilized by the entity	
Disclosure requirements are more detailed.	Comparatively less detailed.
Provides guidance that deferred tax asset/liability arising from revaluation of assets shall be measured on the basis of tax consequences from the sale of asset rather than through use.	Does not deal with this aspect.
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.	Does not deal with this aspect.
The concept of virtual certainty does not exist in Ind AS - 12, this explanation is not included.	Explains virtual certainty supported by convincing evidence.
Does not specifically deal with these situations as these are country specific.	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. Provides guidance regarding recognition of deferred tax asset in case of loss under the head 'capital gains'.
Does not specifically deal with this aspect as these are country specific.	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 (Converged IFRS)	Existing AS
Ind AS-16 'Property, Plant & Equipment'	**AS-10 'Accounting for Fixed Assets' and AS-6 'Depreciation Accounting'**
	(These ASs are under revision and being upgraded to Ind AS 16 level after up-gradation most of the differences will not be there)
Ind AS-16 also deals with depreciation of property, plant and equipment	Presently covered by AS-6.
Ind AS-16 does not exclude such developers from its scope	Specifically excludes accounting for real estate developers from its scope
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.	Does not lay down any specific recognition criteria for recognition of a fixed asset.
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.	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.
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.	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.
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 cost of the item is depreciated separately.	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, capitalizing the cost of replacement, etc.

Ind AS (Converged IFRS)	Existing AS
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.	Does not contain any such requirement.
Requires an entity to choose either the cost model or the revaluation model as its accounting policy and to apply that 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.	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.
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 derecognized. 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.	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 circumstances may permit, provided suitable disclosure is made in the accounts. However, the said Guidance Note also recognises that it would

Ind AS (Converged IFRS)	Existing AS
	be prudent not to charge the additional depreciation arising due to revaluation against the revaluation reserve.
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.
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.
Does not specifically deal with this situation.	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.
Requires that change in depreciation method should be considered as a change in accounting estimate and treated accordingly.	It is considered as a change in accounting policy and treated accordingly.
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.	Deals with accounting for items of fixed assets retired from active use and held for sale.
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 existing standard requires that when a fixed asset is acquired in exchange for another asset, its cost is usually determined by reference to

Ind AS (Converged IFRS)	Existing AS
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 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.
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.	Not Applicable
Requires more disclosures	Comparatively requires less disclosure.
Ind AS-17 'Leases'	**AS-19 'Accounting for Leases'**
Ind AS-17 does not have such scope exclusion. It has specific provisions dealing with leases of land and building applicable.	The existing standard excludes leases of land from its scope.
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.
In respect of treatment of initial direct costs incurred by a non-manufacturer/non-dealer-lessor in respect of finance lease 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.	Initial direct cost has been described however interest rate implicit in the lease has been defined.
Requires current/non-current classification of lease liabilities if such	These matters are not addressed in the existing standard. However it is

Ind AS (Converged IFRS)	Existing AS
classification is made for other liabilities. Also, it makes reference to Ind AS-105, Non-current Assets Held for Sale and Discontinued Operations.	addressed in Schedule III of the Companies Act, 2013.
Ind AS-17 retains the deferral and amortization principle, it does not specify any method of amortization.	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 amortized by the seller-lessee over the lease term in proportion to depreciation of the leased asset.
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.
Ind AS-19 'Employees Benefits'	**AS- 15 'Employees Benefits'**
Employee benefits arising from constructive obligations are also covered	Does not deal with the same.
The term employee includes whole time directors	The term includes directors.
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	Does not deal with it.
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.	Requires recognition of the actuarial gains and losses immediately in the statement of profit and loss as income or expense.

Ind AS (Converged IFRS)	Existing AS
Ind AS-20 'Accounting for Government Grants and Disclosure of Government Assistance'	**AS-12 'Accounting for Government Grants'**
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.	Does not deal with such government assistance.
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 its recognition of grants directly in the shareholders' funds.	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. Also gives an alternative to treat such grants as a deduction from the cost of such asset.
Does not recognise government grants of the nature of promoters' contribution.	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.
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.	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.
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	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

Ind AS (Converged IFRS)	Existing AS
deduction of the grant in arriving at its book value is not available under Ind AS 20	grant as deferred income or by deducting the grant from the gross value of asset concerned in arriving at its book value.
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 109 (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)	Does not require such treatment.
Ind AS 21 "The Effects of Changes in Foreign Exchange Rates"	**AS 11 "The Effects of Changes in Foreign Exchange Rates"**
Excludes from its scope forward exchange contracts and other similar financial instruments, which are treated in accordance with Ind AS 109	Does not such exclude accounting for such contracts.
Based on functional currency	Not based on functional currency
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.	Based on integral foreign operations and non-integral foreign operations approach for accounting for a foreign operation
Ind AS-21 does not give the above option. However, Ind AS-21 does not apply to long-term foreign currency monetary items recognized in the financial statements before the beginning of the first Ind AS financial reporting period as per the previous GAAP, i.e., AS-11. However, as provided in Ind AS-101, such an entity may continue to apply the accounting policy so opted for such long-term foreign currency monetary items as per previous GAAP.	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

Ind AS (Converged IFRS)	Existing AS
	recognised as part of the cost of the asset.
Ind AS 23 'Borrowing Costs'	**AS 16 'Borrowing Costs'**
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.	Does not provide for such scope relaxation.
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	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.
Requires calculating the interest expense using the effective interest rate method as described in Ind AS 109 Financial Instruments: Recognition and Measurement.	Borrowing Costs, inter alia, include the following:(a) interest and commitment charges on bank borrowings and other short-term and long-term borrowings;(b) amortization of discounts or premiums relating to borrowings;(c) amortization of ancillary costs incurred in connection with the arrangement of borrowings;
Explanation is not included in the Ind AS 23.	Gives explanation for meaning of 'substantial period of time' appearing in the definition of the term 'qualifying asset'.
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).	Does not contain a similar clarification because at present, in India, there is no Standard on Financial Reporting in Hyperinflationary Economies.
Requires disclosure of capitalization rate used to determine the amount of borrowing costs eligible for capitalization.	Does not have this disclosure requirement

Ind AS (Converged IFRS)	**Existing AS**
Ind AS 24 'Related Party Disclosures'	**AS 18 'Related Party Disclosures'**
Uses the term "**a close member of that person's family**"	Uses the term **"relatives of an individual"**
Includes the persons specified within the meaning of 'relative' under the Companies Act, 2013 and that person's domestic partner, children of that person's domestic partner and dependents of that person's domestic partner.	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.
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."	Defines state-controlled enterprise as "an enterprise which is under the control of the Central Government and/or any State Government(s)".
Covers KMP of the parent as well.	Covers key management personnel (KMP) of the entity only
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.	Co-venturers or co-associates are not related to each other.
Does not specifically mention this.	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.
Requires extended disclosures for compensation of KMP under different categories.	Does not specifically require.
Requires "the amount of the transactions" need to be disclosed,	Gives an option to disclose the "Volume of the transactions either as an amount or as an appropriate proportion".

Ind AS (Converged IFRS)	Existing AS
Requires disclosures of certain information by the government related entities	Presently exempts the disclosure of such information.
Ind AS-28 'Investments in Associates and Joint Ventures'	**AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements' and AS 27 'Financial Reporting of Interest in Joint Venture'**
Excludes from its scope, investments in associates held by venture capital organizations, mutual funds, unit trusts and similar entities including investment-linked insurance funds, which are treated in accordance with Ind AS 109	Does not make such exclusion.
Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.	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 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.
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'.	'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'.
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.	For considering share ownership for the purpose of significant influence, potential equity shares of the investee held by investor are not taken into account.
Requires application of equity method in financial statements other than separate financial statements even if the investor does not have any subsidiary.	Requires application of the equity method only when the entity has subsidiaries and prepares Consolidated Financial Statements.

Ind AS (Converged IFRS)	Existing AS
No such exemption is provided in Ind AS 28.	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.
The same is to be accounted for at cost or in accordance with Ind AS 109 Financial Instruments: Recognition and Measurement in separate financial statements.	In separate financial statements, investment in an associate is not accounted for as per the equity method; the same is accounted for in accordance with existing AS 13, Accounting for investments.
Length of difference in the reporting dates of the investor and the associate should not be more than three months unless it is impracticable.	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.
Require that similar accounting policies should be used. In case an associate uses different accounting policies for like transactions, appropriate adjustments shall be made to the accounting policies of the associate.	Require that similar accounting policies should be used. In case an associate uses different accounting policies for like transactions, appropriate adjustments shall be made to the accounting policies of the associate.
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.	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.
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	Investor's share of losses in the associate is recognised to the extent of carrying amount of investment in the associate.

Ind AS (Converged IFRS)	Existing AS
Requires that after application of equity method, including recognising the associate's losses, the requirements of Ind AS 109 shall be applied to determine whether it is necessary to recognise any additional impairment loss.	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-33 'Earning Per Share'	**AS- 20 'Earning Per Share'**
Requires presentation of basic and diluted EPS from continuing and discontinued operations separately.	Does not require any such disclosure.
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.	Requires the disclosure of EPS with and without extraordinary items.
Ind AS-34 'Interim Financial Reporting'	**AS-25 'Interim Financial Reporting'**
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.	If an entity is required or elects to prepare and present an interim financial report, it should comply with that standard.
The term 'complete set of financial statements' appearing in the definition of interim financial report has been expanded. 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	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 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.

Ind AS (Converged IFRS)	Existing AS
when it reclassifies items in its financial statements.	
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.
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.	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.
Requires furnishing of information, in interim financial report, on dividends **paid**, aggregate or per share separately for equity and other shares.	Requires furnishing information, in interim financial report, of dividends, aggregate or per share (in absolute or percentage terms), for equity and other shares.
Requires furnishing of information on both contingent liabilities and contingent assets, if they are significant.	Requires furnishing of information on contingent liabilities only.
No reference to extraordinary items.	Reference to extraordinary items (in the context of materiality) in the existing standard is deleted.
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').	Does not contain these requirements.
Additionally requires restatement of the comparable interim periods of	A change in accounting policy, other than one for which the transitional

Ind AS (Converged IFRS)	Existing AS
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.	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-36 'Impairment of Assets'	**AS-28 'Impairment of Assets'**
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	Does not apply to these assets
Specifically excludes biological assets related to Agricultural activity	Does not specifically exclude biological assets.
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.	Does not require the annual impairment testing for the goodwill unless there is an indication of impairment.
Gives additional guidance on the following aspects (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.	No such guidance available.
Prohibits the recognition of reversals of impairment loss for goodwill.	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
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.	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

Ind AS (Converged IFRS)	Existing AS
	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.
Ind AS-37 'Provisions, Contingent Liabilities and Contingent Assets'	**AS-29 'Provisions, Contingent Liabilities and Contingent Assets'**
Requires creation of provisions in respect of constructive obligations also. The terms 'legal obligation' and 'constructive obligation' have been inserted and defined	NA
Requires discounting the amounts of provisions, if effect of the time value of money is material.	Prohibits discounting the amounts of provisions.
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.	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.
Gives an exception to this principle viz., such losses related to an onerous contract.	States that identifiable future operating loss up to the date of restructuring are not included in a provision.
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.	NA
Ind AS-38 'Intangible Assets'	**AS-26 'Intangible Assets'**
Does not include any such exclusion specifically as these are covered by other accounting standards.	Does not apply to accounting issues of specialized nature also arise in respect of accounting for discount or premium relating to borrowings and

Ind AS (Converged IFRS)	Existing AS
	ancillary costs incurred in connection with the arrangement of borrowings, share issue expenses and discount allowed on the issue of shares.
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.	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.
Provides detailed guidance in respect of identifiability.	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.
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.	There is no such provision.
Deals in detail in respect of intangible assets acquired in a business combination.	Refers only to intangible assets acquired in an amalgamation in the nature of purchase and does not refer to business combinations as a whole.
Gives guidance for the treatment of such expenditure.	Silent regarding the treatment of subsequent expenditure on an in-process research and development project acquired in a business combination.
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.	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

Ind AS (Converged IFRS)	Existing AS
	given up; in each case an adjustment is made for any balancing receipt or payment of cash or other consideration also.
When intangible assets are acquired free of charge or for nominal consideration by way of government grant, an entity should, in accordance with Ind AS 20, record both the grant and the intangible asset at fair value.	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.
The 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 fulfilment of certain conditions, in which case it should not be amortized but should be tested for impairment.	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.
Permits an entity to choose either the cost model or the revaluation model as its accounting policy	Revaluation model is not permitted.
Acknowledges that the useful life of an intangible asset arising from contractual or legal rights may be shorter than the legal life.	Does not include such a provision.
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, amortization charge is zero unless the residual value subsequently decreases to an amount below the asset's carrying amount.	Specifically requires that the residual value is not subsequently increased for changes in prices or value.
Change in the method of amortization is a change in accounting estimate.	Change in the method of amortization is a change in accounting policy.
No such requirement.	Also requires annual impairment testing of asset not yet available for use.
Does not include such intangible assets since they would be covered by Ind AS 105.	Intangible assets retired from use and held for sale are covered.

Ind AS (Converged IFRS)	Existing AS
Ind AS 103 'Business Combinations'	**AS 14 'Accounting for Amalgamations'**
Wider scope	Narrow scope
Prescribes only the acquisition method for each business combination.	There are two methods of accounting for amalgamation. The pooling of interest method and the purchase method.
Requires the acquired identifiable assets liabilities and non-controlling interest to be recognised at fair value under acquisition method.	The acquired assets and liabilities are recognised at their existing book values or at fair values under the purchase method.
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.	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.
The goodwill is not amortized but tested for impairment on annual basis in accordance with Ind AS 36	Requires that the goodwill arising on amalgamation in the nature of purchase is amortized over a period not exceeding five years.
Deals with reverse acquisitions	Does not deal with the same
The consideration the acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement.	Does not provide specific guidance on this aspect.
Ind AS 105 'Non-current Assets Held for Sale and Discontinued Operations'	**AS 24 'Discontinuing Operations'**
Specifies the accounting for non- current assets held for sale, and the presentation and disclosure of discontinued operations.	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,
Discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale.	There is no concept of discontinued operations but it deals with discontinuing operations.

Ind AS (Converged IFRS)	Existing AS
The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification with certain exceptions	Does not specify any time period in this regard as it relates to discontinuing operations
Ind AS 107 'Financial Instruments: Disclosures'	**AS 32 'Financial Instruments: Disclosures'**
Does not apply to contracts for contingent consideration in a business combination in case of acquirers.	Does not exempt such contracts.
Excludes from its scope puttable instruments dealt with by Ind AS 32	Does not exclude the same from its scope.
Ind AS 108 'Operating Segments'	**AS 17 'Segment Reporting'**
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.	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.
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 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.
Ind AS-109 Financial Instruments: Recognition and Measurement	**AS-30 Financial Instruments: Recognition and Measurement**
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.........'.	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 (Converged IFRS)	Existing AS
Ind AS 109 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.**	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'**
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.'	Does not specify so.
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.	
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.**	
'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	

Ind AS (Converged IFRS)	Existing AS
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.'	
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.	
Does not exempt contracts for contingent consideration in a business combination from its scope	Provides an exemption.
Ind AS-110 & Ind AS-27 Consolidated Financial Statements and Separate Financial Statement	**AS-21 and AS-13 Consolidated Financial Statements**
Ind AS - 110 makes the preparation of Consolidated Financial Statements mandatory for a parent.	AS - 21 does not mandate the preparation of Consolidated Financial Statements by a parent
Unlike rule based definition given in AS - 21, definition of control in Ind AS-110 is principles based which states that, an investor controls an investee when it is exposed, or has right, to	As per AS - 21, control is the ownership of more than ½ of the voting power of an entity or control of the composition of the board of directors or governing body.

Ind AS (Converged IFRS)	Existing AS
variable return from its involvement with investee and has the ability to affect those returns through its power over the investee.	
No clarification has been provided in this regard in Ind AS - 110, keeping in view that as per the definition of control given in Ind AS - 110 of an entity could be with one entity only.	Under AS - 21 there can be more than one parent of a subsidiary therefore existing AS - 21 provides clarification regarding consolidation in case an entity is controlled by two entities.
As per Ind AS - 110, difference between the date of the subsidiary's financial statements and that of the consolidated financial statements shall not be more than 3 months	As per AS - 21, difference shall not exceed 6 month.
Ind AS - 110 provides detailed guidance	Comparatively less details
As per Ind AS - 110, potential voting rights that are substantive are also considered when assessing whether and entity has control over the subsidy.	For considering share ownership, potential equity shares of the investee held by investor are not taken into account as per AS-21
Ind AS - 110 does not give any such exemption from consolidation.	As per AS-21, subsidiary is excluded from consolidation when control is intended to be temporary or when subsidiary operates under sever long term restrictions
Ind AS-27 provides guidance for accounting for investments in subsidiaries, jointly controlled entities and associates in preparing the separate financial statements.	Does not deal with the same.
Ind AS - 111 Joint Arrangements	**AS - 27 Financial Reporting of Interests in Joint Venture**
As per Ind AS - 111, a joint arrangement is either a joint operation or a joint venture. Such classification of joint arrangement depends upon the rights and obligations of the parties to the arrangement and disregards the legal structure	AS - 27 recognises 3 forms of joint ventures namely: (*a*) Jointly controlled operations (*b*) Jointly controlled assets and (*c*) Jointly controlled entities

Ind AS (Converged IFRS)	Existing AS
Ind AS-111 provides that a venture can recognise its interest in joint venture using only equity method as per Ind AS-28	As per AS-27 prescribes the use of proportionate consolidation method.
Ind AS-111 requires that the joint operator shall recognise its interest in joint operation to the extent of its assets, liabilities including its share in asset and liabilities and its revenue and expenses from joint operations including its share in revenue and expenses of joint operation as given in the Paras 20-22 and joint venture in accordance with Ind AS-28, Investment in Associates and joint Ventures.	In case of separate financial statements under AS-27, interest in jointly controlled entity is accounted for as per AS-13, Accounting for investment *i.e.*, at cost less provision for other than temporary decline in the value of investment.
Ind AS-111 requires application of equity method in financial statements other than separate financial statements in case of a joint venture, even if the venture does not have any subsidiary in the financial statements	AS-27 requires application of the proportionate consolidation method only when the entity has subsidiaries and prepares Consolidated Financial Statements.

Carve-outs

33.6 Carve-outs which are due to differences in application of accounting principles and practices and economic conditions prevailing in India.

Ind AS-1, Presentation of Financial Statements : ***Breach of a material provision of a long-term loan arrangement***

As per IFRS **:** IAS-1 requires that in case of a loan liability, if any condition of the loan agreement which was classified as non-current is breached on the reporting date, such loan liability should be classified as current. Where the breach is rectified after the balance sheet date IAS requires loans to be classified as current.

Carve Out **:** Ind AS 1 clarifies that where there is a ***breach of a material provision of along-term loan arrangement*** on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach.

Reason : Under Indian banking system, a long-term loan agreement generally contains a large number of conditions. Some of these conditions are substantive, such as, recalling the loan in case interest is not paid, and some conditions are procedural and not substantive, such as, submission of insurance details where the entity has taken the insurance but not submitted the details to the lender at the end of the reporting period. Generally, customer-banker relationships are developed whereby in case of any procedural breach, a loan is generally not recalled. Also, in many cases, a breach is rectified after the balance sheet date and before the approval of financial statements. Carve out has been made as it is felt that if the breach is rectified after the balance sheet date and before the approval of the financial statements, it would be appropriate that the users are informed about the true nature of liabilities being non-current liabilities and not current liabilities.

Ind AS-10, Events after the Reporting Period : ***Non-adjusting events***

As per IFRS : Rectification of any breach after the end of the reporting period is a non-adjusting event.

Carve Out : As a consequence to carve-out at 1 above, Ind AS 10 provides, in the definition of 'Events after the reporting period' that in case of breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender, before the approval of the financial statements for issue, agrees to waive the breach, it shall be considered as an adjusting event.

Ind AS-17, Leases: ***Charging of lease rent on straight line basis***

As per IFRS : IAS-17 requires all leases rentals to be charged to statement of profit and loss on straight-line basis in case of operating leases unless another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessor are not on that basis.

Carve out : A carve-out has been made to provide that lease rentals, in case of operating leases, shall be charged to the statement of profit and loss in accordance with the lease agreement unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Reason : Companies enter into various kinds of lease agreements to get the right to use an asset of the lessor. Considering the Indian inflationary situation, lease agreements contain periodic rent escalation. Accordingly, where there is periodic rent escalation in line with the expected inflation so as to compensate the lessor for expected inflationary cost increases, the rentals shall not be straight-lined.

Ind AS-28, Investment in Associates and Joint Ventures: ***Different accounting policies of associates***

As per IFRS : IAS 28 requires that for the purpose of applying equity method of accounting in the preparation of investor's financial statements, uniform accounting policies should be used. In other words, if the associate's accounting policies are different from those of the investor, the investor should change the financial statements of the associate by using same accounting policies.

Carve out : In Ind AS 28, the phrase, 'unless impracticable to do so' has been added in the relevant requirements.

Reasons : Certain associates, e.g., regional rural banks (RRBs), being associates of nationalized banks, are not in a position to use the Ind AS as these may be too advanced for the RRBs. Accordingly, the above-stated words have been included to exempt such associates.

Ind AS-32, Financial Instruments: ***Presentation - Liability or equity in case of FCCB***

As per IFRS : As per accounting treatment prescribed under IAS-32, equity conversion option in case of foreign currency denominated convertible bonds (FCCB) is considered a derivative liability which is embedded in the bond. Gains or losses arising on account of change in fair value of the derivative need to be recognised in the statement of profit and loss as per IAS 32.

Carve out : In Ind AS 32, an exception has been included to the definition of 'financial liability' in paragraph 11(b)(*ii*), whereby conversion option in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments is classified as an equity instrument if the exercise price is fixed in any currency.

Reasons : This treatment as per IAS-32 is not appropriate in instruments, such as, FCCBs since the number of shares convertible on the exercise of the option remains fixed and the amount at which the option is to be exercised in terms of foreign currency is also fixed; merely the difference in the currency should not affect the nature of derivative, i.e., the option. Further, the fair value of the option is based on the fair value of the share prices of the company. If there is decrease in the share price, the fair value of derivative liability would also decrease which would result in recognition of gain in the statement of profit and loss. This would bring unintended volatility in the statement of profit and loss due to volatility in share prices. This will also not give a true and fair view of the liability as in this situation, when the share prices fall, the option will not be exercised. However, it has been considered that if such option is classified as equity, fair value changes would not be required to be recognised. Accordingly, the exception has been made in definition of financial liability in Ind AS-32.

Ind AS-101, First-time Adoption of Indian Accounting Standards: ***Definition of previous GAAP under Ind AS 101***

As per IFRS **:** IFRS 1 defines previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting IFRS.

Carve out **:** Ind AS 101 defines previous GAAP as the basis of accounting that a first-time adopter used for its reporting requirement in India immediately before adopting Ind ASs. The changes made it mandatory for Indian entities to consider the financial statements prepared in accordance with existing notified Accounting Standards as was applicable to them as previous GAAP when it transitions to Ind ASs.

Reason **:** The change makes it mandatory for Indian companies to consider the financial statements prepared in accordance with existing Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 as previous GAAP when it transitions to Ind AS as the law prevailing in India recognises the financial statements prepared in accordance with the Companies Act.

Ind AS-101, First-time Adoption of Indian Accounting Standards: ***Allowing the use of carrying cost of Property, Plant and Equipment (PPE) on the date of transition of Ind AS 101.***

As per IFRS **:** IFRS-1, *First time adoption of International Accounting Standards* provides that on the date of transition either the items of Property, Plant and Equipment shall be determined by applying IAS 16 *Property, Plant and Equipment* retrospectively or the same should be recorded at fair value.

Carve out **:** Ind AS 101 provides an additional option to use carrying values of all items of property, plant and equipment on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS.

Reason **:** In case of old companies, retrospective application of Ind AS 16 or fair values at the date of transition to determine deemed cost may not be possible for old assets. Accordingly, Ind AS 101 provides relief to an entity to use carrying values of all items of property, plant and equipment on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS.

Ind AS-101, First-time Adoption of Indian Accounting Standards: ***Long Term Foreign Currency Monetary Items***

As per IFRS : No provision in IFRS 1.

Carve out : Paragraph D13AA of Appendix D to Ind AS 101 provides that a first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. Consequently, Ind AS 21 also provides that it does not apply to long-term foreign currency monetary items for which an entity has opted for the exemption given in paragraph D13AA of Appendix D to Ind AS 101. Such an entity may continue to apply the accounting policy so opted for such long-term foreign currency monetary items.

Reason : Para 46A of AS 11 provides an option to recognise long term foreign currency monetary items in the statement of profit and loss as a part of the cost of property, plant and equipment or to defer its recognition in the statement of profit and loss over the period of loan in case the loan is not related to acquisition of fixed assets. To provide transitional relief, such entities have been given an option to continue the capitalization or deferment of exchange differences, as the case may be, on foreign currency borrowings obtained before the beginning of First IFRS reporting period.

Ind AS-101, First-time Adoption of Indian Accounting Standards: ***Financial Assets or intangible assets accounted for in accordance with Appendix C, Service Concession Arrangements to Ind AS-115, Revenue from Contracts with Customers***

As per IFRS : Paragraph D 22 of Appendix D to IFRS 1 provides that a first-time adopter may apply the transitional provisions in IFRIC 12 for account for financial assets or intangible assets.

Carve Out : Paragraph D 22 of Appendix D to Ind AS 101 provides that a first-time adopter may apply the following provisions while applying the Appendix C to Ind AS 115:

(*a*) Subject to paragraph (ii), changes in accounting policies are accounted for in accordance with Ind AS 8, *i.e.* retrospectively, except for the policy adopted for amortization of intangible assets arising from service concession arrangements related to toll roads recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP.

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

- recognise financial assets and intangible assets that existed at the date of transition to Ind ASs;
- use the previous carrying amounts of those financial and intangible assets (however previously classified) as their carrying amounts as at that date; and
- test financial and intangible assets recognised at that date for impairment, unless this is not practicable, in which case the amounts shall be tested for impairment as at the start of the current period.

(*c*) There are two aspects to retrospective determination: reclassification and re-measurement. It will usually be practicable to determine retrospectively the appropriate classification of all amounts previously included in an operator's Balance Sheet, but that retrospective remeasurements of service arrangement assets might not always be practicable. However, the fact should be disclosed.

As a consequence to the above, paragraph 7AA has been inserted in Ind AS 38 to scope out the entity, to apply amortization method, that opts to amortize the intangible assets arising from service concession arrangements in respect of toll roads recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS reporting period as per the exception given in paragraph D22 of Appendix D to Ind AS 101.

Reason : Schedule II to the Companies Act, 2013, allows companies to use revenue based amortization of intangible assets arising from service concession arrangements related to toll roads while Ind AS 38, *Intangible Assets,* allows revenue based amortization only in the circumstances in which the predominant limiting factor that is inherent in an intangible asset is the achievement of revenue threshold. In order to provide relief to such entities,Ind AS 38 and Ind AS 101 have been amended to allow the entities to continue to use the accounting policy adopted for amortization of intangible assets arising from service concession arrangements related to toll roads recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial statements. In other words, Ind AS 38 would be applicable to the amortization of intangible assets arising from service concession arrangements related to toll roads entered into after the implementation of Ind AS.

Ind AS 103, Business Combinations: ***Bargain purchase***

As per IFRS : IFRS 3 requires bargain purchase gain arising on business combination to be recognised in profit or loss as income.

Carve out : Ind AS 103 requires the bargain purchase gain 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. A similar carve-out is made in Ind AS-28, *Investments in Associates and Joint Ventures*

Reasons : At present, since bargain purchase gain occurs at the time of acquiring a business, these are considered as capital reserve. Recognition of such gains in profit or loss would result into recognition of unrealized gains, which may get distributed in the form of dividends. Moreover, such a treatment may lead to structuring through acquisitions, which may not be in the interest of the stakeholders of the company.

Ind AS 115, Revenue from Contracts with Customers

As per IFRS : IFRS 15 provides that all types of penalties which may be levied in the performance of a contract should be considered in the nature of variable consideration for recognising revenue.

Carve Out : Ind AS 115 has been amended to provide that penalties shall be accounted for as per the substance of the contract. Where the penalty is inherent in determination of transaction price, it shall form part of variable consideration, otherwise the same should not be considered for determining the consideration and the transaction price shall be considered as fixed.

Carve-in

33.7 Ind AS-103, Business Combinations

As per IFRS : IFRS 3 excludes from its scope business combinations of entities under common control.

Carve-in Appendix C of Ind AS-103 *Business Combinations* gives guidance in this regard.

PROBLEMS

Q1. What is Ind ASs and to which companies these applies?

Q2. Why India opted convergence instead of adoption of IFRS?

Q3. What do you mean by carve-outs? Explain five major carve-outs

Q4. Is there any carve-in in convergence of IFRS as Ind AS?

Q5. Explain the difference between Ind AS-7 and AS-3?