Ind AS 1: Presentation of financial statements

1) Scope

- Applicable to all FS as per Ind AS 1 Except Interim FS.
- Reports outside FS are outside of scope.
  Eg. BOD Report.

2) Components of Financial Statement

A complete set of FS contain
- Balance sheet
- SOPL
- SOCE
- CFS
- Notes of A/C
- Opening BS when
  - ↳ Retrospective application of an accounting policy
  - ↳ Reclassify an item of FS

3) Overall Considerations

Following principles observed while preparing any FS

A) Fair Presentation & Compliance with Ind AS

- Present fairly financial position & financial Performance
- Ind AS followed – it is presumed fair
- Explicit & Unreserved statement of compliance
- Also require
  - Select & apply Accounting Policy as per Ind AS 8
  - Present in manner provide relevant, reliable, comparable, understandable data.
  - additional disclosure

"True & fair override"
Allow departure from Ind AS but disclose subject to Rules & Reg.

B) Going Concern

(Assess its appropriateness for atleast next 12 years)

- Going Concern Appropriate but Material uncertainties disclose.
- Going Concern Not Appropriate
  - Intends to liquidate
  - No Realistic alternative or
  - cease to trading

  ↓
  - Disclose fact
  - Basis of presentation of FS
  - Reason

C) Accrual basis.

All Assets, liabilities, income, expenses recognised when [definition + Recognition criteria met]

↓

except Cashflow Statement

D) Presentation consistency

Presentation & Classification of items should be same except-
it is appropriate to change based on-
- Change in Operations of Undertaking
- Review of FS
- Required by Ind AS

Overall Consideration Continued....

4) Identification of FS

FS must be clearly identified & distinguished from other information in the same published document & State

- Name of reporting entity
- Whether Consolidated or separate FS
- Date & period covered
- Presentation currency
- Level of Rounding off

5) Reporting period/ frequency

- Present atleast annualy.
- If longer or shorter period disclose-fact.

9) Cash flow statement

As per Ind AS 7

E) Materiality & Aggregation

Similar items :- Each Material class of similar item shall be presented seprately

Dissimilar item :- presented seprately unless Immaterial → in that case aggregate

F) Offsetting

Assets & liabilities, Income & Expenses are not offsett unless ~~required/permitted by other Ind AS~~ except

eg. DTA, DTL

But many items are not offsett eg. PPE shown net of exp.

except :- it reflect substance of transaction

eg. most "other income" items shown net of expenses

G) Comparative Information

→ for all items & amount - presented in financial statement → must be presented

→ for narrative & descriptive information → only if relevent to an understanding of current period.

(6) Statement of Financial position (B/S)

- Present current items & Non-current its seprately or
- Present in Liquidity order

Information to be presented

- on face
- on face or in Notes to A/c

Refer Ind AS

Current Assets :-

- Expected to be realised in or intended for sale/consumption during Normal Operating cycle
- Held primarily for Trading
- Expected to be realised within 12 after reporting date
- Cash & cash equivalent

All other assets → Non-CA

Current Liabilities :-

- Expected to be settled in OC
- Held primarily for Trading
- Due to be settled within 12 months after reporting date
- Liability without unconditional right to defer settlement for atleast 12 months. eg.

All other liability → Non-current.

Long term Loan arrangement →

Need not classified as current on account of breach of material provision

if lender have agreed to waive demand/provided grace period of 12 months to rectify — immaterial ☆

(7) Income statement [SOPL]

✓ All items of income, expense Recorded in current period shall be included in Income statement unless required otherwise

✓ No item as extraordinary - either on Face or Notes

✓ if items of income/expense are material disclose seprately.

✓ Present analysis of expenses Based on Nature

✓ single statement approach

Information to be presented

- on face
- on face or in notes

Refer Ind AS

(8) Statement of Changes in Equity (SOCE)

✓ Reconciles Income statement with movement on equity for period.

✓ Presented as part of B/S

✓ Information to be presented

on face

- Profit/Loss for period
- items of OCI
- Total of both
- Attributable to
  - equity holder of parent
  - Minority interest
- For each component - impact of changes in Accounting policy & correction of error Ind AS 8

on face or Notes

- Transaction with owners in capacity of owner eg. dividend
- Retained earning opening, closing
- Bargain purchase gain

etc.

10) Structure of Notes to Account

- Statement of compliance with Ind AS
- Summary of significant Accounting policy
- Supporting information cross referenced with items on face of FS
- Other disclosures
  e.g. Contingent liab.

(11) Disclosure of Accounting policy

→ Disclose summary of significant Accounting policy

- Measurement basis used in preparing B/S e.g. Historical, FV, NRV
- Other relevent accounting policy
- Judgements made to apply accounting policy (except estimation uncertainty)
- Alternative accounting policies selected among Ind AS
  e.g. Cost, Revaluation model
  Ind AS 16 PPE

(12) Key Sources of Estimation Uncertainty

Estimation Uncertainty ? → significant risk of resulting in material adjustment to carrying amount of items

✓ Disclose

→ Assumptions its made about future

→ other sources of estimation uncertainty
  e.g. discount rate, useful life.

✓ for such assets & liabilities
  a) Nature &
  b) Carrying amt at end

✓ If Recorded at FV – no estimation hence no dis.
  e.g. active market

✓ other Relevent information
  e.g. range of uncertainty
  - sensitivity of carrying amt
  - Nature & assumption.

✓ if impossible to explain extent of possible effect Just disclose fact that carrying amt may change

(13) Capital

– Disclose information that enable user to evaluate the undertaking objectives, policies & process of managing capital.

Qualitative information e.g.

- description of what comprises capital
- Externally imposed requirement e.g. redemption
- How it is meeting its objective

Quatitative information

- what comprises capital
- changes thereto
- any externally imposed requirement. Complied with

→ Seprate information for each capital requirement to which entity is subject

(14) Puttable Financial Instruments Classified as Equity.

– Summary quantitative data about the amount

→ objectives, policies, procedure to maintain obligation
  e.g. Buyback

→ Expected cash outflow on redemption

→ Information about how? above amt determined.

15 Other Disclosures

- Amount of dividendend declared or proposed but NOT recognised as distribution to owner
- Amount of any cum preference dividend not recognised
- if following not disclosed elsewhere in published information
  - a) Domicile, Legal form of entity, country of incorporation
  - b) Nature of entity's operations & principal activities
  - c) Name of parent & ultimate parent
  - d) if it is a limited life entity, information about length of life.