

Ind AS 101

First-time Adoption of Indian
Accounting Standards

Agenda

Overview and scope of Ind AS 101

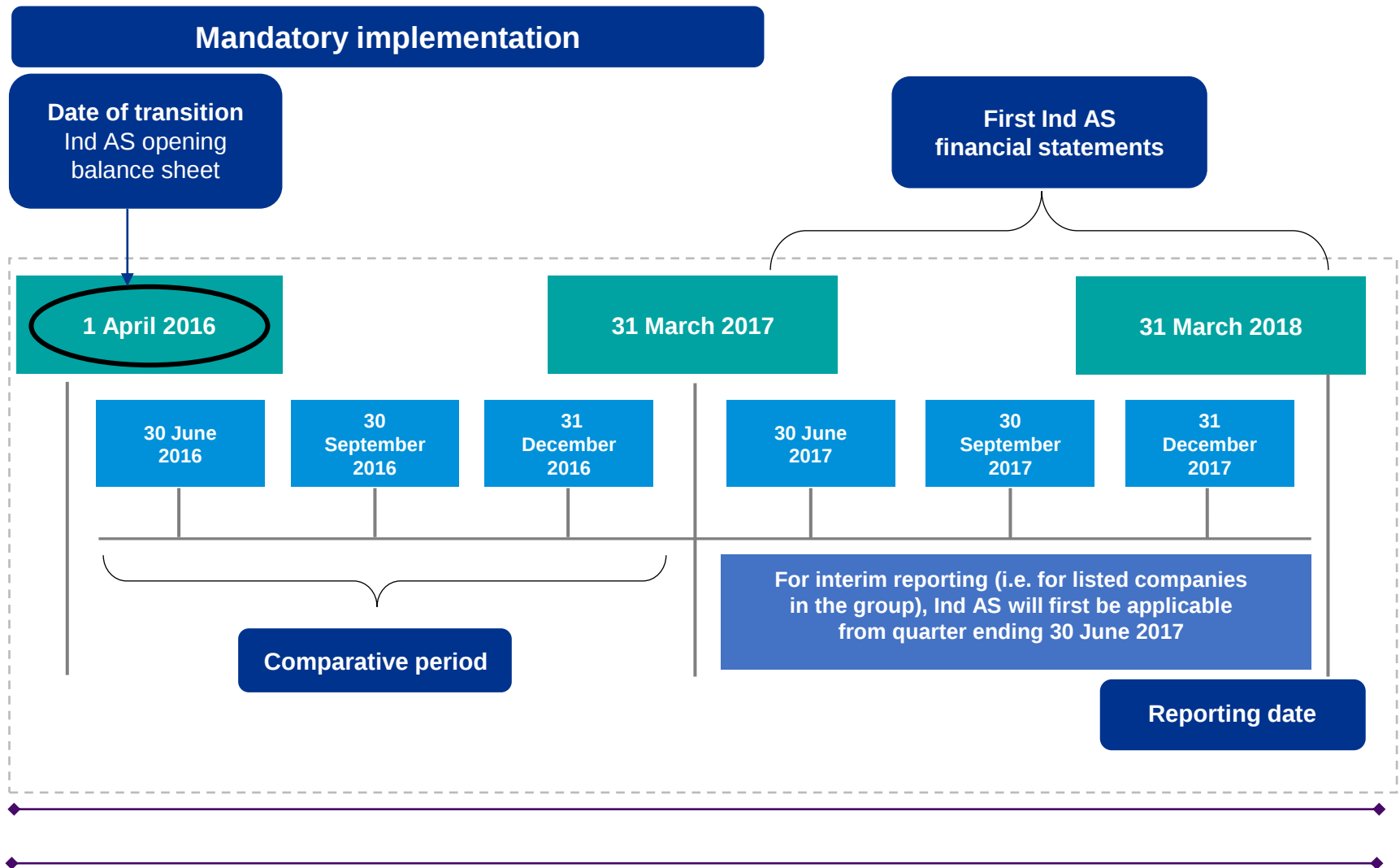
Exemptions

Disclosures

**Key differences between IFRS 1 and
Ind AS 101**



First time implementation Applicability for Phase 2 companies



Key terms - Appendix A to Ind AS 101

Appendix A – Ind AS 101	Key terms	
	Date of transition	It is the beginning of the earliest period for which an entity presents full comparative information under Ind AS in its first Ind AS financial statements.
	First Ind AS FS	The first annual financial statements in which the entity adopts Ind AS and in which it makes an explicit and unreserved statement of compliance with Ind AS.
	Opening Ind AS balance sheet	An entity's balance sheet at the date of transition.
	Previous GAAP	It is the basis of accounting that a first-time adopter used in India immediately before adopting Ind AS.
	Deemed cost	It is an amount used as a surrogate for cost or depreciated cost at a given date.

Application - Illustration

Apply Ind AS101:

- Only when an entity prepares Ind AS financials for the first time.
- In any interim financial statements for a period covered by those financial statements that are prepared under Ind AS

A Listed company has a 31st March year end and will be required to comply with Ind AS from 1 April 2016

Required :

What is the Date of Transition to Ind ASs?

Solution:

The Company's first Ind AS financial statements will be for the year ending 31 March 2017.

Ind AS1 requires that at least one year's comparatives figures are presented in the first Ind AS financials statements. The comparatives figures will be for the year ended 31 March 2016.

Therefore the date of transition to Ind ASs is 1 April 2015 and the company prepares and opening Ind AS statement of financial position at this date.

Objectives of the standard

The objective of this Ind AS is to ensure that an entity's first Ind AS financial statements, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that:



is transparent for users and comparable over all periods presented.



provides a suitable starting point for accounting in accordance with
Indian Accounting Standards (Ind ASs).



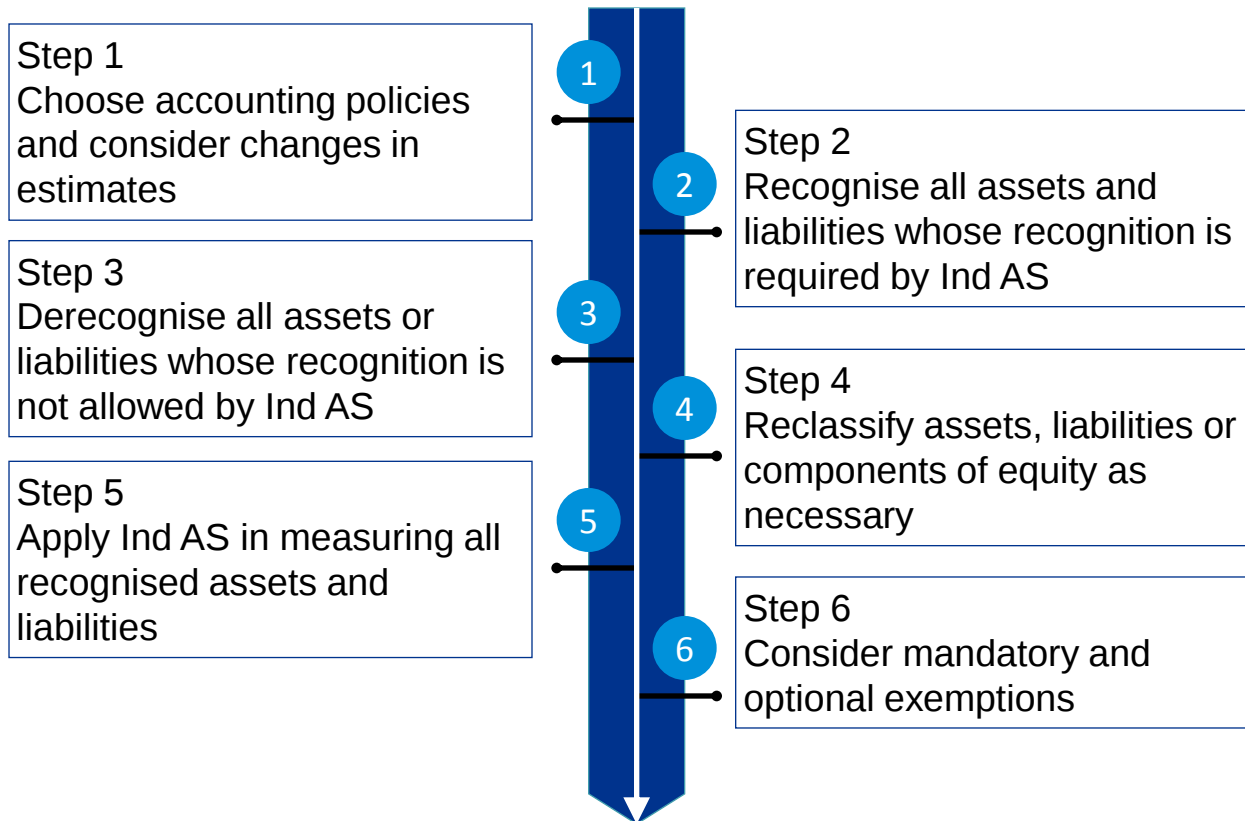
can be generated at a cost that does not exceed the benefits.

Key trends/ impact areas

- Increase in Revenue – Presentation of excise duty
- Actuarial gains and losses
- Fair valuation of financial instruments including mutual funds
- Capitalization of major spares
- Re-measurement of decommissioning liability
- Consequential deferred taxation
- Reversal of proposed dividend liability
- Change in functional currency

Not many changes with regard to complex areas

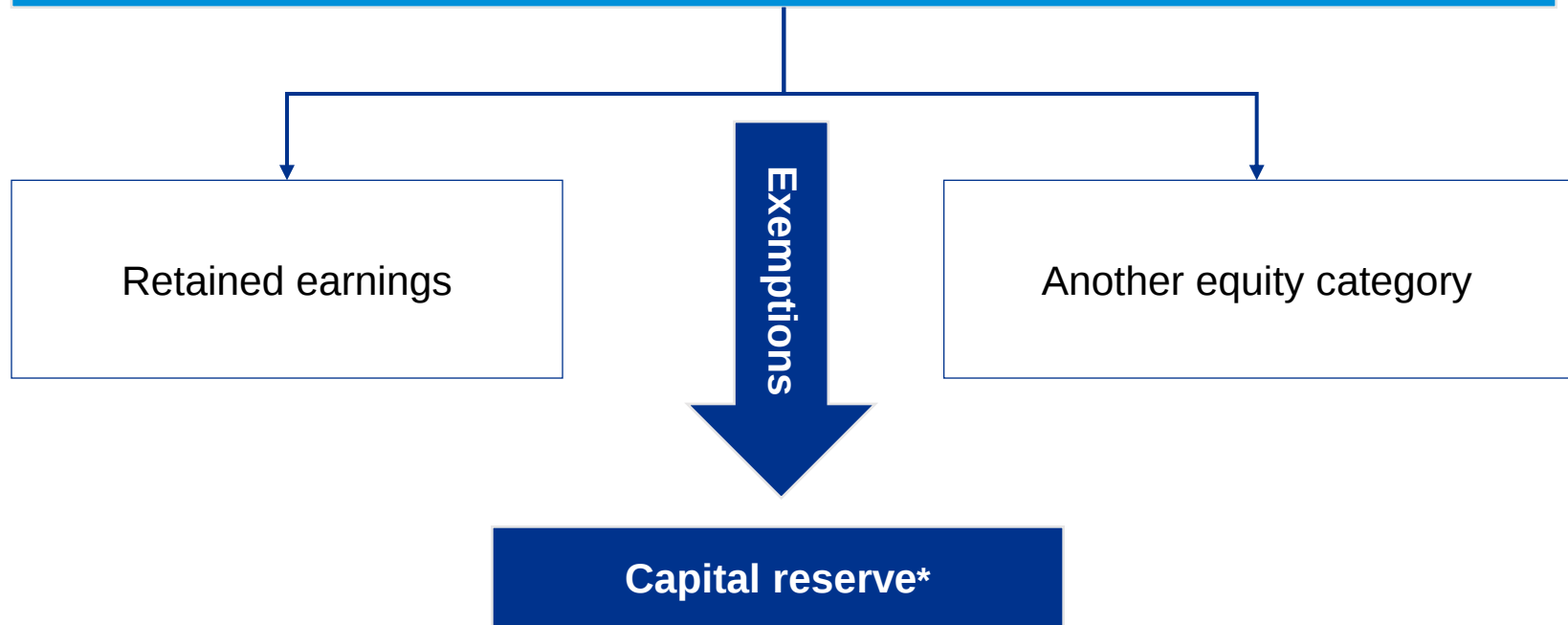
Steps to converge



Opening balance sheet at the date of transition

Adjustments in the Opening Balance Sheet

- Adjustments as a result of applying Ind AS for the first-time



*to the extent such adjustment amount does not exceed the balance available in capital reserve

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Exemptions - Transition to Ind AS

The general requirement of Ind AS 101 is full retrospective application of all Ind AS effective at the end of entity's first Ind AS Financial Statements.

Exemptions from retrospective application of Ind ASs

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graph TD; A[Exemptions from retrospective application of Ind ASs] --> B[Mandatory exceptions]; A --> C[Optional exemptions];
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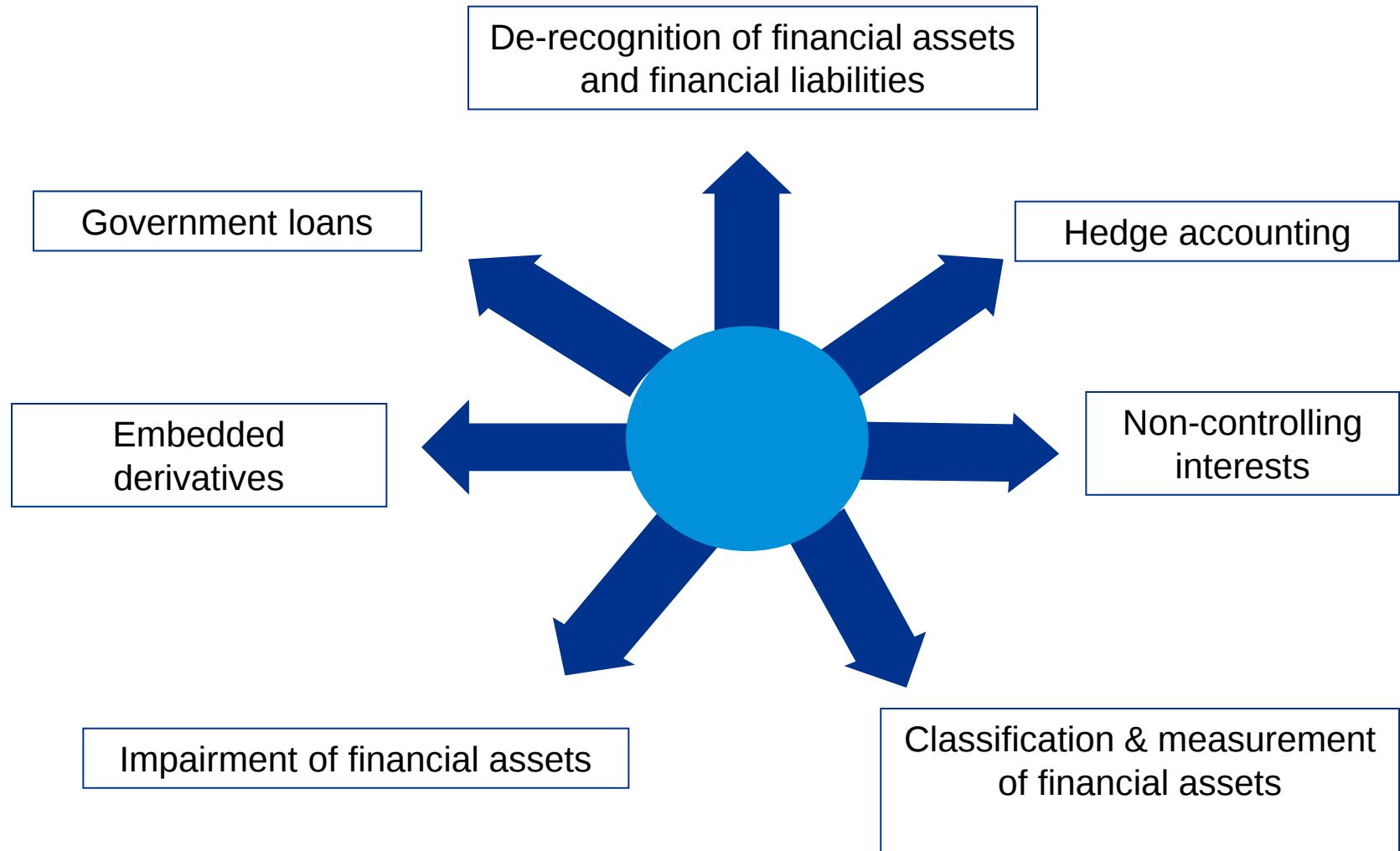
Mandatory exceptions

- Appendix B – Ind AS 101

Optional exemptions

- Appendix C – Ind AS 101
- Appendix D – Ind AS 101

Overview of Mandatory exceptions



Overview of Optional exemptions

- Deemed cost
- Business combination
- Cumulative translation differences
- Share-based payment transactions
- Arrangements containing a Lease
- Compound financial instruments
- Investments in subsidiaries, joint ventures and associates
- Assets and liabilities of subsidiaries, associates and joint ventures
- Designation of previously recognised financial instruments

- Fair value measurement of financial assets or financial liabilities at initial recognition
- Decommissioning liabilities
- Service concession agreements
- Insurance contracts
- Extinguishing financial liabilities with equity instruments
- Severe hyperinflation
- Joint arrangements
- Stripping costs – Surface mine
- Designation of contracts to buy or sell a non-financial item

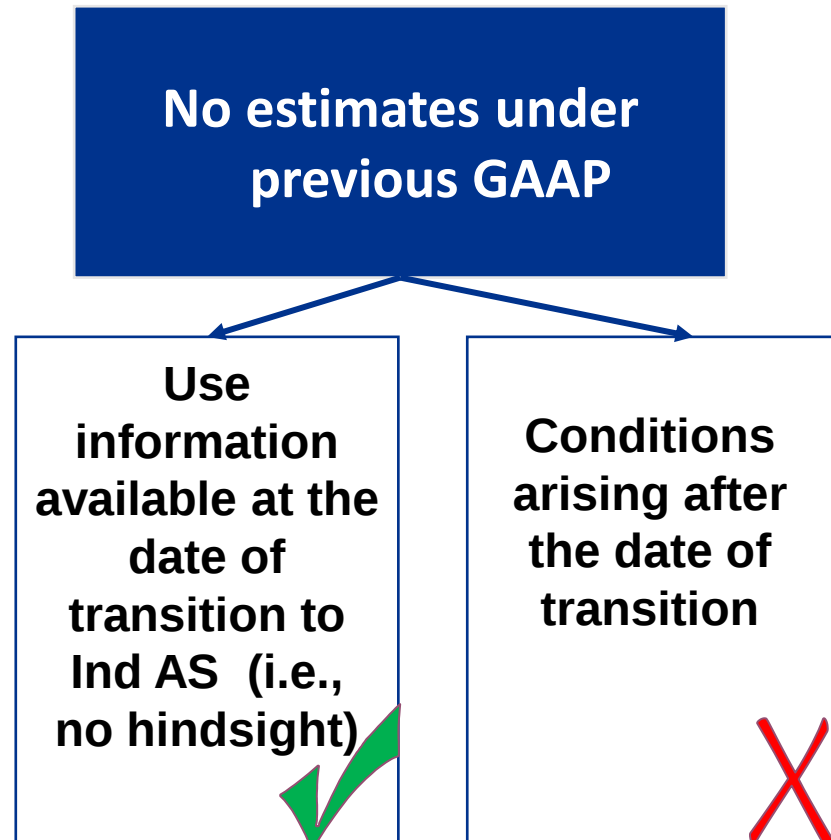
Estimates

Estimates should be consistent with estimates made under the previous GAAP unless

- there was an error; or
- the estimate and related information under previous GAAP are no longer relevant because the entity elects a different accounting policy on the adoption of Ind AS.

Note:

- Hindsight cannot be used; and
- Some estimates may not be required in the previous GAAP but are required in Ind AS. These estimates should be made based on the information existed at the date of transaction.



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Exemptions – Optional Exceptions

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Deemed cost

Property, plant and equipment:

- Fair value at transition date
- Previous revaluation – if its broadly comparable to :
 - Fair value
 - cost or depreciated cost in accordance with Ind AS
- Carve out – Carrying value as on the date of transition under the previous GAAP adjusted for decommissioning liability
- Exemption also available for Investment property and Intangible assets

Business Combination – Ind AS 103

Criteria for exemption: Free choice – no undue cost or effort; but...

- If one business combination is restated, all those occurring after that date must be restated and also apply Ind AS 110 from such date
- The first-time adopter shall exclude from its opening Ind AS Balance Sheet any item recognised in accordance with previous GAAP that does not qualify for recognition as an asset or liability under Ind AS

The carrying amount of goodwill or capital reserve shall be in accordance with previous GAAP subject to:

- a. Reclassify an item of intangible recognized as per previous GAAP but does not meet the recognition criteria under Ind AS
- b. requires the first-time adopter to recognise an intangible asset that was subsumed in recognized goodwill or capital reserve in accordance with previous GAAP

Exemption applies also to associates and joint ventures

Other Optional exemptions

1. Continuance of earlier policy of capitalising foreign exchange gain/ loss (paragraph 46A of AS 11)
2. Compound financial instruments are split at inception into separate liability and equity components . The first portion represents cumulative accreted interest in retained earnings, while the second portion represents original equity component.
 - The “split-accounting” provisions of Ind AS 32 need not be applied where the liability component of a compound financial instrument is no longer outstanding at the transition date.
3. Cumulative translation differences (‘CTD’) : At the date of transition to Ind AS:
 - The cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to Ind AS; and
 - The gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before the date of transition to Ind AS and shall include later translation differences.

Other Optional exemptions

4. Share based payments :

- Under Ind AS 101, an entity is encouraged, but not required, to apply Ind AS 102 Share-based Payment to equity instruments that vested before the date of transition to Ind AS
- For all grants of equity instruments to which Ind AS 102 has not been applied (eg, equity instruments vested but not settled before date of transition to Ind AS, a first time adopter shall nevertheless disclose the information

5. Arrangement containing a lease :

- First-time adopters are provided to apply transitional provisions of Appendix C of Ind AS 17 - leases
- First-time adopters need determine whether an arrangement existing at date of transition to IFRSs is, or contains, a lease based on the facts and circumstances at the date of transition to Ind AS

Other Optional exemptions

6. Investments in subsidiaries, joint ventures and associates: Investments in subsidiaries, joint ventures and associates are to be recorded either at cost or in accordance with Ind AS 109 as per Ind AS 27.

If first time adopter measures such investment at cost, then it shall measure the investment at :

1. Cost as per Ind AS 27
2. Deemed cost :
 - a. Fair value at the date of transition
 - b. Previous GAAP carrying amount

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De-recognition of financial assets and financial liabilities

First Time Adopter must apply :

- The de-recognition requirements in Ind AS 109 Financial Instruments prospectively for transactions occurring on or after the date of transition
- An entity may apply the de-recognition requirements in Ind AS 109 retrospectively provided that the information needed was obtained at the time of initially accounting for those transactions.

Other Mandatory exceptions

Government loans

Classify all government loans received as a financial liability or an equity instrument in accordance with Ind AS 32

Apply the requirements in Ind AS 109, prospectively to government loans existing at the date of transition to Ind AS.

If a first-time adopter shall use its previous GAAP carrying amount of the loan at the date of transition to Ind ASs as the carrying amount of the loan in the opening Ind AS Balance Sheet.

Non-controlling interest

A first-time adopter shall apply the following requirements of Ind AS 110 prospectively from the date of transition to Ind ASs:

- (a) the requirement is that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance;
 - (b) the requirements for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
 - (c) the requirements for accounting for a loss of control over a subsidiary, and the related requirements Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*
- However, if a first-time adopter elects to apply Ind AS 103 retrospectively to past business combinations, it shall also apply Ind AS 110.

Other Mandatory exceptions

Classification and measurement of financial assets

- An entity shall assess whether a financial asset meets the conditions in Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

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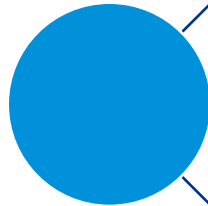
Exemptions

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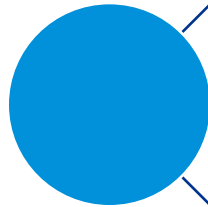
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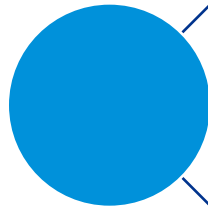
Disclosures required by Ind AS 101



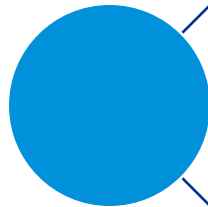
No exemption from the disclosure requirements in other Ind ASs



Disclosures form a link between Previous GAAP financial statements and the first Ind AS financial statements

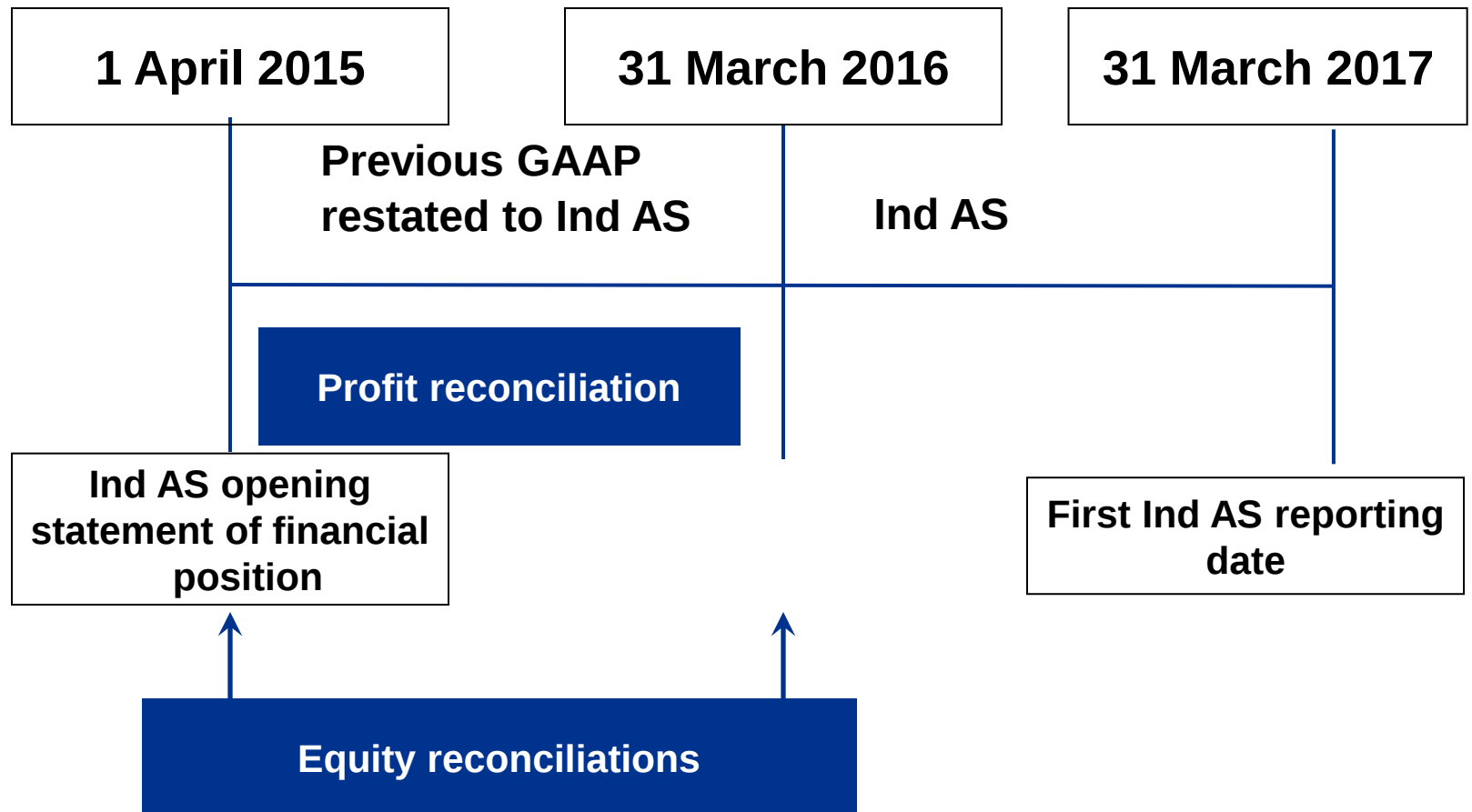


At least one year of comparative information to be provided



Required to present the opening Ind AS statement of financial position

Disclosures - First Ind AS financial statements



Key Learning Points

Ind AS 101 sets out all transitional requirements and exemptions available on the first-time adoption

An opening statement of financial position is prepared at the date of transition to Ind ASs

Accounting policies are chosen from Ind ASs in effect at the end of the first Ind AS reporting period

A number of exemptions are available

At least one year of comparative information must be presented

First-time adoption of Ind ASs may be reported in annual or interim financial statements

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Carve outs under Ind AS - Summary

1

Mandatory deviations

- Use of government bond rate for employee benefit accounting
- Presentation/classification of loans with covenant breaches
- No straight lining for escalation of lease rentals in line with expected general inflation

2

Optional carve-outs

- Deemed cost exemption for PPE – carrying value as per Indian GAAP on date of transition
- Option to defer exchange rate fluctuations on long-term foreign currency monetary items existing immediately before the beginning of the first Ind AS financial reporting period

3

Elimination of policy choices

- Only single statement presentation of income statement
- Presentation of income statement by nature
- Investment property – only cost model to be applied
- Option to recognize non-monetary grants at nominal value has been removed

4

Additional guidance

- Specific guidance on common control transactions
- Previous GAAP for the purposes of first time adoption specifically identified to be Indian GAAP

Carve outs with IFRS 1

Nature	Ind AS 101	IFRS 1
Deemed Cost of PPE	Entities have an option to use previous GAAP carrying values of PPE on date of transition to Ind AS	There is no exemption permitting previous GAAP carrying value of PPE as deemed cost
Non current assets held for sale and discontinued operations	An entity may use transitional date circumstances to measure such assets or operations at lower of carrying value and fair value less cost to sale	No exemption in respect of non current assets held for sale and discontinued operations
Lease	Transitional relief is provided to use transition date facts and circumstances for lease arrangements which include both land and building elements to assess the classification of each element as finance or an operating lease.	No such exemption

Carve outs with IFRS 1

Nature	Ind AS 101	IFRS 1
Treatment of foreign exchange differences	An entity can continue the policy adopted for recognizing long term differences on foreign currency monetary items recognized in the financial statements for the period ending immediately before transition to Ind As	No such exemption

Reference material

- Ind-AS 101: First-time Adoption of Indian Accounting Standards
- Educational Material issued by Ind AS Implementation Committee
- Bulletins issued by ITFG (Ind-AS Transition Facilitation Group) (total 11 bulletins cover 76 issues)
- Ind AS: An overview issued in 2016

Thank You