

Disclosures

Disclosure requirements (General)

Disclosure requirements

- The significant judgements and assumptions made (and changes to those judgements and assumptions) in determining that:-
 - it has control of another entity (as described in Ind AS 110.5 and Ind AS 110.6);
 - it controls another entity even though it holds less than half of the voting rights of the other entity;
 - it is an agent or a principal (Ind AS 110.B58-B72).

Disclosure requirements (Subsidiaries)

Disclosure requirements

- An entity shall disclose information that enables users of consolidated financial statements
 - a) to understand:
 - (i) the composition of the group; and
 - (ii) the interest that NCI has in the group's activities and cash flows; and
 - b) to evaluate:
 - i. the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group;
 - ii. the nature of, and changes in, the risks associated with interests in consolidated structured entities;
 - iii. the consequences of changes in ownership interest in a subsidiary that do not result in a loss of control;
 - iv. the consequences of losing control of a subsidiary during the reporting period

Disclosure requirements (Non-controlling interests)

Disclosure requirements

For each subsidiary that has NCI which is material to the reporting entity:-

- the name of the subsidiary;
- the principal place of business (and country of incorporation if different from the principal place of business) of the subsidiary;
- the proportion of ownership interests as well as voting rights (if not the same as ownership interests) held by NCI;
- the profit or loss allocated to NCI of that subsidiary during the period;
- accumulated NCI of that subsidiary at the end of the period;
- summarised financial information about the subsidiary (see Ind AS 112.B10).

Disclosure requirements (Significant restrictions)

Disclosure requirements

- Significant restrictions (e.g. statutory, contractual and regulatory restrictions) on ability to access or use the assets and settle the liabilities of the group, such as:-
 - those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group;
 - guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group;
- The nature and extent to which protective rights of NCIs can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities, or approval of NCIs is required either to access the assets or to settle the liabilities of a subsidiary); and
- The carrying amounts in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

Disclosure requirements (Investment entities)

Disclosure requirements

- Significant judgements and assumptions made in determining that the reporting entity meets the definition of an investment entity
- If it does not exhibit one or more of the typical characteristics of an investment entity, description of why it nevertheless meets the definition of an investment entity
- Fact of change in status, reasons for the change and impact on the financial statements
- Fact that the entity has applied the exception to consolidation
- Explicit or implicit financial support provided to entities that it controls
- Nature and extent of any significant restrictions on the ability of investees to transfer funds to the investment entity.
- Other disclosures as given in Ind AS 112.19A to 19G.

Differences between Indian GAAP and Ind AS relating to consolidation

Differences

Area of Difference	Indian GAAP	Ind AS
Scope	AS 21 does not specify entities that are required to present consolidated financial statements. AS 21 to be followed only if consolidated financial statements are presented. Companies Act 2013 requires a company having one or more subsidiaries, to prepare consolidated financial statement in the same form and manner as that of its own. The term 'subsidiary' includes an associate company and joint venture. For 2014-2015, if a company does not have any subsidiaries, but only has associates and/or joint ventures, then no need to prepare consolidated financial statements. Preparation of consolidated financial statements will not be applicable to an intermediate wholly owned subsidiary, except if immediate parent is a company incorporated outside India. If a company has subsidiaries incorporated outside India only, it need not present consolidated financial statements. Equity listed companies are required to present consolidated financial Statements pursuant to SEBI Guidelines.	A parent is required to prepare consolidated financial statements in which they consolidate their investments in subsidiaries. A subsidiary is an entity that is controlled by another entity (known as the parent). A parent need not prepare consolidated financial statements if it meets <u>all</u> the following conditions: • it is a wholly-owned subsidiary or a partially-owned subsidiary and all its other owners have not objected to the entity not presenting consolidated financial statements; • its debt or equity instruments are not traded in a public market; • it did not file, nor is it in the process of filing, its financial statements for the purpose of issuing any class of instruments in a public market; and • its ultimate or any intermediate parent produces consolidated financial statements that are available for public use and comply with Ind ASs

Differences

Area of Difference	Indian GAAP	Ind AS
Scope exemption for investment entities	No such exemption available	An entity that meets the definition of investment entity should measure all its subsidiaries at fair value through profit and loss except that a subsidiary that provides services that relate to the investment entity's investment activities should be consolidated.
Definition of control	Control is: • the ownership, directly or indirectly through subsidiary(ies), of more than one-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 enterprise so as to obtain economic benefits from its activities. Therefore a mere ownership of more than 50% of equity shares is sufficient to constitute control under Indian GAAP, whereas this is not necessarily so under Ind AS.	Control is based on whether an investor has: • power over the investee; • exposure, or rights, to variable return from its involvement with the investee; and • the ability to use its power over the investee to affect the amounts of the returns.
Dual control	In a rare situation, when an enterprise is controlled by two enterprises – one which controls by virtue of ownership of majority of the voting power and the other which controls, by virtue of an agreement or otherwise, the composition of the board of directors, the first mentioned enterprise will be considered as subsidiary of both the controlling enterprises and therefore, both the enterprises will need to consolidate the financial statements of that enterprise.	Only one entity can have control (as distinct from joint control) over another entity. Therefore, when two or more entities each hold significant power, and exposure, or rights to variable returns, certain factors are reassessed to determine which party has control.

Differences

Area of Difference	Indian GAAP	Ind AS
Potential voting rights	Not considered in assessing control	Considered only if the rights are substantive. For a right to be substantive, the holder must have the practical ability to exercise that right.
Exclusion of subsidiaries from consolidation	Excluded if acquired with intent to dispose of in the near future (which, ordinarily means not more than 12 months, unless a longer period can be justified based on facts and circumstances of the case) or if it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent	No exemption for 'temporary control' or 'subsidiary that operates under severe long-term funds transfer restrictions'
Uniform accounting policies between subsidiaries and parent	If not practicable to use uniform accounting policies, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which different accounting policies have been applied.	Should be prepared using uniform accounting policies
Difference in reporting dates	Should be no more than 6 months	Should be no more than 3 months
Presenting non-controlling interests	Presented separately from liabilities and the equity of the parent's shareholders	Presented in the consolidated balance sheet within equity, separately from the equity of the owners of the parent

Differences

Area of Difference	Indian GAAP	Ind AS
Allocation of losses to non-controlling interests	Excess of loss applicable to minority over the minority interest in the equity of the subsidiary and any further losses applicable to minority are adjusted against majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses.	Profit or loss and each component of OCI should be attributable to the owners of the parent and to the non-controlling interests. The total comprehensive income should be attributable 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.
Disposals	No specific guidance	If a parent loses control of a subsidiary, the parent: • derecognises the assets and liabilities of the former subsidiary from the consolidated balance sheet; • recognises any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant Ind ASs. That fair value is regarded as the fair value on initial recognition of a financial asset in accordance with Ind AS 109 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.
Changes in interest that do not result in loss of control	No specific guidance	These are accounted for as equity transactions and the difference in amount by which the non-controlling interest is adjusted v/s the consideration is attributed to the owners of the parent.
Disclosures	There is no equivalent standard. AS 21 require certain minimum disclosures in respect of subsidiaries.	Detailed disclosures are required as explained in earlier slides.

Key differences between Ind AS & AS

Particulars	Ind AS	AS
Measurement of NCI (minority interest in AS)	2 methods namely proportionate interest method and fair value method	Only proportionate interest method
Goodwill	Annual impairment of goodwill; no amortisation	Goodwill under AS 14 to be amortised ≤ 5 years (unless longer period justified) Goodwill under AS 21 to be tested for impairment annually

Thank You