

Ind AS 34

Interim financial reporting

Agenda

- ▶ Scope and key definitions
- ▶ Requirements of an interim financial report
- ▶ Significant events and transactions
- ▶ Recognition and measurement
- ▶ Disclosures
- ▶ Key Differences

Scope

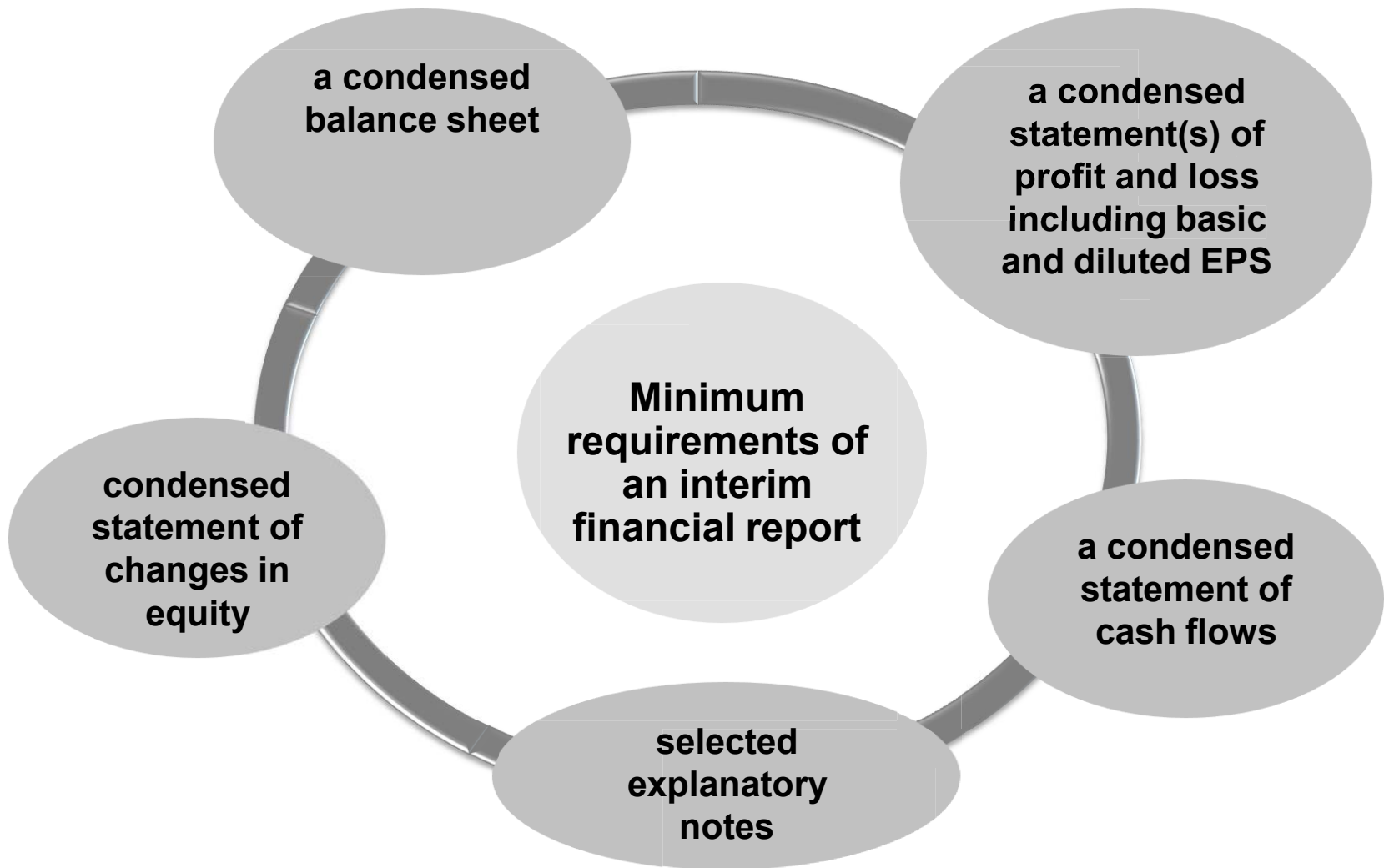
- ▶ Interim reporting is a regulatory matter and is encouraged but not mandated by this Standard.
- ▶ Ind AS 34 does not mandate which entities should be required to publish interim financial reports, how frequently, or how soon after the end of an interim period
- ▶ However, if a company does produce an interim financial report and purports to comply with Ind AS, it must follow all the requirements of Ind AS 34 in drawing up that report.

Key definitions

- ▶ **Interim period** is a financial reporting period shorter than a full financial year.
- ▶ **Interim financial report** means a financial report containing either a complete set of financial statements or a set of condensed financial statements for an interim period.

Requirements of an interim financial report

Minimum requirements of an interim report



Periods covered by the interim report

	Current period	Comparative figures
Condensed Statement of Financial Position	As of interim reporting date	As of preceding annual reporting date
Condensed Statement of Comprehensive Income	Interim period <u>and</u> Year-to-date period	Comparable periods of preceding year
Condensed Statement of Changes in Equity	Year-to-date period	Comparable period of preceding year
Condensed Statement of Cash Flows	Year-to-date period	Comparable period of preceding year
Selected Explanatory Notes	Explanation of significant events and transactions that occurred since the last annual report	Comparative quantitative and narrative information required

Periods covered by the interim report - Example

“What would be the periods to be reported on 30 June 2011 of the statement of comprehensive income if the company has to report quarterly?”

Solution :

1. 30 June 2011 / 30 June 2010 (6 months ending)
2. 30 June 2011 / 30 June 2010 (3 months ending)

Ind AS 34 requires:

- ▶ the statements of comprehensive income for the current interim period, **and**
- ▶ cumulatively for the current financial year to date.

In addition you'll need comparative statements of comprehensive income for the comparable interim periods (current and year-to-date) of the preceding year.

Form and content of interim financial statement

- ▶ If an entity publishes a complete set of financial statements in its interim financial report, the form and content shall conform to the requirements of Ind AS 1
- ▶ If an entity publishes a set of condensed financial statements in its interim financial report, it shall include:
 - ▶ Each of the headings and subtotals that were included in its most recent annual financial statements and the selected explanatory notes
 - ▶ Additional line items or notes if their omission would make the condensed interim financial statements misleading

Form and content

- ▶ Financial statements prepared on consolidated basis.
- ▶ Same headings and sub-totals as in most recent annual financial statements.
- ▶ Discontinued operations and non-current assets (disposal groups) held for sale presented separately.
- ▶ Basic and diluted earnings per share on face of statement of comprehensive income, if required to be disclosed.
- ▶ Ind AS 1 applies to form and content and Ind AS 34 still applies to recognition and measurement.

Significant events and transactions

Significant events and transactions

- ▶ Explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.
- ▶ Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report.
- ▶ Examples of significant events and transactions:
 - ▶ the write-down of inventories to net realisable value and the reversal of such a write-down;
 - ▶ recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, assets arising from contracts with customers, or other assets, and the reversal of such an impairment loss;
 - ▶ the reversal of any provisions for the costs of restructuring;
 - ▶ acquisitions and disposals of items of property, plant and equipment;
 - ▶ commitments for the purchase of property, plant and equipment;
 - ▶ litigation settlements;
 - ▶ corrections of prior period errors;

Recognition and measurement

Recognition and measurement

- ▶ Assess materiality in relation to interim period financial data
- ▶ similar accounting policies as in annual financial statements
- ▶ Measurement on year-to-date basis
- ▶ Seasonal, cyclical, or occasional revenues shall not be anticipated or deferred as of an interim date.
- ▶ Costs incurred unevenly shall be anticipated or deferred for interim reporting purposes only if it is appropriate to anticipate or defer that type of cost at the end of the financial year.

Recognition and measurement - Example

In the first quarter of each financial year, the entity introduces new models of its products that will be sold throughout the year. At that time it incurs a substantial cost for a major advertising campaign that will benefit sales throughout the year.

How should these costs be recognised in the statement of comprehensive income?

Solution –

The Company should spread cost over the benefit period.

Recognition and measurement - Example

A hotel makes 3/4 of its revenue during the months of June, July, August and September. However, the costs are linear during the full year. How should the revenue be accounted for?

Solution –

The Company should recognize the revenue when it occurs.

Recognition and measurement

- ▶ Higher degree of estimation required
- ▶ Review for impairment indicators at interim reporting date
- ▶ Tax rate based on annual tax rate and should reflect enacted or substantively enacted changes in tax rate.
- ▶ Tax benefits from tax credits relating to one-off event are recognised when the event occurs
- ▶ Changes in accounting policies (other than on adoption of a new standard):
 - ▶ Restating financial statements of prior interim periods; or when impracticable
 - ▶ Applying new accounting policy prospectively from earliest date practicable

Recognition and measurement

- ▶ Adoption of a new standard:
 - ▶ Applied in all interim periods of the year of adoption (unless specific transition requirements differ)
- ▶ Some sections of Ind AS 1 apply to condensed (Ind AS 34) interims
 - ▶ Fair presentation and compliance with Ind AS
 - ▶ Going concern
 - ▶ Accrual basis of accounting
 - ▶ Materiality and aggregation
 - ▶ Offsetting

Disclosures

- ▶ Statement on change in accounting policies and methods of computation or change in accounting policies if any.
- ▶ Explanatory comments about the seasonality or cyclicity of interim operations
- ▶ Nature and amount of changes in estimates.
- ▶ Nature and amounts of unusual items
- ▶ Issues, repurchases and repayments of debt and equity securities
- ▶ Dividends paid
- ▶ Operating segment disclosures

Disclosures

- ▶ Material subsequent events
- ▶ Changes in the composition of the entity such as:
 - ▶ Business combinations,
 - ▶ Gaining or losing control of subsidiaries and long-term investments,
 - ▶ Restructurings, and discontinued operations.
- ▶ Changes in contingent assets and liabilities
- ▶ Fair value disclosures of financial instruments

Disclosures

- ▶ Any transactions and events that may be material to understanding of interim period such as:
 - ▶ Inventory write-downs and reversals
 - ▶ Impairment losses and reversals
 - ▶ Any impairment 'triggering event' occurs in the interim period
 - ▶ Acquisitions, disposals and purchase commitments for property, plant and equipment
 - ▶ Litigation settlements, reversals of restructuring provisions
 - ▶ Loan agreement breaches and defaults
 - ▶ Related party transactions

Thank You!