Ind AS1: Requirement

An enterprise shall make an explicit statement in the financial statements of compliance with all the Indian Accounting Standards

What if it does not comply with any particular standard?

Ind AS 1 allows deviation from a requirement of an accounting standard in case

The management concludes that compliance with Ind ASs will be misleading

&

if the regulatory framework requires such a departure **OR** if the regulatory framework does not prohibit such a departure

Else

Disclosure of non compliance is required to be given

Ind AS1: Comparison to IFRS

Bank lends term loan to an enterprise

Condition of Contract is breached and money becomes payable on Demand before close of Financial Year

----------------------------------NEXT FINANCIAL YEAR---

Terms are settled with the bank before the completion of audit

IFRS	Ind AS
DISCLOSE THE LIABILITY AS CURRENT LIABILITY	CONTINUE TO CLASSIFY AS NON CURRENT LIABILITY

Ind AS7: Comparison to AS3 and IAS 7(IFRS)
Cash Flow Statement

Ind AS 7 & IFRS
Classified as Cash Equivalent Being Repayable on Demand

AS 3
Classified as Financial Activity

Interest on OD

Ind AS 7 & AS
Classified as Financing Activity

IAS 3 (IFRS)
Classified as Operaitng Activity

Ind AS8: Comparison to AS5, Change in Accounting Policy

Cost of Purchase: Rs.50000/-, Date of Purchase: 1.04.2014
Method of Depreciation Adopted: SLM @ 10%
Net Block value as on 1.04.2015: Rs.45000/-

Wish to switch from SLM to WDV as on 31.3.2015 as required by Companies Act (assume)
Can we do so?

AS-5	Ind AS 8
Yes, as Change in accounting policy can be implemented if required by statute	No, Change in accounting policy can only be implemented for Changes in Ind As or for better presentation of financial statements

Ind AS8: Comparison to AS5, Change in Accounting Policy

Cost of Purchase: Rs.50000/-,   Date of Purchase: 1.04.2014
Method of Depreciation Adopted: SLM @ 10%
Net Block value as on 1.04.2015: Rs.45000/-

Wish to switch from SLM to WDV @ 15% as on 31.3.2015 for better presentation of financial statements

	AS 5 & 6		**Ind AS 8**	
For 2014	50000 * 10%	**5000**	50000 * 15% (revise Previous year figures)	**7500**
For 2015	50000 * 15% 42500 * 15% TOTAL Less: Depreciation charged up to P.Y. Depreciation to be charged	7500 <u>6375</u> <u>13875</u> <u>5000</u> **8875**	50000 * 15% (only charge depreciation related to current year)	**6375**

Ind AS10: Comparison to AS4, Events after the Balance Sheet Date

Proposed Dividend by the Company on 8th June 2015 for the Financial Year 2014-15
Audit yet to be completed

Accounting in the books of the Company declaring dividend

AS 4	Ind AS 10
Accounted for as proposed dividend in P&L Appropriation and account for as Current liability in P&L in the Financial year 2014-15	Accounted as dividend in the P&L Appropriation in the Financial Year 2015-16 In the FY 2014-15, disclosure in the form of notes to accounts shall be made

Ind AS12: Comparison to AS22, Accounting for taxes

Capital Funds raised by the company

through underwriter

Underwriter expense in allowable to be treated as expense while deriving profit as per Income Tax Act

AS 22

Such tax is recognized in the P&L

Ind AS 12

Such tax is recognized in the Capital Account

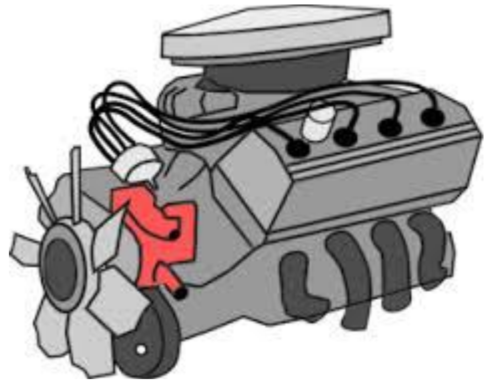
Ind AS12: Accounting for taxes on revaluation

Fixed Asset having WDV of Rs.100,000/- as per Income Tax and carrying amount of Rs.120,000/- as on 31.03.2015. Asset was revalued by Rs.100,000/- upwards as on 1.04.2015. Tax rate is 30% and Tax rate on sale of Asset is 20%

Deferred tax liability as per books as on 31.03.2015 (120000-100000)*30%	6,000/-
Deferred tax liability to be recognized as per Ind AS 12 As on 31.03.2016 1,00,000*20%	20,000/-
TOTAL DTL	**26,000/-**

Ind AS16: Component Approach for Property Plant and Equipment

Major Part of Car



Car
Assume Life: 5yrs
Assume Cost: Rs.500000/-
(Includes cost of Engine)

Engine
Assume Life: 10yrs.
Assume Cost: Rs.200000/-

Ind AS 16		AS 6	
Depreciate Car excluding engine over the period of 5yrs (500000-200000)*1/5	Rs. 60000/-	Depreciate Car flat over the period of 5yrs 500000*1/5	Rs.100000/-
Depreciate Engine over the period of 10yrs 200000*1/10	Rs.20000/-		

Ind AS16: Properly, Plant & Equipment

Major Repairs of fixed assets

AS 10	ICDS	Ind AS 16
Expenditure nature item to be transferred to P & L	Should be treated as expenditure in the year of occurrence	Should be Capitalized

Ind AS17: Leases- Operating Lease

Rental Agreement:- 150000/- for three years with escalation of 25% for next three years

What is the rent to be recognized every year?

IAS 17 (IFRS)	Ind AS 17 & AS 19
TOTAL Rent Receivable 150000*3 + 150000+25% * 3 =10,12,500/- Rent to be recognized every year= 1012500/6 = Rs. 1,68,750/-	Rent to be recognized in first three years = 1,50,000/- Rent to be recognized in next three years = 1,87,500/-

Ind AS20: Government Grant

Case 1:

Land Purchased for Rs.500,000/-

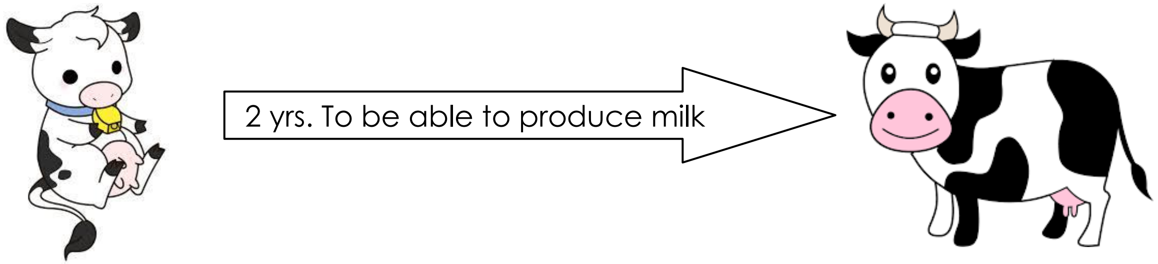
Government Grant Received Rs.300,000/-
Obligation to be fulfilled in 5yrs

AS 12	Ind AS 20 and ICDS
Recognize Asset for Rs.500000/- Recognize Capital Reserve of Rs.300,000/-	Recognize asset of Rs.500000/- Amortize 300,000/- over the period of 5yrs

Case 2: Land received from Government for Rs.200,000/-

AS 12 and ICDS	Ind AS 20
Recognize Asset for Rs. 200,000/-	Recognize asset of Rs.500000/- Amortize 300,000/- over the period of 5yrs

Ind AS23: Borrowing Cost on Biological Asset



Loan taken from bank Rs.100,000 for development of Calf to Cow

Can the interest amount be capitalized over this period of 2yrs.?

Ind AS 23	AS 16 and ICDS
YES	NO, not a recognized asset

Will it create a deferred tax asset as per Ind AS 12?

YES

Ind AS24: Related Party Definition

AS 18	Ind AS 24	ICDS
1. spouse, 2. son, 3. daughter, 4. brother, 5. sister, 6. father and 7. mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise	1. spouse, 2. **domestic partner** 3. son, 4. daughter, 5. step son 6. step daughter 7. **domestic partners son** 8. **domestic partners daughter** 9. brother, 10. sister, 11. father 12. mother 13. father in law 14. mother in law 15. **father of domestic partner** 16. **mother of domestic partner** who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise	**As per IT Act**

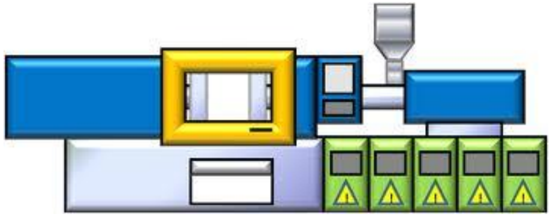
Ind AS23: Borrowing Cost on Repeated Inventory

2 yr. old wine

Can interest cost of borrowing for holding inventory for 2yrs be included as cost of inventory?

AS 16 & ICDS IX	Ind AS 23
Yes interest cost can be included as part of the inventory as qualifying period being more than 12 months	Ind AS 23 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

Ind AS21: Exchange difference on long term fixed and monetary asset



Machine purchased by taking loan from US Bank

Where should exchange difference be accounted for?

AS 11	Ind AS 21	ICDS XI
Companies: Recognize as part of asset value and claim depreciation prospectively Other than companies: Transfer to P&L	Transfer to P&L	As per Section 43A of Income Tax, Recognize as part of asset value and claim depreciation prospectively

Will it create a DTA/DTL? ------------------------------------→YES

Ind AS17: Finance lease of Land

Land given on lease for 90yrs. At a lease rent of Rs.1,00,000/- p.a., Fair value of the land is Rs. 10,00,000/- Avg. market interest rate is 10% p.a.

P.V. of lease payment receivable= PVIFA(10%, 90yrs)*100000 = 9,99,812/-

How should we account for above transaction?

Ind AS 17	AS 19
The above deal shall be considered as FINANCE LEASE **In books of LESSOR?** • land shall be accounted for as sale • LESSEE shall be shown under Loans & Advances **In books of LESSEE?** • Land shall be accounted for as asset • LESSOR shall be shown under Sundry Creditors	Land is not covered under the definition of leases

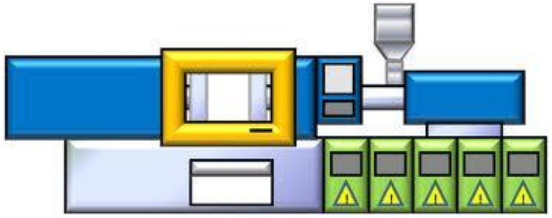
Will is lead to DTA/DTL? **YES**

Ind AS36: Impairment of Financial Assets

Can we impair Shares of Subsidiaries/ Associate/ Joint Ventures in case of permanent decline?

Ind AS 36	AS 13
Yes, Impairment testing applies to shares of Subsidiaries/ Joint Ventures and Associates as well. In case of decline, impairment of shares will be required to be carried out	Now AS 28 does not deals with shares held in subsidiaries, joint ventures and associate. But AS 13 does! AS 13 says in case of permanent decline related to noncurrent investments, they shall be written down to cost….
Tax effect?	**Tax effect?**
Income tax does not accept impairment which is reversible in future, hence will create a DTA	Income Tax accepts such losses, hence no Deferred tax effect

Ind AS23: Borrowing Cost effective interest rate



Loan taken Rs.500000/- for building a machine

Period of Construction= 2yrs.

Repayment Period: 5yrs
Interest rate: 12%
Processing fees: 2%
Repayment Amount: Rs.100000pa

Whether interest eligible to be capitalized? YES
For how long? 2yrs.
Amount of Interest to be capitalized?

AS 16 & ICDS IX	**Ind AS 23**	**Effective Interest Rate**
Processing Fees shall be capitalized= 500000 * 2% =Rs.10,000/- Interest Yr. 1= 500,000* 12%= 60000/- Yr. 2= 400000 * 12%= 48000/-	Effective interest rate = 13.8% Interest to be Capitalized Yr. 1= 480000* 13.8%= 66,240 Yr. 2= 386240 * 13.8%=53,301	Amount Received after deducting Processing Fees= 480000 So calculating internal rate of return to get NPV = 480000 Which comes at 13.8%