

Practical Approach to IndAS 101-“First-Time Adoption of Indian Accounting Standards”

Indian Accounting Standards

The Ministry of Corporate Affairs (MCA) has notified the Companies (Indian Accounting Standards) Rules, 2015 vide its notification dated 16th February 2015. Accordingly, it has notified 39 Indian accounting standards (IndASs) and set the roadmap for implementation of IndASs for companies other than banking, insurance and non-banking finance companies. The new Ind ASs which are the converged version of international accounting standards (IAS) and international financial reporting standards (IFRS) are different from our existing accounting standards. At the time of transition to Ind ASs, the company and the auditor need to be more cautious about the accounting treatment as well as presentation factors prescribed in these converged standards. The main purpose of this article is to clarify the important areas prescribed in IndAS-101 at the time of transition from existing standards to IndASs. Read on...

Applicability of IndASs

The Companies (Indian Accounting Standards) Rules, 2015 notified vide MCA notification dated 16th February 2015, clearly provide the applicability

and non-applicability criteria of IndASs to various entities.

Synopsis of Applicability of IndASs: Rule-4 of the Companies (Indian Accounting Standards) Rules, 2015

At present, there are two sets of rules in force:

- A. The Companies (Accounting Standards) Rules, 2006
- B. The Companies (Indian Accounting Standards) Rules, 2015.



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A. Applicability of the Companies (Indian Accounting Standards) Rules, 2015

Description	Phase-I	Phase-II	Phase-III
<i>Effective Date</i>	01-04-2016	01-04-2017	01-04-2015
<i>Condition</i>	Listed or Unlisted Companies ➤ Net worth is > ₹500 crore ➤ Holding, Subsidiary, Joint ventures or Associates of these companies.	➤ Listed Companies whose net worth is < ₹500 crore ➤ Unlisted Companies whose net worth is >= ₹250 crore but < ₹500 crore ➤ Holding, Subsidiary, Joint ventures or Associates of these companies.	Any company may voluntarily.
<i>Cut-off Date for Calculation of Net Worth</i>	Net Worth shall be calculated in accordance with the stand-alone financial statements of the company as on 31-03-2014 or the first audited financial statements for accounting period which ends after that date. Further, "net worth" shall have the meaning assigned to it in clause (57) of Section 2 of the Companies Act, 2013.		
<i>Date of Transition to IndASs</i>	The beginning of earlier period for which an entity present full comparatives information under IndAS in first IndAS financial statement. <i>For example: If an entity is eligible for Ind ASs from 2016-17, its transition date is 1st April, 2015.</i>		

B. The Companies (Accounting Standards) Rules, 2006 are applicable to those companies which are not falling under any category specified above.**Analysis of Applicability of IndASs to Various Entities**

The applicability of IndASs vide Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 mentioned that:

- IndASs will be applicable from 1st April, 2016 to the holding, subsidiary, joint venture or associates of those companies which are listed or unlisted having net worth more than ₹500 crore; and
- From 1st April, 2017 to the holding, subsidiary, joint venture or associates of those companies which are listed or unlisted having net worth less than ₹500 crore but more than ₹250 crore.

The Rule specifically does not provide the definition of holding, subsidiary, associate, joint venture. But as per Rule 2(2) of the Companies (Indian Accounting Standards) Rules 2015, the definition provided in the Companies Act 2013 should be used to define holding, subsidiary, joint venture and associates.

Rule 2(2) of the Companies (Indian Accounting Standards) Rules, 2015:

"Words and expressions used herein and not defined in these rules but defined in the Act shall have the same meaning respectively assigned to them in the Act."

Definition of Subsidiary and Associates as per the Companies Act, 2013:

Subsidiary: As per Section 2(87), "Subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company

- i. controls the composition of the Board of Directors; or
- ii. exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.

Associate: As per Section 2(6), "Associate company" in relation to another company, means a company in which that other company has a **significant influence**, but which is **not a subsidiary company** of the company having such influence and **includes a joint venture company**.

"Significant influence" means control of at least 20% of the **total share capital**, or of **business decisions** under an agreement.

*From the above interpretation of the Act, two points need to be carefully evaluated for classification of subsidiary: **control the composition of board of directors and control of more than 50% of the total share capital.***

However, the definition of *total share capital* is not clearly mentioned in the Section but the same has been defined in Rule 2(1)(r) of the Companies (Specification of Definitions Details) Rules, 2014:

"Total Share Capital", for the purposes of clause (6)

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and clause (87) of Section 2, means the aggregate of the –

- (a) Paid-up equity share capital; and
- (b) Convertible preference share capital.

Thus, if a company has investments in either equity or convertible preference shares or both of another company, then both the investments will be jointly taken into consideration for determination of the status of subsidiary or associates:

If Investments in (Equity + Convertible Preference Shares)	→ 20% -50% : Associates
	→ More than 50%: Subsidiary

Further, this is prominent to note that the report submitted by the Companies Law Committee (CLC)¹ of the Ministry of Corporate Affairs on 1st February, 2016 has also considered the practical ambiguity relating to the determination of subsidiary and associates on the basis of total share capital which considered both convertible preference shares and equity shares. Therefore, CLC in its report dated 1st February, 2016 recommends for amendments in Section 2(6) and Section 2(87) regarding replacement of the term “total share capital” with the term “total voting power”. If this recommendation is accepted before 1st April 2016, it will have a greater impact on applicability of IndASs to various entities.

Steps to be Taken Before Transition to IndASs

Step1: Find out whether entity is liable for mandatory application of Ind ASs as per the parameters set in the Act and the Rules.

Step2: Find out the eligibility date as per the eligibility criteria mentioned in the notification.

Step3: Carefully readout all the IndASs notified vide notification and find out the areas which require different accounting treatment and presentation.

Step4: Apply Ind AS-101 “First-time Adoption of Indian Accounting Standards” for transition to IndASs:

- a. Carefully evaluate the mandatory exemption (Appendix-B) which will be for prospective application of IndASs in certain areas.
- b. Carefully evaluate the voluntary exemption (Appendix-C and D) which will exempt from specific applicability of particular IndASs.
- c. Take care about the presentation areas prescribed in IndAS-101, etc.

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IndAS-101: First-Time Adoption of Indian Accounting Standards

IndAS-101 basically provides the framework for preparation of first IndAS financial statement and its interim financial report. An entity is required to prepare its opening IndAS balance sheet on the date of transition to IndAS which is the starting point of Ind AS. Say, for example, if an entity is required to prepare its first IndAS financial statement in FY 2016-17, its IndASs applicable date is 1st April, 2015.

Simplified View of IndAS-101

IndAS-101: First-Time Adoption of Indian Accounting Standards	
Recognition and Measurement (Para: 6 to 19)	Presentation and Disclosure (Para: 20 to 33)
i. Opening IndAS balance sheet	i. Comparative information
ii. Accounting policies	ii. Explanation of transition to IndASs
iii. Exceptions to the retrospective application of other IndASs (Appendix-B)	iii. Reconciliations
iv. Exemptions from other IndASs(Appendix C and D)	iv. Designation of financial assets or financial liabilities
	v. Use of fair value as deemed cost
	vi. Use of deemed cost for investments in subsidiaries, joint ventures and associates
	vii. Use of deemed cost for oil and gas assets
	viii. Use of deemed cost for operations subject to rate regulation
	ix. Use of deemed cost after severe hyperinflation
	x. Interim financial reports

¹ Companies Law Committee (CLC) was constituted by MCA with the directive of making recommendation on issue arising from the implementation of the Companies Act, 2013. Accordingly, CLC on 1st February, 2016 submitted its report and recommend changes in various areas of the Companies Act, 2013.

Few Important Paras of IndAS-101

Para-3: “An entity’s first IndAS financial statements are the first annual financial statements in which the entity **adopts Ind ASs**, in accordance with Ind ASs notified under the Companies Act, 2013 and **makes an explicit and unreserved statement in those financial statements of compliance with IndASs.**”

The above para clearly depicts that along with the adoption of IndASs, an entity should mandatorily provide an **explicit and unreserved statement** in the first IndAS financial statement. Further, the company should not describe financial statements complied with IndASs in explicit and unreserved statement unless and until it complies with all the requirements of IndASs.

Para-10: “Except as described in paragraphs 13–19 and Appendices B–D, an entity shall, in its opening IndAS Balance Sheet:

(a) **Recognise all assets and liabilities whose recognition is required by Ind ASs;**

For example:

- **Creation of liability under constructive obligation:** Earlier, entities did not provide for liability under constructive obligation. Now, IndAS-37 “Provisions, Contingent Liabilities and Contingent Assets” has clearly defined the meaning of constructive obligation i.e. constructive obligation is an obligation that derives from an entity’s actions which created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Example: Formal announcement of VRS scheme by the Board of Directors (BOD) can be treated as constructive obligation at the initial period and became contractual obligation/present obligation after several stages like formulation of draft scheme, approval of draft scheme by BOD, communication to the employee and acceptance of the employee, etc. As per the previous GAAP, provision will be created when the event meet the criteria of present obligation. Now, as per IndAS-37, constructive obligation needs to be accounted for. Hence, when VRS scheme is formally got approved by the BOD, company needs to provide for in accounts.

- **Derivative Financial Instrument Accounting:** Now as per IndAS-109, derivative financial instruments like call options, interest rate swaps, derivatives, commodities derivatives, etc. are to be accounted for.

Now the balance sheet should specifically disclose the financial asset and liability. It is important to note that IndAS-109 is meant for recognition and measurement criteria of financial instruments whereas IndAS-32 is for the presentation of financial instruments.

(b) **not recognise items as assets or liabilities if IndASs do not permit such recognition;**

For example:

IndAS-10: Events after the Reporting Period, Para-12, Proposed Dividend–“If an entity declares dividends to holders of equity instruments (as defined in IndAS- 32, Financial Instruments: Presentation) after the reporting period, the entity shall not recognise those dividends as a liability at the end of the reporting period.”

The company, now at the time of transition to IndAS, derecognise the proposed dividend liability from its opening balance sheet and the same proposed dividend will be treated as liability in subsequent financial year when the dividend is actually paid.

(c) **reclassify items that it recognised in accordance with previous GAAP as one types of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with IndASs; and**

For example:

IndAS-32 Financial Instruments, Presentation: Para-15: “The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.”

Para-28, Compound Financial Instruments: “The issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity

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component. Such components shall be classified separately as financial liabilities, financial assets or equity instruments in accordance with paragraph 15.”

Illustration:

Balance Sheet of ABC Ltd. as on 31-03-2015	
Non-Current Liability	₹
10000, 8% Convertible Debenture face value of ₹10 (Note-1)	1,00,000.00
5000, 12% Non Convertible Debenture face value of ₹1	5,000.00
Equity	
Share Capital	6,00,000.00

Note-1: Convertible debentures are issued on 01-04-2014 and will be redeemed on 31-03-2018 at par or can be converted into ordinary equity shares at the option of the holder.

Calculation of Equity Component of Convertible Debenture

Particulars	₹
Present Value (PV) of redemption amount of Convertible Debenture after 4 years (PV of 12%* after 4 years = 0.636)(₹1,00,000 x 0.636)	63,600.00
Interest payment on Convertible Debenture for 4 years	
(Annuity factor of 12% * for 4 years = 3.03) (₹8000 x 3.03)	24,240.00
Total Present Value of Liability	87,840.00
Fair Value of Debenture	1,00,000.00
Equity Component (₹1,00,000 – ₹87,840)	12,160.00

* Note: The reason for discounting the future interest @12% has been clearly indicated in IndAS-32 vide para AG31(a): “The issuer’s obligation to make scheduled payments of interest and principal is a financial liability that exists as long as the instrument is not converted. On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows

It is to be noted that while IndAS-101 provides certain exemptions towards retrospective accounting treatment and some other requirements of specified IndASs at the time of transition to IndAS, at the same time it does not provide exemptions from the presentation and disclosure requirements of other IndASs. Therefore, company should take proper considerations towards presentation areas of notified IndASs.

discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.”

Balance Sheet of ABC Ltd. as per IndASs as on 01-04-2015

(Opening Balance Sheet of ABC Ltd.)

Non-Current Liability	
Financial Liability	₹
(i) 10000, 8% Convertible Debenture face value of ₹10 /-	87,840
(ii) 5000, 12% Non-Convertible Debenture face value of ₹1/-	5,000
Equity	
Share Capital	6,00,000.00
Component of Equity	12,160.00

Therefore, if one company is having convertible debentures, bonds and convertible preference shares, it should split the financial instruments into equity and financial liability in its opening balance sheet.

(d) apply IndASs in measuring all recognised assets and liabilities.

For example:

1. *Finance/Operating Lease of Land (IndAS-17: Leases)*: Earlier, as per AS-19, land lease is specifically excluded from the scope of lease. However, as per IndAS-17, land lease is not excluded, and company has to recognise its interest in leasehold land as operating or finance lease. Therefore, at the time of transition to IndAS, leasehold land should appropriately be categorised as operating or finance lease based on the lease term associated with the lease.

Exemption as per IndAS-101

IndAS-101 lays down various processes of transition to IndASs from current GAAP by incorporating certain exemptions. As far as accounting aspect at the time of transition to IndASs is concerned, it requires retrospective accounting treatment, which is not practically very easy to adopt. Therefore, IndAS-101 provides various exemptions while transition to IndAS.

It is to be noted that while IndAS-101 provides certain exemptions towards retrospective accounting treatment and some other requirements of specified IndASs at the time of transition to IndAS, at the same time it does not provide exemptions from the presentation and disclosure requirements of other IndASs. Therefore, company should take proper considerations towards presentation areas of notified IndASs.

There are two types of exemptions prescribed in IndAS-101:

- Prohibition of retrospective application of some aspects of IndASs (Appendix-B)
- Exemptions from some requirements of other IndASs (Appendix-C and D)

However, this is pertinent to note that list of exemptions mentioned in Appendix-C and D is voluntary in nature and the company should not apply these exemptions by analogy to other items i.e. exemption is restricted to the areas mentioned in the list and could not be extended to other similar areas of other IndASs.

S. no.	Mandatory Exceptions (Appendix-B) (In following areas, only prospective application is permissible)	Relevant IndAS
1	De-recognition of financial assets and financial liabilities	109
2	Hedge accounting	109
3	Non-controlling interests	110
4	Classification and measurement of financial assets	109
5	Impairment of financial assets	109
6	Embedded derivatives	109
7	Government loans	32

S. no.	Optional exemptions (Appendix -C and D)	Relevant IndAS
1	Business combinations	103
2	Share-based payment transactions	102
3	Insurance contracts	104
4	Deemed cost	16
5	Leases	17
6	Cumulative translation differences	21
7	Long term foreign currency monetary items	21
7	Investments in subsidiaries, joint ventures and associates	27
8	Assets and liabilities of subsidiaries, associates and joint ventures	
9	Compound financial instruments	32

S. no.	Optional exemptions (Appendix -C and D)	Relevant IndAS
10	Designation of previously recognised financial instruments	109
11	Fair value measurement of financial assets or financial liabilities at initial recognition	109
12	Decommissioning liabilities included in the cost of property, plant and equipment	16
13	Financial assets or intangible assets accounted for in accordance with Appendix C to IndAS-115 <i>Service Concession Arrangements</i>	115
14	Borrowing costs	
15	Extinguishing financial liabilities with equity instruments	109
16	Severe hyperinflation	
17	Joint arrangements	
18	Stripping costs in the production phase of a surface mine	16
19	Designation of contracts to buy or sell a non-financial item	109
20	Revenue from contracts with customers	115
21	Non-current assets held for sale and discontinued operations	105
An entity shall not apply these exemptions by analogy to other items.		

Brief Analysis of Few Exemptions:

- Government Loan (Appendix-B):** All government loans should be classified as financial liability or equity as per the conditions attached to the government loans. However, any government loan received at a rate which is below the market rate shall be considered as government grant as per IndAS-20 "Accounting for government grant and disclosure of government assistance". If a company receives any government loan below market rate and not considers the benefit of low market rate as government grant is exempt from the retrospective classification of government grant at the time of transition, it should prospectively classify the same as financial liability and government grant as per IndAS-109 and IndAS-20, respectively.
- Deemed Cost (Appendix-D):** Company may elect to measure its property, plant and equipment (PPE), investment property and intangible assets at the following options as deemed cost as on the date of transition to IndASs:
 - At its fair value
 - Previous GAAP revaluation amount

- c. Carrying amount as recognised in the financial statements as at the date of transition to IndASs.

FAQs:

- i. **What is the meaning of *carrying amount*? In this context, what will be the transition value, original amount or net amount?**

Ans: In the context of *carrying amount* specified in Appendix-D for transition to IndAS, it should be the net amount after depreciation as on the date of transition to IndAS.

- ii. **A company intends to book its all assets at its carrying amount as on the date of transition to IndAS. Is it possible?**

Ans: It is clearly mentioned in Appendix-D of IndAS-101 that “an entity shall not apply these exemptions by analogy to other items.” That is, exemption is restricted to the area mentioned in the list and could not be extended to other similar area of other IndAS. Further, similar contention is also mentioned in Para-D7 of the Appendix-D. Therefore, carrying amount of plant and equipment (PPE), investment property and intangible assets only are eligible to be treated as deemed cost as on the date of transition.

3. **Long Term Foreign Currency Monetary Items:** Para-D13AA- *A first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first IndAS financial reporting period as per the previous GAAP.*

The company which is availing the benefit of Para-46 and 46A of Accounting Standard-11 “The effect of change in foreign exchange rate” i.e. exchange difference relating to translation of foreign currency monetary item relating to depreciable asset can be added/deducted from the cost of asset or it can be accumulated in “Foreign Currency Monetary Item Translation Difference Account”, can avail the benefit upto the beginning of first IndAS financial year.

Example: If one company is eligible for transition to IndAS from financial year 2016-2017, it can capitalise or accumulate the exchange difference upto 31-03-2016. Any

exchange difference arises after 01-04-2016 will be treated in statement of profit & loss as per IndAS-21 “The Effect of Change in Foreign Exchange Rates”.

Presentation and Disclosure Requirements

1. **Comparative information**

Para-21: An entity's first IndAS financial statements shall include at least three balance sheets, two statements of profit and loss, two statements of cash flows and two statements of changes in equity and related notes, including comparative information for all statements presented.

Suppose, XYZ Ltd. needs to apply IndAS from FY 2016-17, its first IndAS financial statement should contain:

- Balance Sheet as on 01-04-2015, 31-03-2016 and 31-03-2017
- Statement of Profit and Loss : For the period ending 31-03-2016 and 31-03-2017
- Statement of Cash Flows : For the period 31-03-2016 and 31-03-2017
- Statement of Changes in Equity: For the period 31-03-2016 and 31-03-2017
- Related notes including comparative information for all statements presented

Additionally, as per the requirement of para-3 of IndAS, explicit and unreserved statement should be furnished.

2. **Explanation of transition to IndASs through reconciliation statement**

Para-23: An entity shall explain how the transition from previous GAAP to IndASs affected its reported balance sheet, financial performance and cash flows.

To comply with the para-23, a reconciliation statement should be presented along with financial statement as per para-24. Reconciliation statement shall include:

- reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with IndASs for both of the following dates:
 - the date of transition to IndASs; and
 - the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP.

b) a reconciliation to its total comprehensive income in accordance with IndASs for the latest period in the entity's most recent annual financial statements. The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP.

to IndAS is 1st April, 2015. Reconciliation statement as per para 24 shall be:

- a. Equity as per previous GAAP as on 01-04-2015 and after due adjustment, the balance amount of equity as per IndAS as on 31-03-2016.
- b. A reconciliation of its total comprehensive income as per IndAS as on 31-03-2016 with previously reported income as per previous GAAP. Point to be noted is that as per existing accounting standards and the Companies Act 2013, there is no concept of total comprehensive income, therefore the statement of profit and loss should be used for previous year.

Example: If one company is eligible for applicability of IndAS from FY 2016-2017, its date of transition

Few Areas of IndASs which will have significant impact on IndAS financial statements as compared to the previous GAAP financial statements are as follows:

(This is not a part of IndAS-101)

S. no.	Ind AS (Previous GAAP AS No.)	Brief Description
1	IndAS-1 (AS-1)	The manner of presentation of financial statements prescribed in IndAS-1 is quite different from the format prescribed in Schedule-III of the Companies Act 2013 like, other comprehensive income, deletion of extraordinary items from the Statement of P&L, etc.
3	IndAS-7 (AS-3) Statement of Cash Flows	Bank overdraft now to be treated as part of cash and cash equivalents unlike earlier as financing activity as per AS-3. At the time of transition to IndAS, previous year's cash flow statement's financing activity may be reclassified if bank OD existed.
4	IndAS-8 (AS-5): Accounting Policies Estimates & Errors	Now, prior period errors need to be corrected retrospectively, if error is pertaining to previous year then reclassify the item to whom it relates, if error is pertaining to period other than previous year then restatement of opening asset, liability and equity of earlier reported period is to be done rather than disclosing in current financial statements.
5	IndAS-10 (AS-4): Events After the Reporting Period	Now, proposed dividend is no more to be accounted for, it should be disclosed and should be accounted for in the financial year in which it is declared. Hence, the total dividend for a particular year can be derived by extracting interim dividend paid for the year from the balance sheet plus proposed dividend from the notes to accounts.
6	IndAS-12 (AS-22): Income Taxes	Now, deferred tax asset/ liability are to be recognised from the balance sheet approach and not as per income statement approach as per AS-22. Extra efforts need to be provided for calculation of tax base of balance sheet items taking into consideration income computation and disclosure standards (ICDS) of the Income Tax Act, 1961.
7	IndAS-16 (AS-10 and 6) Property, Plant & Equipment	Now, all the fixed assets to be incorporated under PPE model. New component approach of accounting has been introduced which already existed in Schedule-II of the Companies Act, 2013. Further, future decommissioning, site restoration cost need to be accounted for at the time of capitalisation of the asset.
8	IndAS-17 (AS-19) Leases	Lease hold land should specifically categorised as operating or finance lease, as the case may be. Earlier, land lease was specifically excluded from the scope of lease as per AS-19.

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S. no.	Ind AS (Previous GAAP AS No.)	Brief Description
9	IndAS-19 (AS-15) Employee Benefit	Discounting rate for actuarial valuation should be market yield on government bond, however in case of subsidiaries, associates, joint ventures and branches domiciled outside India shall use market yield of high quality corporate bond as discounting rate. Further, actuarial gain or losses should be recognised in OCI as 'remeasurement'.
10	IndAS-20 (AS-12) Accounting for Government Grant & Disclosure of Government Assistance	Grant relating to asset can only be treated as setting up by deferred income not by adjustment with the cost of asset. Further, subsidised rate of government loan should be treated as grant for the amount of difference between the initial recognised amount of loan as per IndAS-109: Financial Instrument (Discounted cash flow of loan with market interest rate) less proceeds of loan.
11	IndAS-21 (AS-11): The Effect of Change in Foreign Exchange Rates	The benefit under Para-46 and 46A (exchange difference relating to translation of foreign currency monetary item relating to depreciable asset can be added / deducted from the cost of asset or it can be accumulated in "Foreign Currency Monetary Item Translation Difference Account") can be avail by the company upto the date of convergence to IndAS, after that benefit can't be availed because the same has been specifically excluded from the scope of IndAS-21(para-7AA .)
12	IndAS-23 (AS-16): Borrowing Cost	Interest expenses should be calculated as per effective interest rate method as per IndAS-109: Financial Instrument: Recognition and Measurement.
13	IndAS-24 (AS-18): Related Party Disclosure	Transaction with KMP of parent company needs to be disclosed.
14	IndAS-32 (AS-31): Financial Instrument: Presentation	Now, balance sheet should specifically disclose the financial asset and liability. Note that, IndAS-109 is meant for recognition and measurement criteria of financial instrument where as IndAS-32 is for presentation of financial instrument. Now, as per IndAS-109, derivative financial Instrument like call options, interest rate swap derivatives, commodities derivatives, etc. is to be accounted for.
15	IndAS-37 (AS-29): Provisions, Contingent Liabilities and Contingent Assets	Now, provision needs to be discounted using discount rate of pre tax rate that reflects the current market assessment. Contingent asset needs to be disclosed in financial statement which is not required as per earlier GAAP AS-29. Constructive obligation need to be accounted for, etc.
16	IndAS-38 (AS-26): Intangible Asset	The useful life period is not specifically mentioned in the IndAS, however, earlier AS-26 clearly provide the maximum useful life of 10 years for amortisation.

Summing Up

Before transition to IndASs, company needs to evaluate all the notified IndASs areas and find out appropriate transactions which need to be assessed for accounting treatment or presentation. The important factor to be considered here is that IndAS-101 which governs the transition area does

not provide any exemption to presentation area. Therefore in IndASs, presentation has an equal prominent role with accounting treatment. Now, both the accountants as well as the auditors have to be prepared for more challenging times ahead of the new version of accounting and presentation of financial statements. ■