Ind-AS 101

First Time adoption of Ind-AS

Ind-AS 101 : First Time Adoption of Ind-AS

3 Ind-AS 101 : Snap Shot

Appendices forming integral part of the Standard

A = Defined terms.

B = Mandatory Exceptions to the retrospective application of other Ind-ASs.

C = Voluntary exemptions for business combinations.

D = Voluntary Exemptions from other Ind_ASs.

Ind-AS 101 : Objective

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:**

(a) is transparent for users and **comparable over all periods presented;**

(b) provides a suitable starting point for accounting in accordance with *Indian Accounting Standards (Ind-ASs); and*
(c) can be generated at a cost * that does not exceed the benefits.

Interim Financial Statements only if Ind-AS 34 is applicable or followed by entity.

Ind-AS 101 : Mapping Conversion

1. What is 1st Ind-AS Financial statements
2. Ans. to Q1 determine Date of Transition
3. Prepare Opening Ind-AS - SOFP
4. Avail of ***Voluntary Exemptions*** & Be **careful of Mandatory Exceptions.**
5. Select Appropriate Policies.
6. Differences to be recognised in **Retained** or ***Revaluation Reserve*** or ***Goodwill.***

Ind-AS 101 : Definitions

First Time Adopter : (FTA) An entity is referred to as a first-time adopter in the period in which it presents its **First Ind-AS financial statements.**

Date of Transition : 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 Financial Statements : The first ***annual*** financial statements in which an entity adopts Ind-AS by making an explicit and unreserved statement of compliance with Ind-AS.

Ind-AS 101 : Definitions

Opening Ind-AS statement of financial position: An entity's statement of financial position at the date of **date of transition to Ind-ASs.**

First Ind-AS Reporting Period : The latest reporting period covered by an entity's **first Ind-AS financial statements.**

How An Entity Adopts Ind-AS ?

Ind-AS 101 applies when an entity adopts Ind-AS for the first time by an ***explicit and unreserved*** statement of compliance with Ind-ASs.

This means compliance with ALL Ind-ASs

Partial Compliance is not enough to make an entity Ind-AS Compliant.

Nothing like "Subject to" or " Except for"

Which Accounting Policies to be applied ?

Use Same Accounting Policies

- *In its opening Ind-AS statement of financial position*
- And Throughout all the Comparative periods presented
- And , (Of course) in it's First Ind-AS Financial Statements

*Those accounting policies shall comply with **each Ind-AS effective at the end of its first Ind-AS reporting period, with some exceptions. Para 13-19 & Appendices B-E.***

Accounting Policies - Analysis

Application of Accounting policies effective at the date of First Ind-AS reporting period

Even if such policies were not operative at the date of transition. !!!!

Subject , of course , to those Mandatory exceptions and Voluntary Exceptions.

Ind-AS 101 : First Time Adoption of Ind-AS

Requirements

General

To comply with each Ind-AS effective at the end of its **first Ind-AS reporting period.**

Specific

To recognise, De-recognise, measure & re-classify in the opening Ind-AS statement of financial position that it prepares------------------>

Ind-AS 101: Specific Requirement

(a) recognise all assets and liabilities whose recognition is required by Ind-ASs;

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

(c) **reclassify** items that it recognised under previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity under Ind-ASs; and

(d) apply Ind-AS s in **measuring** all recognised assets and liabilities.

Subject to limited Exemptions & Mandatory Exceptions >

Steps in Transition to Ind-AS:

• Selection of accounting policies that comply with Ind-AS.
• Preparation of an opening Ind-AS balance sheet at the date of transition to Ind-AS as the starting point for subsequent accounting under Ind-AS.

• *Recognize all assets and liabilities whose recognition is required under Ind-AS;*
• *Derecognize items as assets or liabilities if Ind-AS does not permit such recognition;*
• *Reclassify items in the financial statements in accordance with Ind-AS; and*
• *Measure all recognized assets and liabilities according to principles set forth in* Ind-AS.

• Presentation and disclosure in an entity's first Ind-AS financial statements and interim financial reports.

Recognise

- Defined benefit pension plans (Ind-AS 19)
- Deferred taxation (Ind-AS 12)
- Assets and liabilities under Appendix C De-commissioning Liability
- Provisions where there is a legal or construction obligation (Ind-AS 37)
- Derivative financial instruments (Ind-AS 39)
- Share-based payments (Ind-AS 2)

De Recognise

- Provisions where there is no legal or constructive obligation (e.g., general reserves,)

- Internally generated intangible assets (Ind-AS 38)

- Deferred tax assets where recovery is not probable (Ind-AS 12)

- Provision for Dividend (Ind-AS 10)

- Preliminary & Pre-Operative expenses.

Classify

- Investments accounted for in accordance with Ind-AS 39
- Certain financial instruments previously classified as equity
- Any assets and liabilities that have been offset where the criteria for offsetting in Ind-AS are not met—for example, the offset of an insurance recovery against a provision
- Noncurrent assets held-for-sale (Ind-AS 5)
- Non-controlling interest (Ind-AS 27)

Measure (rather remeasure !!!)

- Receivables (Ind-AS 18)
- Inventory (Ind-AS 2)
- Employee benefit obligations (Ind-AS 19)
- Deferred taxation (Ind-AS 12)
- Financial instruments (IndAS 39)
- Investment Property (Ind-AS 40)
- Property Plant & Equipment (Ind-AS 16)

Ind-AS 101 : Exemptions & Exceptions

- Limited exemptions from these requirements in specified areas where the cost of complying with them would be likely to exceed the benefits to users of financial statements.

- Also ***prohibits retrospective*** application of Ind-ASs in some areas, particularly where retrospective application would require judgements by management about past conditions ***after the outcome of a particular transaction is already known.***

Exemptions & Exceptions discussed in details later

Ind-AS 101 : Applicability

An entity shall apply this Ind-AS in:

(a) its first Ind-AS financial statements; and
(b) each interim financial report, if any, that it presents in accordance with Ind-AS 34 *Interim Financial Reporting for part of the period covered by its first* Ind-AS financial statements.

Transitions Provisions Do not Apply to FTA

Save and except deregonition of financial assets & financial Liabilities & hedge accounting as per Ind-AS 39, Insurance Contract, Service Concession & Borrowing Cost

All Documents as per Ind-AS , based on Policies @ 31.3.2017	1st April, 2015	31st March 2016	31st March 2017
Balance Sheet	**Yes**	**Yes**	**Yes**
Profit or Loss Account	**No**	**Yes**	**Yes**
Cash Flow Statements	**No**	**Yes**	**Yes**
Statement of Changes in Equity	**No**	**Yes**	**Yes**
Notes and Comparative Information	**No**	**Yes**	**Yes**

Treatment Under Ind-AS

Comparatives need not be given under Ind-As

An option is given to the entity to give comparatives
In that case the entity has to give figures of comparatives as Memoranda

In that case the comparatives will be as ---→

New Ind-AS Announced but not Mandatory

If a new Ind-AS is not yet mandatory but permits early application, entity is ***permitted***, but **NOT** ***required,*** to apply that Ind-AS in its :

"First Ind-AS Financial Statements".

Effect of Transition on

- Financial Position
- Financial Performance
- Cash Flows

Reconciliations an entity's first Ind-AS financial statements shall include:

(a) reconciliations of its equity reported in accordance with previous GAAP to its equity in accordance with Ind-ASs for both of the following dates:
(i) the date of transition to Ind-ASs; and

(ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP.

Equity Under Local GAAP on 31.3.2010 / 2011

Reconciled with

Equity Under Ind-AS as on 1.4.2010

Equity Under Ind-AS on 31.3.2011.

(b) a reconciliation to its total comprehensive income in accordance with Ind-ASs 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.

During the Year * Para 27A & 27AA

Reconciliations and Interim financial statements

(a) Each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include:

(i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under Ind ASs at that date; and

(ii) a reconciliation to its total comprehensive income in accordance with Ind ASs for that comparable interim period (current and year to date).

Reconciliations and Interim financial statements

(b) In addition to the reconciliations required by (a), an entity's first interim financial report in accordance with Ind AS 34 for part of the period covered by its first Ind AS financial statements shall include the reconciliations described in paragraph 24(a) and (b) or a cross-reference to another published document that includes these reconciliations.

(c) If an entity changes its accounting policies or its use of the exemptions contained in this Ind AS, it shall explain the changes in each such interim financial report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).

(c) Recognition or reversal of impairment losses for the first-time in preparing its opening Ind-AS statement of financial position,

Disclosures that Ind-AS 36 *Impairment of Assets would have required if the entity* had recognised those impairment losses or reversals in the period beginning with the date of transition to Ind-ASs.

Transition Adjustments

Retained Earnings

Exception

Goodwill*

Another category of Equity

Tax Impact

Revaluation Reserve	Retained Earnings –Source
Difference between cost of available–for-sale investments and their fair value	Most Changes resulting from applying initial recognition and measurement criteria
Result of remeasuring derivative financial classified as cash flow hedge in accordance with Ind-AS 39	From Changes in accounting policies upon 1st time adoption.
Cost of Property plant and equipment and fair value where the allowed alternative as per Ind-AS 16.31 is adopted	Cost of Property plant and equipment and fair value where the allowed alternative as per Ind-AS 16.30 is adopted

General Rule Retrospective Application

Exceptions to the retrospective application of other Ind-ASs.

This Ind-AS **prohibits** retrospective application of some aspects of other Ind-ASs. These exceptions are set out in paragraphs 14–17 – (Estimates) and Appendix B. (Ind-AS 1.13)

Ind-AS 1 : Mandatory Exceptions fro retrospective applications – Appendix B

- De-recognition of financial assets and liabilities
- Hedge accounting
- Non Controlling Interest
- Para 14 -17 of Ind-AS – Estimates.
- Classification and measurement of financial assets (paragraph B8); and
- Embedded derivatives
- Government Loans

Mandatory Exceptions : Dercognition of Financial Assets & Financial Liabilities

Financial assets or financial liabilities derecognised under its previous GAAP in a financial year prior to January 1, 2004, should **NOT be** recognized by an entity.

Except for all derivatives and other interests retained after derecognition and still existing, and consolidate all special-purpose entities (SPE) **that it controls at the date of transition to Ind-AS**

Mandatory Exceptions :Hedge Instruments

On the date of Transition an entity should

(a)measure all derivatives at fair value; and

(b) eliminate all deferred losses and gains arising on derivatives that were reported in accordance with previous GAAP as if they were assets or liabilities.

Applies to derivatives financial instruments under previous GAAP.

Mandatory Exceptions :Hedge Instruments

Transitional provisions of Ind-AS 39 apply to hedging relationships of a first-time adopter at the date of transition to Ind-AS. This is an Exception to Para 9:

Transactions entered into before the date of transition to Ind-ASs ***shall not*** be retrospectively designated as hedges.

Mandatory Exception :**Non-controlling interests**

Requirements of Ind-AS 27 (as amended in 2008) to be applied prospectively :

(a) 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) accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and

(c) accounting for a loss of control over a subsidiary, and the related requirements of paragraph 8A of Ind-AS 105 *Non-current Assets Held for Sale and Discontinued Operations.*

Mandatory Exception :**Non-controlling interests**

However, if a first-time adopter elects to apply Ind-AS 103 retrospectively to past business combinations, it shall also apply Ind-AS 27 accordance with paragraph C1 of this Ind-AS.

In other words, this restriction shall not apply.

Classification and Measurement of Financial Assets

Assess whether a financial asset meets the conditions in paragraph 4.1.2 of Ind-AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind-ASs.

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Embedded Derivatives

Assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative on the basis of the conditions that existed

at the later of the date

it first became a party to the contract

and

the date a reassessment is required by paragraph B4.3.11 of Ind-AS 109.

Government Loan

A first-time adopter shall classify all government loans received as a financial liability or an equity instrument in accordance with Ind AS 32, *Financial Instruments: Presentation*.

Exception : Below market rate Loan

The requirements in Ind AS 109, *Financial Instruments,* and Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to Ind ASs and shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant

Still the entity is not precluded from restating Government Loan retrospectively provided that the information needed to do so had been obtained at the time of initially accounting for that loan.

Estimates - Hindsight prohibited

Estimates in accordance with Ind-ASs at the date of transition to Ind-ASs shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies),***unless there is objective evidence that those estimates were in error.***

Estimates - Hindsight prohibited

In other words, estimates made by the entity in accordance with local GAAP shall not be changed in view of the developments after the transition date.

For example, an entity made provision on 31st March,2011 , for Rs. 1 lakh. By the time the entity prepares 1st Ind-AS Financial Statements – the said liability was settled for Rs. 80,000.00

Estimates - Illustration

How much should the provision be measured at when an entity make in the 1st Ind-As Financial Statement prepared on 1st April,2011 ?

A. Rs. 80,000 or B. 1,00,000

The Answer is B,

A. The entity should not take into account the developments after 1st April,2011 while preparing opening Ind-As Balance Sheet as on 1st April,2011. ***Such information to be treated as non-adjusting events after the reporting period in accordance with IAS 10 Events after the Reporting Period.***

Estimates

Information received after the date of transition to Ind-ASs

About estimates that it had made under previous GAAP.

To be treated as non-adjusting events after the reporting period in accordance with Ind-AS 10 *Events after the Reporting Period.*

Estimates I

If estimate as well as amount recognised under previous GAAP & Ind-AS are the same

On the date of Transition an entity should not make any changes.

Retain the same amount and classifications.

Estimates II

Estimate required to be made under previous GAAP, but measurement principle differs under Ind-AS.

Estimates made under previous GAAP needs to be revised to comply with Ind-AS.

For Example a provision made for Warranties but at nominal value under previous GAAP , now need to be discounted under Ind-AS.

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Estimates III – Not Required under Previous GAAP but Required under Ind-AS

Will reflect the conditions at the date of Transition

For Example ,the provision on opening balance sheet for an onerous rental contract in a foreign operation should be calculated using

- Rental rates
- Interest rates and
- Exchange rates

Prevailing as at the date of the Transition.

These requirements also apply

to a comparative period presented in an entity's first Ind-AS financial statements,

in which case the references to the date of transition to Ind-ASs

are replaced by references to the end of that comparative period. i.e., 31st March, 2011.

Estimates – Summary

Estimate	Recognition	Measurement	Accounting Treatment
I GAAP	Yes	Yes	No Adjustment
Ind-AS	Yes	Yes	
I GAAP	Yes	No	Adjust Partially
Ind-AS	Yes	Yes	
I GAAP	No	No	Recognise & measure as per Ind-AS.
Ind-AS	Yes	Yes	

Voluntary Exemptions – General

An entity may elect to use one or more of the following exemptions:

(a) Business Combination
(b) Share-based payment transactions
(c) Insurance contract
(d) Fair value or revaluation as deemed cost
(e) Leases
(f) Deleted

(g) cumulative translation differences

(h) investments in subsidiaries, **jointly controlled entities** and associates

(i) assets and liabilities of subsidiaries, associates and **joint ventures**

(j) compound financial instruments

Voluntary Exemptions - General

(k) designation of previously recognised financial instruments

(l) fair value measurement of financial assets or financial liabilities at initial recognition

(m) decommissioning liabilities included in the cost of property, plant and equipment

(n) financial assets or intangible assets accounted for in accordance with *Service Concession Arrangements*

(o) borrowing costs

An entity shall not apply these exemptions by analogy to other items.

Voluntary Exemptions - General

(p)extinguishing financial liabilities with equity instruments
(q) severe hyperinflation
(r) joint arrangements
(s) stripping costs in the production phase of a surface mine
(t) designation of contracts to buy or sell a non-financial item
(u) revenue from contracts with customers
(v) non-current assets held for sale and discontinued operations

An entity shall not apply these exemptions by analogy to other items.

VE – Ind-AS 102 – Equity Instruments *

For Equity Instruments Granted	
Before 7th November 2002	After 7th November 2002 and vested before the later of (a) the date of transition to Ind-ASs and (b) 1 January 2005…

Not required but encouraged to apply Ind-AS for such instruments – BUT shall disclose the information required by para 42 and 45 of Ind-AS 102.

However, for Ind AS 101 purposes, all these dates have been changed to coincide with the transition date elected by the entity adopting these converged standards i.e. Ind AS.

VE – Insurance Contracts Ind-AS 104

A first-time adopter may apply the transitional provisions in Ind-AS 104 *Insurance Contracts*.

VE Fair Value or Revaluation as Deemed Cost

Plant Property & Equipment	
Fair Value as the deemed cost of that asset	Revaluation at or before the date of transition as the deemed cost of that asset
	IF Revaluation broadly comparable to fair value or cost of depreciated cost in accordance with Ind-AS.

Disclosure as per Para 30 of Ind-AS 101

VE : Investment Property & Intangible Assets

Same as the Plant, Property and equipment

Investment Property	Intangible Assets
If Entity follows **Cost Model, meaning if Fair Value Model is followed , this option is not allowed ******* ★ **Treatment under Ind-AS**	If IA meets he recognition criteria under Ind-AS 38, i.e. cost measured reliably AND criteria for revaluation.

An entity shall not use these elections for other assets or for liabilities.

Class	Land	Bldg	Plant
Items	20	25	100
Post Ind-AS	Revaluation	Cost	Cost
On Transition	10	20	70

Can be Cherry Pick

Deemed cost under previous GAAP

If at or before the date of transition – retain such deemed cost
– revalued amount

What if the such event takes place after the date of transition
but during the period Covered by the first Ind-AS financial statements ?

Can an entity apply such deemed cost ?

If yes , where the difference would be recognised ?

Additional Exemption Under Ind-AS D7AA

A first-time adopter may elect to continue with the carrying value **for all of** its property, plant and equipment as recognised in the financial statements as at the date of transition measured as per the previous GAAP and use that as its deemed cost as at date of transition after making necessary adjustments in accordance with paragraph D21 – fro de-commissioning cost and para D 21A for Oil & gas Assets. This exemption is also applicable to intangible assets and investment property.

Be careful – This exemption is not available on asset by asset basis – its for all assets. This option is not available under Ind-AS 1

Additional Exemption Under Ind-AS D7AA

- If subsidiary was consolidated

Previous GAAP amount of the subsidiary shall be that amount used in preparing and presenting consolidated financial statements.

- If the Subsidiary was not consolidated

The amount required to be reported by the subsidiary as per previous GAAP in its individual financial statements shall be the previous GAAP amount.

- No further adjustments to the deemed cost of the property, plant and equipment so determined in the opening balance sheet

Precaution : When an entity adopts the exemption option provided in Paragraph D7AA

- The fact and the accounting policy shall be disclosed by the entity until such time that those items of Property, plant and equipment, investment properties or intangible assets, as the case may be, are significantly depreciated, impaired or derecognised from the entity's Balance Sheet.

Disclosure - Fair value – PPE – Intangible Assets and Investment Property -Para 30 of Ind-AS 101

The entity's first Ind AS financial statements shall disclose, for each line item in the opening Ind AS Balance Sheet:

(a) the aggregate of those fair values; and

(b) the aggregate adjustment to the carrying amounts reported under previous GAAP.

VE :Lease Ind-AS 17

A first-time adopter may apply the transitional provisions in Appendix C to Ind-AS 17 D*etermining whether an Arrangement contains a Lease as also* may determine whether the arrangement contains a lease by applying the criteria in paragraphs 6–9 of the Appendix C on the basis of facts and circumstances existing on the date of Transition. except where the effect is expected to be not material.

Whether an arrangement contains a lease ? And Land and Building

- Appendix C May be applied prospectively
- For Land and Building
- When a lease includes both land and building elements, a first time adopter may assess the classification of each element as finance or an operating lease at the date of transition to Ind ASs on the basis of the facts and circumstances existing as at that date. If there is any land lease newly classified as finance lease then the first time adopter may recognise assets and liability at fair value on that date; and any difference between those fair values is recognised in retained earnings.

VE : Employee Benefits

This Exemption has been deleted 2012 Edition of Ind-AS

However , Ind-As 101 gives option an entity to recognise

Employee cost as under :

"a first time adopter may elect to recognise all cumulative actuarial gains and losses subsequent to the date of transition to Ind-AS in other comprehensive income."

Treatment under Ind-AS 101 Employee Benefits

A first time adopter may elect to recognise all cumulative actuarial gains and losses **subsequent** to the date of transition to Ind-AS in other comprehensive income.

VE : Cumulative Translation Differences

- Ind-AS 21 *The Effects of Changes in Foreign Exchange Rates) requires an entity:*

  - to recognise some translation differences in other comprehensive income and accumulate these in a component of equity

  - to transfer, on disposal, the cumulative translation differences for foreign operations to profit or loss as part of the gain or loss on disposal

VE : Cumulative Transitional Differences

A first-time adopter is exempted from a transfer of the cumulative translation adjustment that existed on the date of transition to Ind-AS.

Upon Exercise of this exemption the cumulative translation adjustment for all foreign operations would be deemed to be zero at the date of transition to Ind-AS.

The gain or loss on subsequent disposal of any foreign operation should exclude **translation differences that arose before the date of transition to Ind-AS,** but would include all subsequent translation adjustments.

Long Term Foreign Currency Monetary Items

- 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 Ind AS financial reporting period as per the previous GAAP.

Investments in subsidiaries, jointly controlled entities and associates – In Separate Financial Statements

Cost

Ind-AS 39

Cost or

Deemed Cost which can be :-

Fair Value as per Ind-AS 39 or

Previous GAAP Carrying Amount

Use of deemed cost for investments in subsidiaries, joint ventures and associates

The entity's first Ind AS separate financial statements shall disclose:

(a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;

(b) the aggregate deemed cost of those investments for which deemed cost is fair value; and

(c) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Use of deemed cost after severe hyperinflation

- If an entity elects to measure assets and liabilities at fair value and to use that fair value as the deemed cost in its opening Ind AS Balance Sheet because of severe hyperinflation (Per paragraphs D26–D30), the entity's first Ind AS financial statements shall disclose an explanation of how, and why, the entity had, and then ceased to have, a functional currency that has both of the following characteristics:

(a) a reliable general price index is not available to all entities with transactions and balances in the currency.

(b) exchangeability between the currency and a relatively stable foreign currency does not exist.

- **When an entity exemption in Para:-**

D8A(b) to use deemed cost for oil and gas assets, and

D8B to use deemed cost for operations subject to rate regulation

It shall disclose that fact and the basis on which carrying amounts were determined under previous GAAP.

VE : Assets and Liabilities of Subsidiaries, associates and joint ventures.

Key factor : Who adopts Ind-AS first –

Parent or

Subsidiary .

Parent - Subsidiary

A first-time adopter consolidates all subsidiaries (as defined in Ind-AS 27), unless Ind-AS 27 requires otherwise.

If a first-time adopter did not consolidate a subsidiary in accordance with previous GAAP, then in its consolidated statements :

Treatment depending on who has adopted Ind-AS First.

If Subsidiary was Acquired	If Subsidiary was not acquired
Parent Recognises Goodwill	Parent does not recognised Goodwill

Consider Income tax & Non Controlling Interest

Parent adopts in 2009 Subsidiary in 2011

Parents Consolidated Financial Statements	Subsidiary's Separate Financial Statements.
However, the fact that subsidiary becomes a first-time adopter in 2011 does not change the carrying amounts of its assets and liabilities in parent's consolidated financial statements.	The carrying amounts of its assets and liabilities are the same in both its opening Ind-AS statement of financial position at 1 January 2010 and parent N's consolidated statement of financial position (except for adjustments for consolidation procedures) and are based on parent 's date of transition to Ind-ASs. OR

Parent adopts in 2009 Subsidiary in 2011

Parents Consolidated Financial Statements	Subsidiary's Separate Financial Statements.
The fact that subsidiary O becomes a first-time adopter in 2011 does not change the carrying amounts of its assets and liabilities in parent N's consolidated financial statements	OR ..Measure all its assets or liabilities based on its own date of transition to Ind-ASs (1 January 2010).

Parent adopts in 2011Subsidiary in 2009

Parents Consolidated Financial Statements	Subsidiary’s Separate Financial Statements.
The carrying amounts of subsidiary Q’s assets and liabilities at 1 January 2010 are the same in both parent ’s (consolidated) **opening Ind-AS statement of financial position** and **subsidiary ‘s financial statements** (except for adjustments for consolidation procedures) and are based on subsidiary’s date of transition to Ind-ASs	No Impact on Subsidiary ‘s Statements of Financial Position.

VE : Compound financial instruments

For Example, Convertible debenture , such instruments need not be separated in two portions if the liability component is no longer outstanding at the date of transition to Ind-ASs – ***Such separation is required IF & ONLY IF conversion is pending.***

Designation of previously recognised financial instruments

- D 19 A An entity may designate a financial asset as measured at fair value through profit or loss in accordance with Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind ASs.
- D19B An entity may designate an investment in an equity instrument as at fair value through other comprehensive income in accordance with Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind ASs.
- D19C For a financial liability that is designated as a financial liability at fair value through profit or loss, an entity shall determine whether the treatment prescribed Ind AS 109 would create an accounting mismatch in profit or loss on the basis of the facts and circumstances that exist at the date of transition to Ind ASs.

VE : Decommissioning Liabilities included in cost of PPE

❖ A first-time adopter need not comply with the Appendix A to Ind-As 16 re any changes that occurred before date of transition.

❖ If exemption used:

✓ Measure liability at date of transition in accordance with Ind-AS 37.

✓ Estimate amount that would have been included in Non Current Asset when liability first arose. Discount using rate applicable to the intervening period.

✓ Calculate accumulated depreciation at date of transition based on the above amount.

Example next Slide

VE : Decommissioning Liabilities included in cost of PPE

- For Example Plant set up on 1.4.2005. Date of Transition 1.4.2010
- Estimated liability on 1.4.2010 Rs. 1,000
- Estimated Life 20 Years , PV of Rs. 1,000 , on 1.4.2010 .. Rs. 481.00
- Discounting it back to 1.4.2005 Rs. 377.00 (Dep 377/20)
- Entry

Debit PPE …	Rs. 377	
Debit Retained Earnings AD	Rs. 94	
Debit Retained Earnings Interest	Rs. 104	
Credit Accumulated Depreciation		Rs. 94
Credit Decommissioning Liability		Rs. 377
Credit D C L		Rs. 104

VE : Appendix C to Ind AS 115 & Ind-AS 23

- Financial assets or intangible assets accounted for in accordance with Appendix C – Service Concession arrangement .

And

- Borrowing costs

- An entity MAY apply transition provisions.

Revenue from contracts with customers

- A first-time adopter may use one or more of the following practical expedients when applying Ind AS 115 retrospectively:
- (a) for completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period;
- (b) for completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods; and
- (c) for all reporting periods presented before the beginning of the first Ind AS reporting period, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

VE :Designation of previously recognised financial instruments

At the date of transition an entity may classify previously designated Financial Instruments :

(a) As an available-for-sale ; or

(b) As financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets the criteria in Ind-As 109.

Exemptions for business combinations

A first-time adopter may elect not to apply Ind-AS 103 retrospectively to past business combinations that occurred before the date of transition.

But if any business combination is restated to comply with Ind-AS 103 all later business combinations shall be restated and entity shall also apply from that same date.

The exemption for past business combinations also applies to past acquisitions of investments in associates and of interests in joint ventures.

If Ind-AS 103 is not applied retrospectively.

1.The FTA should preserve the same Classification

= as an acquisition by legal acquirer
= a reverse acquisition by the legal acquiree,
= or a uniting of interests.

as in its previous GAAP financial statements.

If Ind-AS 103 is not applied retrospectively.

2. Recognise all its assets and liabilities at the date of transition to Ind-ASs that were acquired or assumed in a past business combination, EXCEPT

(i) Financial assets and Financial liabilities derecognised in accordance with previous GAAP – covered by mandatory exceptions ; and

(ii) assets, including goodwill, and liabilities that were not recognised in the acquirer's consolidated statement of financial position in accordance with previous GAAP and also would not qualify for recognition in accordance with Ind-ASs in the separate statement of financial position of the acquiree.

Continued…………

If Ind-AS 103 is not applied retrospectively.

(iii)shall recognise any resulting change by adjusting retained earnings

- or, if appropriate, another category of equity,

- unless the change results from the recognition of an intangible asset that was previously subsumed within goodwill.

Ind-AS 103 is not applied retrospectively Derecognise

As adjustment from from Goodwill

Account for the Resulting Change

All other resulting changes in retained earnings.*

If past business combination accounted as an acquisition and recognised as an intangible asset .*It shall reclassify that item* and, if any, the related deferred tax and non-controlling interests as part of goodwill (unless it deducted goodwill directly from equity in accordance with previous GAAP.

If Intangible asset not subsumed in Goodwill and if goodwill not deducted directly from equity

Goodwill ----

----Shall be at carrying amount in accordance with previous GAAP at the date of transition subject to following adjustments :

(i) increased by reclassification of Intangible asset or

(ii) Decreased upon recognition of Intangible Asset subsumed in goodwill and if applicable adjust deferred tax and non controlling interest.

Goodwill be tested for impairment regardless of indicators.

Goodwill - Following adjustments not made

(i) to exclude in process research and development acquired in that business combination * unless related to Ind-AS 38.

(ii) to adjust previous amortisation of goodwill;

(iii) to reverse adjustments to goodwill that Ind-AS 103 would not permit, but were made in accordance with previous GAAP because of adjustments to assets and liabilities between the date of the business combination and the date of transition to Ind-ASs.

Goodwill Under Previous GAAP

+

Intangible Assets (IA) DOES Not Qualify Under Ind-AS

−

IA Recognised Under Ind-AS

−

Impairment Loss

Goodwill Under Ind-AS

Ind-AS 12 ***Income Taxes***

IG5 An entity applies Ind-AS 12 to temporary differences between the carrying amount of the assets and liabilities in its opening Ind-AS statement of financial position and
their tax bases.

Extinguishing financial liabilities with equity instruments

D25 A first-time adopter may apply the Appendix E of Ind AS 109 *Extinguishing Financial Liabilities with Equity Instruments* from the date of transition to Ind ASs.

Joint arrangements

Joint ventures - transition from proportionate consolidation to the equity method

Joint operations—transition from the equity method to accounting for assets and liabilities

Transition provisions in an entity's separate financial statements

Non-current assets held for sale and discontinued operations

Ind AS 105 requires non-current assets (or disposal groups) that meet the criteria to be classified as held for sale, non-current assets (or disposal groups) that are held for distribution to owners and operations that meet the criteria to be classified as discontinued and carried at lower of its carrying amount and fair value less cost to sell on the initial date of such identification. A first time adopter can:

(a) measure such assets or operations at the lower of carrying value and fair value less cost to sell at the date of transition to Ind ASs in accordance with Ind AS 105; and

(b) recognise directly in retained earnings any difference between that amount and the carrying amount of those assets at the date of transition to Ind ASs determined under the entity's previous GAAP.

Stripping costs in the production phase of a surface mine

D32 A first-time adopter may apply the Appendix B of Ind AS 16 *Stripping Costs in the Production Phase of a Surface Mine* from the date of transition to Ind ASs. As at transition date to Ind ASs, any previously recognised asset balance that resulted from stripping activity undertaken during the production phase ('predecessor stripping asset') shall be reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated.

Such balances shall be depreciated or amortised over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates. If there is no identifiable component of the ore body to which that predecessor stripping asset relates, it shall be recognised in opening retained earnings at the transition date to Ind ASs.

Designation of contracts to buy or sell a non-financial item

Ind AS 109 permits some contracts to buy or sell a non-financial item to be designated at inception as measured at fair value through profit or loss .Despite this requirement an entity is permitted to designate, at the date of transition to Ind ASs, contracts that already exist on that date as measured at fair value through profit or loss but only if they meet the requirements of Ind AS 109 at that date and the entity designates all similar contracts.

Ind-AS 101 : Disclosures

The Ind-AS requires disclosures that explain how the transition from previous GAAP to Ind-ASs affected the entity's **reported financial position**, **financial performance** and **cash flow.**

Discussed in details later.

Reconciliations of Comprehensive Income & Equity.

Case Study

On Ind-AS 1: XYZ Limited presented its financial statements under the national GAAP until 2009. It adopted Ind-AS from April 1, 2010 and is required to prepare an opening Ind-AS balance sheet as at April 1, 2010.
In preparing the Ind-AS opening balance sheet of XYZ Limited noted:

1.Under its previous GAAP, had classified proposed dividend of Rs.5,00,000 as a current liability.

2.It had not made a provision for warranty of Rs. 200,000 in the financial statements presented under previous GAAP since the concept of "constructive obligation" was not recognized under its previous GAAP.

3.In arriving at the amount to be capitalized as part of costs necessary to bring an asset to its working condition, XYZ Limited had not included Professional fees of Rs. 300,000 paid to architects at the time when the building it currently occupies as its head office was being constructed.

Required:

Advise XYZ Limited on the treatment of all the above items under Ind-AS1

Solution :

- In order to prepare the opening Ind-AS balance sheet at April 1, 2010, XYZ Limited would need to make these adjustments to its balance sheet at March 31, 2009, presented under its previous GAAP:

1. AS 10 does not allow proposed dividend to be recognized as a liability; instead, under the latest revision to IAS 10, they should be disclosed in footnotes. Previous Indian GAAP allowed proposed dividend to be treated as current liability. Therefore proposed dividend of Rs.500,000 should be disclosed in footnotes.
2. IAS 37 requires recognition of a provision for warranty but Previous Indian GAAP did not allow a similar treatment. Thus, a provision for warranty of Rs.200,000 should be recognized under Ind-AS-37.
3. IAS 16 requires all directly attributable costs of bringing an asset to its working condition for its intended use to be capitalized as part of carrying cost of property, plant and equipment. Thus Rs.300,000 of architects’ fees should be capitalized as part of (i.e., used in measurement of) property, plant and equipment under Ind-AS.

Disclosures

How Transition form previous GAAP to Ind-AS affected entity's

- Reported Financial Position , i.e., Balance Sheet
- Financial Performance , i.e., Profit or loss Account and
- Cash Flows

To Comply followings are required.

Reconciliations of Equity at two dates at;
(i) the date of the transition, and; (1st April,2015)
(ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP. (31st March,2016)

Reconciliation of Total Comprehensive Income in accordance with Ind-ASs for the latest period in the entity's most recent annual financial statements.

Disclosures : Do Not Confuse

Non-Ind-AS comparative information and historical summaries should be properly identified and an entity shall :

(a) label the previous GAAP information prominently as not being prepared in accordance with Ind-ASs; and

(b) disclose the nature of the main adjustments that would make it comply with Ind-ASs.
No onus to quantify those adjustments.

Disclosures : Separate effects of Errors From Changes

If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraph 24(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.

Disclosure : Reversal of impairment losses

If the entity recognised or reversed any impairment losses for the first time in preparing its opening Ind-AS statement of financial position,

the disclosures that Ind-AS 36 *Impairment of Assets would have required if the entity*

had recognised those impairment losses or reversals in the period beginning with the date of transition to Ind-ASs. (Ind-AS1.24(c))

Disclosures : **Designation of financial assets or financial liabilities**

Classification Under I GAAP	Classification under Ind-AS (D.19)
Financial Assets or Financial Liability	Either Financial Assets or Financial Liabilities through profit or loss accounts OR Available for sale

In that case disclose the fair value of financial assets or financial liabilities designated into each category at the date of designation and their classification and carrying amount in the previous financial statements.

Disclosures: Use of fair value as deemed cost

Fair Value

Plant , Property & Equipment

Intangible Assets

Investment Property

Disclose, for each line item in the opening Ind-AS statement of financial position:
(a) the aggregate of those fair values; and
(b) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Prepared & Presented By CA Yagnesh Desai
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Disclosure : **Use of deemed cost for investments in subsidiaries, jointly controlled entities and associates**

Disclose:

(a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;

(b) the aggregate deemed cost of those investments for which deemed cost is fair value; and

(c) the aggregate adjustment to the carrying amounts reported under previous GAAP.

Disclosure : Interim financial reports

(i) Equity

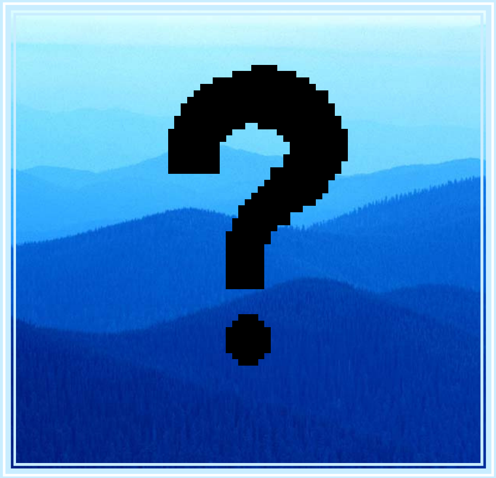
A reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under Ind-ASs at that date

Disclosure :Interim financial reports – (ii) Comprehensive Income

A reconciliation to its total comprehensive income in accordance with Ind-ASs for that comparable interim period (current and year to date).

The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.

Questions & Answers



Thank You