

REFRESHER COURSE ON IND AS 26TH APRIL 2022

Conducted by Ind As Committee of WIRC of ICAI

Framework

Common Errors

Ind AS I Presentation of Financial Statements

Ind AS 8 Accounting Policies, Change in Accounting estimates and Errors

Ind AS 10 Events after the reporting period.



Ind AS 1 Presentation of Financial Statements – Basics

REQUIREMENTS IN A NUTSHELL

Lays down the basis of preparation of General Purpose Financial Statements only.

Lays down minimum requirements of presentation / contents - the presentation requirements may get compounded, if required by other standards, e.g. Ind AS 33 earnings per share.

Does not lay down the format of balance sheet, statement of profit and loss account or statement of changes in equity – Indian companies to be abide by Division II of Schedule III of the Companies Act 2013.

Statement of Cash Flow to be prepared in accordance with Ind AS 7 Statement of cash Flow.

Comparative information in respect of the preceding period for all amounts reported in the current period's financial statements – thus at least for a year.

Applicability – General Financial Statements – All entities	Non-Applicability
❖ Separate Financial Statements	❖ Interim Financial Statement, with some exceptions, para 15-35
❖ Consolidated Financial Statements	❖ Statements which are not “General Purpose Financial Statements”
❖ Complete Financial Statements	

Show the comparison between standalone and consolidated financial statement – vis-s vis presentation of financial instruments.

PQI



Presentation of Financial Assets – Investments in Subsidiary – JV and Associates in SFS and CFS

Discuss with reference to GN on Div II Sch III

Consolidated Balance Sheet as at March 31, 2019

			As at March 31, 2019	As at March 31, 2018
(₹. cr.)				
A	ASSETS			
	1 Non-current assets			
	a) Property, plant and equipment	2	1,048.15	1,000.30
	b) Capital work-in-progress	2	172.27	96.20
	c) Investment properties	3	3.27	3.27
	d) Goodwill	4	27.31	23.75
	e) Other intangible assets	4	19.61	0.01
	f) Biological assets other than bearer plants	5	13.15	11.56
	g) Investments accounted for using the equity method	6.1	15.24	10.72
	h) Financial assets			
	i) Investments	6.2	577.45	453.47
	j) Loans		0.22	0.20
	ii) Other financial assets	8	1.53	1.57
	ii) Income tax assets (net)	29.5	8.42	7.58
	ii) Deferred tax assets	29.5	0.52	5.01
	iv) Other non-current assets	9	38.10	48.67
	Total non-current assets		1,881.70	1,858.10
	2 Current assets			
	a) Inventories	10	511.87	411.43
	b) Biological assets	5	9.03	11.20
	c) Financial assets			
	i) Current investment	6.3	208.81	5.70
	ii) Trade receivables	11	698.47	723.48
	iii) Cash and cash equivalents	12	47.59	42.67
	iv) Bank balances other than cash and cash equivalents above	13	16.91	6.77
	v) Loans		0.15	—
	vi) Other financial assets	8	21.09	20.90
	d) Other current assets	9	158.40	133.47
	Total current assets		1,868.27	1,385.49
	Total assets		3,543.97	3,013.59
	B EQUITY AND LIABILITIES			
	Equity			
	a) Equity share capital	14	29.68	29.68
	b) Other equity	15	2,676.03	2,714.74
	Equity attributable to owners of Atul Ltd		2,705.71	2,744.92
	Non-controlling interests		2,705.71	2,705.71
	Total equity		2,729.51	2,263.93
	Liabilities			
	1 Non-current liabilities			
	a) Financial liabilities			
	i) Borrowings	16	43.14	—
	ii) Other financial liabilities	17	28.03	25.23
	b) Provisions	18	19.13	17.84
	c) Deferred tax liabilities (net)	29.5	139.48	120.56
	d) Other non-current liabilities	15	2.45	8.30
	Total non-current liabilities		237.23	180.92
	2 Current liabilities			
	a) Financial liabilities			
	i) Borrowings	16	9.32	15.91
	ii) Trade payables			
	Total outstanding dues of			
	a) Micro enterprises and small enterprises	20	7.74	3.93
	b) Creditors other than micro enterprises and small enterprises	20	371.89	456.09
	iii) Other financial liabilities	17	138.61	57.66
	b) Contract liabilities	21	8.48	—
	c) Other current liabilities	19	10.67	17.15
	d) Provisions	18	29.87	10.87
	e) Current tax liabilities (net)	29.5	0.67	8.11
	Total current liabilities		577.23	568.74
	Total liabilities		814.46	749.66
	Total equity and liabilities		3,543.97	3,013.59

The accompanying Notes 1-29 form an integral part of the Consolidated Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
 Chartered Accountants

Samir R. Shah
 Partner

T R Gopi Kannan
 Whole-time Director and CFO

L P Patni
 Company Secretary

B N Mohanan
 Whole-time Director
 and President - UBS

R A Shah
 B S Mehta
 S M Datta
 V S Rangan
 M M Chitale
 S A Panse
 B R Arora
 Directors

For and on behalf of the Board of Directors

S S Lalbhai
 Chairman and Managing Director

S A Lalbhai
 Managing Director
 Mumbai
 April 26, 2019

Mumbai
 April 26, 2019

Balance Sheet as at March 31, 2019

		(₹ cr)		
Particulars		Note	As at March 31, 2019	As at March 31, 2018
A	ASSETS			
1	Non-current assets			
a)	Property, plant and equipment	2	917.84	918.87
b)	Capital work-in-progress	2	70.31	69.56
c)	Investment properties	3	3.22	3.77
d)	Intangible assets	4	0.01	0.01
e)	Financial assets			
	Investments in subsidiary companies and joint venture company	5.1	202.55	142.47
a)	Other investments	5.2	5.26.13	452.34
b)	Loans	6	-	5.03
m)	Other financial assets		2.22	2.48
f)	Income tax assets (net)	28.5	3.74	0.67
g)	Other non-current assets	8	37.55	44.04
	Total non-current assets		1,762.57	1,638.69
2	Current assets			
a)	Inventories	9	427.81	378.95
b)	Financial assets			
i)	Investments	5.3	197.84	-
ii)	Trade receivables	10	762.18	717.68
iii)	Cash and cash equivalents	11	15.89	20.19
iv)	Bank balances other than cash and cash equivalents above	12	13.23	1.98
v)	Loans	6	4.92	2.04
vi)	Other financial assets	7	17.45	31.94
c)	Other current assets	8	143.69	127.68
	Total current assets		1,582.31	1,280.46
	Total assets		3,345.88	2,919.15
B	EQUITY AND LIABILITIES			
	Equity			
a)	Equity share capital	13	29.68	29.68
b)	Other equity	14	2,619.88	2,167.86
	Total equity		2,649.56	2,197.54
	Liabilities			
1	Non-current liabilities			
a)	Other financial liabilities	15	25.00	22.57
b)	Provisions	16	18.70	17.71
c)	Deferred tax liabilities (net)	28.5	172.13	134.65
	Total non-current liabilities		166.22	164.93
2	Current liabilities			
a)	Financial liabilities			
i)	Borrowings	17	-	0.01
ii)	Trade payables	18	-	-
	Total outstanding dues of			
a)	Micro enterprises and small enterprises		7.19	3.90
b)	Creditors other than micro enterprises and small enterprises		410.91	466.56
b)	Other financial liabilities	15	68.09	55.18
b)	Contract liabilities	19	8.15	-
c)	Other current liabilities	20	6.31	14.66
d)	Provisions	16	29.22	8.36
e)	Current tax liabilities (net)	28.5	0.18	8.01
	Total current liabilities		530.05	556.68
	Total liabilities		696.32	721.61
	Total equity and liabilities		3,345.88	2,919.15

The accompanying Notes 1-28 form an integral part of the Financial Statements

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants

Samir R. Shah
Partner

T.R. Gopi Kannan
Whole-time Director and CFO
L.P. Patni
Company Secretary

B.N. Mohanan
Whole-time Director
and President - U.S

Mumbai
April 26, 2019

Atul Ltd | Annual Report 2018-19

For and on behalf of the Board of Directors

S.S. Lalbhai
Chairman and Managing Director

R.A. Shah
B.S. Mehta
S.M. Datta
V.S. Rangan
M.M. Chitale
S.A. Panse
B.R. Arora
Directors

S.A. Lalbhai
Managing Director
Mumbai
April 26, 2019

Few More Concepts

The application of Ind ASs, with additional disclosure when necessary, is presumed to result in financial statements that present a true and fair view.

Can an entity rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material ?

Ind-AS has to be applied fully, no partial appliance is permitted. An entity has to make an explicit and unreserved statement of compliances, else it will be considered as non-Ind AS Compliant.

An entity shall prepare financial statements on going concern basis and using the accrual basis of accounting.

Two items not there in Ind AS financial statements 1. Extraordinary Item 2. Prior Period Item

COMPLETE SET OF FINANCIAL STATEMENTS IS MADE UP OF :

- (a) A balance sheet as at the end of the period,
- (b) A statement of profit and loss - this includes **Other Comprehensive Income**,
- (c) A statement of cash flows for the period,
- (d) **Statement of changes in equity for the period**,
- (e) Notes comprising of a summary of significant accounting policies and other explanatory information,
 - (ea) comparative information in respect of the preceding period
- (f) A balance sheet as at the beginning of the preceding period when an entity :
 - applies an accounting policy retrospectively or
 - makes a retrospective restatement of items in its financial statements, or
 - when it reclassifies items in its financial statements.

Provision of (f) in other words means, Re-statement, thus there is no prior period item under Ind AS

CASE STUDY

Current Financial Year.	2019-20
Preceding period.	2018-19
Beginning of the preceding period.	1 st April, 2018
An error notice in the current year - pertaining to FY 2015-16	FY 2015-16
Type of error found in FY 2019-20	An expense of Rs. 1,00,000 was wrongly charged twice, consequently creditors for expenses would have been credited.

ANALYSIS OF THE CASE COVERING RETROSPECTIVE RESTATEMENT

What is the impact of this error on the financial statements. (impact on Statement of Cash Flow and deferred tax ignored)

On the Balance Sheet -

Equity

Retained earnings are understated in the FY 2015-16

Current Liability

Creditors for expenses could have been overstated

On the Income Statement -

In the year 2015-16, income was understated.

ANALYSIS OF THE CASE COVERING RETROSPECTIVE RESTATEMENT

Under AS	Under Ind AS
In the FY 2019-20	On 1 st April, 2018
Entry :	Entry:
Debit Creditors for Expenses 1,00,000	Debit Creditors for Expenses 1,00,000
Credit Profit & Loss A/c 1,00,000	Credit Retained Earnings 1,00,000
FY 2019-20 income is overloaded as compared to preceding year. - Do you think this is comparable? No.	Statement of changes will be updated on April 1, 2018. After this there won't be any further entries in FY 2018-19 or 2019-20.
Notice the difference in credit : debit remains same.	There should be a note giving description of the entries passed on April 1, 2018.

SUMMARY : RETROSPECTIVE RESTATEMENT



1. If the error pertains to years prior to FY 2017-18.

Restate retained earnings on April 1, 2018 and relevant element of balance sheet, like assets or liability.

And mention the word (Restated) for FY 2018-19.

2. If the error pertains to FY 2018-19.

Re-state the profit and loss account and balance sheet relevant to FY 2018-19.

In both the cases :-

Do consider impact of deferred tax, Detailed note to be given in the disclosure.
Discuss intervening period.

SUMMARY : RETROSPECTIVE RESTATEMENT

Three Balance Sheets

Two Profit and Loss Accounts

Two Cash Flow Statements

Two Statement of Changes in Equity – this will be altered – amended.

INCOME STATEMENT

Description	Ind-AS I	IAS I
❖ Title	Statement of Profit or Loss	Statement of Profit or Loss and Other Comprehensive Income – (OCI)
❖ Presentation	Only One Statement	Two Statements is also permitted

An entity shall present an analysis of expenses recognised in profit or loss using a classification based on the nature of expenses method

Statement of Profit and Loss

Profit & Loss Items Plus OCI

Statement of Profit or Loss and Other Comprehensive Income

Profit & Loss

Other Comprehensive Income

STATEMENT OF PROFIT AND LOSS * EPS

Profit and Loss



Other
Comprehensive
Income



Total Comprehensive
Income



Income Less Expenses excluding
Components of Other
Comprehensive Income



Income & Expenses (Including
Reclassification adjustments) that
are not recognised in P or L . Also
referred to as “recognised out side
profit or loss”

CFS



Change in Equity – from
Transactions & Other Events -
Other Than with Owners in their
capacity as owners.

Consolidated Statement of Profit and Loss for the year ended March 31, 2019

		(₹ cr)		
	Particulars	Note	2018-19	2017-18
INCOME				
	Revenue from operations	22	4,097.91	3,337.97
	Other income	23	34.86	25.91
	Total income		4,072.67	3,363.63
EXPENSES				
	Cost of materials consumed	24	2,200.35	1,734.88
	Purchases of stock-in-trade		17.82	15.84
	Changes in inventories of finished goods, work-in-progress and stock-in-trade	25	(107.09)	52.75
	Excise duty		-	42.15
	Employee benefit expenses	26	259.84	213.38
	Finance costs	27	7.41	12.74
	Depreciation and amortisation expense	2, 4	118.91	110.38
	Other expenses	28	905.11	773.73
	Total expenses		3,397.35	2,855.85
	Profit before share of net profit of investments accounted for using equity method and tax		675.32	407.98
	Share of net profit of joint venture company accounted for using the equity method		5.02	4.23
	Profit before tax		680.34	412.21
Tax expense				
	Current tax	29.5	243.62	108.16
	Deferred tax	29.5	0.70	22.81
	Total tax expense		244.32	130.97
	Profit for the year		436.02	281.24
Other comprehensive income				
	a) Items that will not be reclassified to profit loss			
	i) Fair value of equity instruments through other comprehensive income (FVOCI)		73.83	37.28
	ii) Remeasurement gain (loss) on defined benefit plans		(0.17)	2.72
	iii) Income tax related to items a) above		(10.92)	(0.95)
	iv) Share of other comprehensive income of joint venture company accounted for using the equity method (net of tax)		-	(0.01)
	b) Items that will be reclassified to profit loss			
	i) Effective portion of gain (loss) on cash flow hedges		1.22	0.05
	ii) Income tax related to item no i) above		(0.43)	(0.02)
	iii) Exchange differences on translation of foreign operations		(2.13)	5.85
	Other comprehensive income, net of tax		60.42	44.13
	Total comprehensive income for the year		496.44	325.37
Profit is attributable to:				
	Owners of the Company		432.23	276.48
	Non-controlling interests		3.79	4.76
			436.02	281.24
Other comprehensive income is attributable to:				
	Owners of the Company		60.42	44.13
	Non-controlling interests		-	-
	Total other comprehensive income is attributable to:		60.42	44.13
	Owners of the Company		492.65	320.61
	Non-controlling interests		3.79	4.76
			496.44	325.37
Earnings per equity share attributable to owners of the Company				
	Basic and diluted earnings: ₹ per equity share of ₹ 10 each	29.11	147.00	94.82

The accompanying Notes 1-29 form an integral part of the Consolidated Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
 Chartered Accountants

Samir R. Shah
 Partner

T R Gopi Kannan
 Whole-time Director and CFO

L P Patni
 Company Secretary

B N Mohanan
 Whole-time Director
 and President - UBS

Mumbai
 April 26, 2019

For and on behalf of the Board of Directors

S S Lalbhai
 Chairman and Managing Director

S A Lalbhai
 Managing Director
 Mumbai
 April 26, 2019

OTHER COMPREHENSIVE INCOME

Is this really a new concept ???

Example of treatment under AS for

Revaluation of Property ,Plant and Equipment and

Translation of foreign operations.

OTHER COMPREHENSIVE INCOME (OCI)

- **Other comprehensive income comprises items of income and expense (including reclassification adjustments and including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) that are not recognised in profit or loss as required or permitted by other Ind-AS.**
- All components of income are to be presented net of related income tax. This presentation can be done in two ways, either :
 - (a) will not be reclassified (or recycled) subsequently to profit or loss; and
 - (b) will be reclassified subsequently to profit or loss when specific conditions are met.
- As regards tax effect, each item could either be net of tax, or gross of all components, with one figure of tax for all the components, followed by details in the notes.

COMPONENTS OF OCI

- (a) changes in revaluation surplus – Ind AS 16 Property, Plant & Equipment, Ind AS 38 Intangible Assets.
- (b) re-measurements of defined benefit plans :Ind AS 19 Employee Benefits
- (c) gains and losses arising from translating the financial statements of a foreign operation -Ind AS 21, The Effects of Changes in Foreign Exchange Rates.
- (d) gains and losses from investments in equity instruments designated at fair value through other comprehensive income.
- (da) gains and losses on financial assets measured at fair value through other comprehensive income. Ind AS 109, *Financial Instruments* – **

COMPONENTS OF OCI

(e) the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income. **Ind AS 109 Financial Instruments**

(f) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk. **Ind AS 109 Financial Instruments** .

(g) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value. **Ind AS 109 Financial Instruments**

Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.

Reclassification adjustment arises on	Non-Reclassification adjustment does arise on
On disposal of a foreign operation – Ind-AS 21	Changes in revaluation surplus (Ind-AS 16; Ind-AS 38)
On de-recognition of Debt instruments classified as FVOCI Ind-AS 109 *	Changes in actuarial gains or losses on defined benefit plans (Ind-AS 19)
>When some hedged forecast cash flow affect profit or loss.	De-recognition of equity instrument measured at Fair Value Through Other Comprehensive Income (FVOCI)
>Reclassification means – balance in equity is transferred directly to profit or loss account.	>Non-Reclassification means – balance in equity is transferred directly to “Retained Earnings” in Statement of Changes in Equity, when the asset is de-recognised.

ACCOUNTING TREATMENT

Reclassification Adjustment

Amount accumulated in equity is transferred to Profit and Loss (Income)

To put differently, accumulated is NOT transferred to Retained Income

It impacts earnings per share.

Non- Reclassification Adjustment

Amount accumulated in equity is transferred to retained earnings and NOT profit and loss.

To put differently, accumulated is NOT transferred to Profit and Loss / Income

It does not impact earnings per share.

Retained earnings \ net worth remains same regardless of the accounting treatment .

PQ.3

ERRORS BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Abstract of an accounting policy on the basis of preparation of the financial statements read as follows: —...

ii) The Financial Statements have been prepared on a historical cost basis, except the following:

- Certain financial liabilities that are measured at fair value,
- Defined benefits plans- plant assets measured at fair value.

OBSERVATION BASIS OF PREPARATION

It was noted from the disclosure given under basis of preparation that in exception to historical cost basis, it was stated that certain financial liabilities are measured at fair value.

However, it was noted from the disclosure regarding financial instruments by category, that all financial liabilities have been measured at amortised cost. It was further noted that certain financial assets viz. equity instruments and mutual funds have been measured at fair value.

ERROR REFERENCE OF COMPANIES (INDIAN ACCOUNTING STANDARDS) RULES RE SEGMENT REPORTING AND EMPLOYEE BENEFITS

Under Ind AS 108 on Segment Reporting specified in Companies (Accounting Standard) Rules, 2006 as the Company is having the income from license fees received for the usage of its domain name, trademark etc

Employee benefits

The requirements of IND AS 19 on Employee Benefits specified in Companies (Accounting Standard) Rules, 2006 are not applicable on the company since there was no employee employed by the company during the year. ||

OBSERVATIONS SEGMENT REPORTING AND EMPLOYEE BENEFITS

Reference to Companies (Accounting Standards) Rules, 2006 wrongly made

It was viewed that in the given case the applicable rules on the company are Companies (Indian Accounting Standards) (Amendment) Rules, 2016. It was viewed that the Companies (Accounting Standards) Rules, 2006 are not applicable on company and therefore, their reference in the given notes is incorrect.

Correct version Statement of compliance The Standalone Financial Statements comply in all material respects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act, as²⁷ amended.

ITEMS OF OTHER COMPREHENSIVE INCOME AND TAX EFFECT THEREON

In the Statement of Profit and Loss of a company —re-measurement of defined benefits plans not reclassified to profit or loss in subsequent periods was shown under Other Comprehensive Income (OCI).

However, no tax impact was shown in the statement of profit and loss in respect of such re-measurement of defined benefits plans under OCI.

As per the requirements of paragraph 61A of Ind AS 12, current tax and deferred tax, relating to items that are recognized in other comprehensive income, shall be recognized in other comprehensive income.

NON-DISCLOSURE OF ACCOUNTING POLICY

The company's mining operations at the lease mine remained suspended during the year owing to the ban imposed by the regulatory authority.

The company's investments in the said cash generating unit consists of Trucks, Trippers, material handling equipment, and similar movable assets and also a long-term lease premium was paid in respect of the said land and the mine development expenses were incurred by the company.

These assets continue to be carried at cost less accumulated depreciation and amortization, and depreciation/amortization expense for the current year has been charged to the Statement of Profit and Loss. The said treatment is owing to the management expectation of re-starting with the mining activity and the fact that the transportation vehicles are otherwise being used for other business purposes of the company.

NON-DISCLOSURE OF ACCOUNTING POLICY

It was noted from the financial statements of the company that the accounting policies of impairment of assets and segment reporting, being significant accounting policies, have not been disclosed.

Re mining disclosures that the company's mining operation was suspended. It was viewed that the management was required to make judgment whether it is discontinued operation of major component of an entity as per Ind AS 105 or there is indication about the impairment of assets as per Ind AS 38.

Re segment reporting, it was noted that the company is in diversified business. Accordingly, the accounting policy for the same is also significant. Both accounting policies have been considered as significant accounting policies which are relevant to the understanding of the financial statements and hence, should have been disclosed as per the above stated requirements of Ind AS 1.

CHANGING THE PRESENTATION OR CLASSIFICATION

The entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose:

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, an entity shall disclose:

- (a) the reason for not reclassifying the amounts, and
- (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

EXAMPLE OF RECLASSIFICATION

The income statement for the year ended 31st March, 2018 has been restated following the changes in Ind AS that were adopted effective 01 April, 2019. In addition the Group has made certain presentational changes to further improve comparability of its results to those of other healthcare companies and to allow readers to make a more accurate assessment of the sustainability earnings capacity of the Group. These changes which have been applied retrospectively are listed below:

Support cost for leased diagnostic instruments are now reported as part of 'Cost of sales' instead of 'Marketing and distribution'. In 2019 these were Rs. 11,40,000/- (2018: Rs. 7,60,000/-)

ERROR FAIR VALUE CHANGES IN FINANCIAL INSTRUMENTS

Requirements .

Net gains (losses) on fair value changes As per Ind AS 107 para 20(a), the fair value gains or losses (net) on financial assets which are measured at FVTPL should be present under =Other non-operating income'

Observation

It was noted that Fair value changes of investments designated as FVTPL' was disclosed as a constituent of Other income. Instead of ***Other non-operating income'***




Exceptional Items



Matter contained in the Financial Statements The Abstract of note to the financial statements on Exceptional items read as follows: —

- (a) Exceptional items includes Gain / (Loss) (net) on translation / segment of foreign currency monetary items (including borrowing), gain / (loss) upon marked to market of derivatives contracts, gain / (loss) on forward cover cancellation.
- (b) Exceptional items include amount written off / provided (including provision) being non recoverable from certain parties.
- (c) Exceptional items include on account of written-off of interest receivable on loans to two subsidiary companies.
- (d) Exceptional items include on account of provision against FSA (Fuel Surcharge Adjustments) charges for earlier periods provided in view of the decision of Hon'ble Supreme Court.



Para 98 of Ind AS I gives certain circumstances that would give rise to the separate disclosure of items of income and expense:

- a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
- b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
- c) disposals of items of property, plant and equipment;
- d) disposals of investments;
- e) discontinued operations;
- f) litigation settlements; and
- g) other reversals of provisions.”

Also Para 7 mentions about materiality.

OBSERVATION EXCEPTIONAL ITEMS

It was noted from the note to the financial statements on Exceptional items that following items were disclosed as exceptional items by the company:

- foreign currency gain / loss;
- recoverable written off;
- interest receivable written off etc.
- It was further noted that the amount of above items was not material.

In light of the above, it was viewed that, in the given case, none of the items disclosed under the note on Exceptional items qualifies to be reported as exceptional item considering the size and nature of given items

It was further noted that the question number 32 of Educational Material on Ind AS ³⁷ issued by the ICAI, also addresses the issues on exceptional items.

STATEMENTS OF CHANGES IN EQUITY – (DISPLAY REPORT)

It reflects the increases and decreases in the **net assets of an entity during the period, and** all changes in equity from transactions with “**Owners**” (**in their capacity as Owners**) are to be presented separately from non-owner changes in equity.

Includes following components on the face of the statement:

1. Total comprehensive income for the period, segregating amounts attributable to owners and to non-controlling interest ;
2. The effects of retrospective application or retrospective restatement in accordance with Ind AS 8, separately for each component of equity;
3. Contributions from and distributions to owners; and
4. A reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change, for each component of equity.

Consolidated Statement of changes in equity for the year ended March 31, 2019

A Equity share capital

Particulars	Note	₹ cr)	
			Amount
As at March 31, 2017			29.68
Changes in equity share capital during the year			-
As at March 31, 2018			29.68
Changes in equity share capital during the year			-
As at March 31, 2019	14		29.68

B Other equity

Particulars	Attributable to owners of the Company						Total other equity	Non-controlling interest	Total
	Reserves and surplus			Items of other comprehensive income					
	Securities premium	General reserve	Retained earnings	FVOCI equity instruments	Effective portion of cash flow hedges	Foreign currency translation reserve			
As at March 31, 2017	34.66	97.36	1,426.79	364.13	(0.48)	13.80	1,936.26	15.25	1,951.51
Profit for the year	-	-	276.48	-	-	-	276.48	4.76	281.24
Other comprehensive income, net of tax	-	-	1.76	37.28	0.03	5.06	44.13	-	44.13
Total comprehensive income for the year	-	-	278.24	37.28	0.03	5.06	320.61	4.76	325.37
Transfer to retained earnings on disposal of FVOCI equity instruments	-	-	1.59	(1.59)	-	-	-	-	-
Hedging gain (loss) reclassified to the Statement of Profit and Loss	-	-	-	-	0.48	-	0.48	-	0.48
Transactions with owners in their capacity as owners:									
Dividend on equity shares, including dividend distribution tax	-	-	(38.51)	-	-	-	(38.51)	-	(38.51)
Transactions with non-controlling interests	-	-	(4.60)	-	-	-	(4.60)	-	(4.60)
As at March 31, 2018	34.66	97.36	1,663.51	399.82	0.03	18.86	2,214.24	20.01	2,234.25
Profit for the year	-	-	432.23	-	-	-	432.23	3.79	436.02
Other comprehensive income, net of tax	-	-	(0.09)	62.83	0.79	(3.11)	60.42	-	60.42
Total comprehensive income for the year	-	-	432.14	62.83	0.79	(3.11)	492.65	3.79	496.44
Transfer to general reserves	-	0.05	(0.05)	-	-	-	-	-	-
Transfer to retained earnings on disposal of FVOCI equity instruments	-	-	0.02	(0.02)	-	-	-	-	-
Hedging gain (loss) reclassified to the Statement of Profit and Loss	-	-	-	-	(0.03)	-	(0.03)	-	(0.03)
Transactions with owners in their capacity as owners:									
Dividend on equity shares, including dividend distribution tax	-	-	(39.54)	-	-	-	(39.54)	-	(39.54)
Transactions with non-controlling interests	-	-	8.71	-	-	-	8.71	-	8.71
As at March 31, 2019	34.66	97.41	2,064.79	462.63	0.79	15.75	2,676.03	23.80	2,699.83

The accompanying Notes 1-29 form an integral part of the Consolidated Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Samir R. Shah
Partner

T R Gopi Kannan
Whole-time Director and CFO
L P Patni
Company Secretary

B N Mohanan
Whole-time Director
and President - UBS

Mumbai
April 26, 2019

Atul Ltd | Annual Report 2018-19

For and on behalf of the Board of Directors

S S Lalbhai
Chairman and Managing Director

R A Shah
B S Mehta
S M Datta
V S Rangan
M M Chitale
S A Panse
B R Arora
Directors

S A Lalbhai
Managing Director
Mumbai
April 26, 2019

CURRENT AND NON-CURRENT

Current and Non-current assets and current and non-current liabilities, except when a presentation based on liquidity provides information that is reliable and more relevant.

When an entity presents current and non-current it shall not classify deferred tax assets (liabilities) as current assets (liabilities).

Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:

- (a) no more than twelve months after the reporting period, and
- (b) more than twelve months after the reporting period.

CURRENT AND NON-CURRENT

An entity shall classify an asset as current when:

it expects to realise the asset, or intends to sell or consume it, in its **normal operating cycle**;

it holds the asset primarily for the purpose of **trading**;

it expects to realise the asset within **twelve months** after the reporting period; or

the asset is cash or a cash equivalent (as defined in Ind AS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify a liability as current when

it expects to settle the liability in its **normal operating cycle**

it holds the liability primarily for the purpose of **trading**;

the liability is due to be settled **within twelve months** after the reporting period; or

it does not have an **unconditional right to defer settlement** of the liability for at least twelve months after the reporting period

An entity shall classify all other liabilities and assets as non-current. – *illustration Ind AS 19 – post employment benefits.*

NON-CURRENT INVESTMENTS

In the note to the financial statements on Non-Current Investments, cost of investment in equity shares of a company was same as at the end of reporting year and previous year.

However, it was noted that the number of shares in such investment held at the end of reporting year was more as compared to the number of shares in such investment held at the end of the comparative year

OBSERVATION

Further, it was noted that the face value of shares in such investment was Rs.10 per share as at the end of the reporting year as compared to its face value of Rs. 5 per share as at the end of the previous year.

It was viewed that such investment increased in terms of number of shares as well as in face value without any change in value of investments and no explanatory note was provided for the same.

Accordingly, it was viewed that the requirements of Ind AS I have not been complied with.

BREACH OF CONDITIONS

Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period ***with the effect that the liability becomes payable on demand on the reporting date,***

the entity does not classify the liability as current :– (means ?)

If the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach. **What would you call this event ????**

DISCLOSURE ON THE FACE OF THE BALANCE SHEET - (DIVISION II SCHEDULE III)

- Property, plant & equipment
- Investment property
- Intangible assets
- Financial assets
- Investments accounted for under tax assets equity method
- Biological assets
- Inventories
- Trade & other receivables
- Cash & cash equivalents
- Provisions
- Financial liabilities
- Liabilities & assets for current tax
- Deferred tax liabilities & deferred
- Minority interest, within equity
- Issued capital & reserves attributable to equity holders of the parent
- Assets held for sale
- Trade & other payables
- Assets & liabilities included in disposal group classified as held for sale

Additional line items allowed when relevant to understanding of an entity's financial position, like PPE assets under lease, (Right-of Use assets) assets carried at cost, revalued amount

PRESENTATION ON THE FACE OF THE STATEMENT OF PROFIT AND LOSS

In addition to items required by other Ind ASs, the profit or loss section of the statement of profit and loss shall include line items that present the following amounts for the period:

- (a) revenue, presenting separately interest revenue calculated using the effective interest method;
- (aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;
- (b) finance costs;
- (ba) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Ind AS 109;
- (c) share of the profit or loss of associates and joint ventures accounted for using the equity method;

PRESENTATION ON THE FACE OF THE STATEMENT OF PROFIT AND LOSS

- (ca) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in Ind AS 109);
- (cb) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;
- (d) tax expense;
- (da) a single amount – net of taxes - for the total of discontinued operations (see Ind AS 105).**

STATEMENT OF PROFIT AND LOSS - SEPARATE LINE ITEM

If items of income or expense are material, an entity shall disclose their nature and amount separately., for example;-

Recollect limits under Div II Sch III –higher of 1 % of Revenue –OP. or 10,00,000

- a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
- b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
- c) disposals of items of property, plant and equipment;
- d) disposals of investments;
- e) discontinued operations;
- f) litigation settlements; and
- g) other reversals of provisions.

PROFIT OR LOSS OF ASSOCIATES / JVS

How to disclose the share of the profit or loss of associates and joint ventures accounted for using the equity method above the tax expense in the **Consolidated Statement of Profit and Loss?**

Though the Standard does not prescribe any order for their presentation, keeping in view the nature of the item, it should be disclosed before tax expense in the Consolidated Statement of Profit and Loss.

Consolidated Statement of Profit and Loss for the year ended March 31, 2019

		(₹ cr)	
Particulars	Note	2018-19	2017-18
INCOME			
Revenue from operations	22	4,097.81	3,337.97
Other income	23	34.86	25.91
Total income		4,072.67	3,363.88
EXPENSES			
Cost of materials consumed	24	2,200.35	1,734.88
Purchases of stock-in-trade		17.82	15.84
Changes in inventories of finished goods, work-in-progress and stock-in-trade	25	(107.09)	52.75
Excise duty			42.15
Employee benefit expenses	26	259.84	213.38
Finance costs	27	7.41	12.74
Depreciation and amortisation expense	2, 4	118.91	110.38
Other expenses	28	905.11	773.73
Total expenses		3,397.35	2,955.85
Profit before share of net profit of investments accounted for using equity method and tax		675.32	407.98
Share of net profit of joint venture company accounted for using the equity method		5.02	4.23
Profit before tax		680.34	412.21
Tax expense			
Current tax	29.5	243.62	108.15
Deferred tax	29.5	0.70	22.81
Total tax expense		244.32	130.97
Profit for the year		436.02	281.24
Other comprehensive income			
a) Items that will not be reclassified to profit loss			
i) Fair value of equity instruments through other comprehensive income (FVOCI)		73.83	37.28
ii) Remeasurement gain (loss) on defined benefit plans		(0.17)	2.72
iii) Income tax related to items a) above		(10.92)	(0.95)
iv) Share of other comprehensive income of joint venture company accounted for using the equity method (net of tax)			(0.01)
b) Items that will be reclassified to profit loss			
i) Effective portion of gain (loss) on cash flow hedges		1.22	0.05
ii) Income tax related to item no i) above		(0.43)	(0.02)
iii) Exchange differences on translation of foreign operations		(2.13)	5.06
Other comprehensive income, net of tax		60.42	44.13
Total comprehensive income for the year		496.44	325.37
Profit is attributable to:			
Owners of the Company		432.23	276.48
Non-controlling interests		3.79	4.76
		436.02	281.24
Other comprehensive income is attributable to:			
Owners of the Company		60.42	44.13
Non-controlling interests		-	-
Total comprehensive income is attributable to:		60.42	44.13
Owners of the Company		492.65	320.61
Non-controlling interests		3.79	4.76
		496.44	325.37
Earnings per equity share attributable to owners of the Company			
Basic and diluted earnings: ₹ per equity share of ₹ 10 each	29.11	147.00	94.82

The accompanying Notes 1-29 form an integral part of the Consolidated Financial Statements

In terms of our report attached
For Deloitte Haskins & Sells LLP
 Chartered Accountants

Samir R. Shah
 Partner

Mumbai
 April 26, 2019

T R Gopi Kannan
 Whole-time Director and CFO
 L P Patni
 Company Secretary

B N Mohanan
 Whole-time Director
 and President - UBS

R A Shah
 B S Mehta
 S M Datta
 V S Rangan
 M M Chitale
 S A Panse
 B R Arora
 Directors

For and on behalf of the Board of Directors

S S Lalbhai
 Chairman and Managing Director

S A Lalbhai
 Managing Director
 Mumbai
 April 26, 2019

OFFSETTING

- ❖ Assets and liabilities or income and expenses may not be offset against each other, unless required or permitted by an Ind-AS. Allowance accounts
- ❖ When items of income or expense are offset - **Consider the need to disclose the gross amounts in the notes to the financial statements.**

- ❖ **Examples of transactions which can be net off (permissible offsetting) :**
 1. Gains or losses on the disposal of noncurrent assets,
 2. Expenditure related to a provision that is reimbursed under a contractual arrangement with a third party may be netted against the related reimbursement.
 3. Grants related to income are presented as part of profit or loss, either separately or under a general heading such as 'Other income'; alternatively, they are deducted in reporting the related expense.
 4. Foreign exchange gains and losses (unless material).

OFFSETTING

5. Gains and losses arising on financial instruments held for trading (unless material)
6. Release of provisions against expenses incurred

Items that would not be considered to be offsetting of assets and liabilities include:

- Accumulated depreciation of Property, plant and equipment.
- Impairment provisions.
- Accumulated amortisation of intangible assets.
- Provision for inventory obsolescence.
- Provisions for bad debts.

OFF SETTING - ERROR

Matter contained in the Financial Statements”

The Company had shown the interest expense netted off with interest income in the financial statements.

Observation.

It was noted that interest expense has been netted off with interest income. It was viewed that considering the provision stated under Ind AS I, Ind AS 107 and Guidance

Interest expense should not have been netted off against the interest income.

Accordingly, it was viewed that the requirements of Ind AS 107, Ind AS I and Guidance Note on Division II- Ind AS Schedule III to the Companies Act, 2013 have not been complied with.

FUNCTIONAL CLASSIFICATION OF EXPENDITURES

In the Statement of Profit and Loss of a company, expenses include the head
—Administrative Expenses

Paragraph 99 of Ind AS I –Other comprehensive income for the period —An entity shall present an analysis of expenses recognised in profit or loss using a classification based on the nature of expense method.

It was noted from the Statement of Profit and Loss that expenses includes the head “Administrative Expenses”. Accordingly, it was observed that the company has classified the expenses based on functional classification instead of nature-wise classification as required by paragraph 99 of Ind AS I.

. EMPLOYEE BENEFITS – ABSTRACT

The company does not contributed to any Gratuity Fund Scheme.

The provision in respect of the defined benefit plan is however made by the company and carried as a liability, to be paid out of the regular cash flows of the company.

The provision is made in respect of every employee who has completed at least five years of service, as 15 days' salary for every completed year of service. The present value of the obligation is based on actuarial valuation report.

EMPLOYEE BENEFITS OBSERVATION

The Provision for gratuity has been made only in respect of those employees who have completed at least five years of service as 15 days' salary for every year completed year of service.

Whereas the liability arises when the employee has started providing the services.

Provisions should be made for the employees irrespective of whether they have completed at least five years of service or not.

Further, the disclosures as required under Paragraph 135 of Ind AS 19 have not been disclosed in respect of the same.

EMPLOYEE BENEFITS OBSERVATION

135 An entity shall disclose information that:

- (a) explains the characteristics of its defined benefit plans and risks associated with them (see paragraph 139);
- (b) identifies and explains the amounts in its financial statements arising from its defined benefit plans (see paragraphs 140–144); and
- (c) describes how its defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows (see paragraphs 145–147)

PRIOR PERIOD ITEMS MATTER CONTAINED IN THE FINANCIAL STATEMENTS

In the note to the financial statements of a company on Other Expenses,

Prior period items were shown during the current year and comparative year. Further, the disclosures regarding prior periods were not found in the financial statements. It was further noted that this is entity's first Ind AS financial statement

PRIOR PERIOD ITEMS OBSERVATIONS

It was viewed that as per Ind AS, prior period items should be adjusted either by restating the comparative amounts for the period in which error occurred or restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

PRIOR PERIOD ITEMS DISCLOSURES

Paragraph 49 – Disclosure of prior period errors

Disclose the following:

- a. the nature of the prior period error;
- b. for each prior period presented, to the extent practicable, the amount of the correction:
 - (i) for each financial statement line item affected; and
 - (ii) if Ind AS 33 applies to the entity, for basic and diluted earnings per share;
- c. the amount of the correction at the beginning of the earliest prior period presented; and
- d. if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

NOTES

- ❖ Should be presented in a systematic manner
- ❖ Should cross reference each item in items in balance sheet, statement of profit and loss, statement of changes in equity and of cash flow to any related information in the notes.
- ❖ Notes should :
 - (a) present information about the basis of preparation of the financial statements and the specific accounting policies used
 - (b) disclose the information required by Ind ASs that is not presented elsewhere in the financial statements; and
 - (c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

NOTES – NORMALLY IN FOLLOWING ORDER

- a) Statement of compliance with Ind ASs - paragraph 16
- b) summary of significant accounting policies applied (paragraph 117)
- c) supporting information for items presented in the balance sheet, and in the statement of profit and loss, and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and
- d) other disclosures, including:
 - i. contingent liabilities (Ind AS 37) and unrecognised contractual commitments, and
 - ii. non-financial disclosures, e.g. the entity's financial risk management objectives and policies (Ind AS 107).

DISCLOSURE OF ACCOUNTING POLICIES - IN SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, SHALL DISCLOSE :

- a) the measurement basis (or bases) used in preparing the financial statements, and
- b) the other accounting policies used that are relevant to an understanding of the financial statements.

An accounting policy may be significant because of the ***nature*** of the entity's operations even if amounts for current and prior periods are not material

MISCELLANEOUS - AN ENTITY SHALL DISPLAY THE FOLLOWING INFORMATION PROMINENTLY

- a) the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;
- b) whether the financial statements are of an individual entity or a group of entities; Separate Financial Statements or Consolidated Financial Statement.
- c) the date of the end of the reporting period or the period covered by the set of financial statements or notes;
- d) the presentation currency, as defined in Ind AS 21; and
- e) the level of rounding used in presenting amounts in the financial statements.

JUDGEMENT

Management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements.

For example, management makes judgements in determining:

- a) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;
- b) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue and
- c) whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

SOURCES OF ESTIMATION UNCERTAINTY

An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period.

that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

In respect of those assets and liabilities, the notes shall include details of:

(a) their nature, and

(b) their carrying amount as at the end of the reporting period.

SOURCES OF ESTIMATION UNCERTAINTY

Examples of the types of disclosures an entity makes are:

- a) the nature of the assumption or other estimation uncertainty;
- b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;
- c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and
- d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

CAPITAL

An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

- Credit Rating
- Dividend
- Accumulated Comprehensive Income
- Non Controlling Interest

NOTES : ADDITIONAL DISCLOSURES

An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:

- a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);
- b) a description of the nature of the entity's operations and its principal activities;
- c) the name of the parent and the ultimate parent of the group; and
- d) if it is a limited life entity, information regarding the length of its life.

EXTRAORDINARY & EXCEPTIONAL ITEMS

- No Extraordinary Items – same under US GAAP since 2015
- Additional line items, heading & subtotals presented on face where relevant to understanding;
- Separate disclosure of nature & amount of material items of income and expenditure on face or by way of note.
- Proposed dividend and related amount per to be disclosed in the notes.

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of group's financial performance. Examples :

- ❖ Principally gains or losses on disposal of investments, subsidiaries and early termination of debt instruments.

OTHER DISCLOSURE – RE CAP

1. **Explicit & unreserved statement of compliance with Ind AS**
2. Any departures from Ind ASs needed to ensure fair presentation of financial statements
3. **Judgment made in applying the entity's most significant accounting policies.**
4. **Key sources of estimation uncertainty**
5. Any item of income or expenses that are material in their nature should be disclosed separately, either on the face of the income statement or in the notes.
6. New standards & interpretations issued but not effective/adopted. Indicating impact

COMPARISON OF IND AS I AND IAS

Ind AS I	IAS I
Balance Sheet, Statement of Profit and Loss – Does not an option to use other suitable title.	Statement of Financial Position ,Statement of Profit or loss and other comprehensive income. - Does give an option to use other suitable title.
True and Fair	Fair presentation
Not permitted	Presentation for 52 weeks is permitted.
Only natural classification – functional not permitted.	Natural or functional analysis of expenses recognised in profit or loss

COMPARISON OF IND AS I AND IAS

Ind AS I	IAS I
Re Materiality : Requirement by Law is added to Para 29 and 31	Such requirement by law is not there in para 29 and 31
Where there is breach of material provision , and the lender agrees to waive before the approval of financial statements for issue – an entity may classify the load as non-current.	Approval by lender has to be before the end of the financial year.

COMPARISON WITH EXISTING AS

Existing AS I

Deals with disclosure of Accounting Policies only.

Ind AS I

Deals with guidelines for preparing balance sheet, statement of profit and loss, statement of changes in equity.

FRAMEWORK – DEFINITION OF THE ELEMENTS OF FINANCIAL STATEMENT REDIFINED

Definition of an asset :-

An asset is a present economic resource controlled by the entity as a result of past events.

An economic resource is a right that has the potential to produce economic benefits.

(a) right (see paragraphs

(b) potential to produce economic benefits (see paragraphs and

(c) Control

RIGHTS DEFINED

Rights that have the potential to produce economic benefits take many forms, including:

(a) rights that correspond to an obligation of another party (see paragraph 4.39), for example:

(i) rights to receive cash.

(ii) rights to receive goods or services.

(iii) rights to exchange economic resources with another party on favourable terms.

Such rights include, for example, a forward contract to buy an economic resource on terms that are currently favourable or an option to buy an economic resource.

(iv) rights to benefit from an obligation of another party to transfer an economic resource if a specified uncertain future event occurs

RIGHTS REDEFINED

- (b) rights that do not correspond to an obligation of another party, for example:
 - (i) rights over physical objects, such as property, plant and equipment or inventories. Examples of such rights are a right to use a physical object or a right to benefit from the residual value of a leased object.
 - (ii) rights to use intellectual property.

RIGHTS TO SEPARATE ASSET

Examples of Rights , for example

Legal ownership of a physical object may give rise to several rights, including:

- (a) the right to use the object;
- (b) the right to sell rights over the object;
- (a) the right to pledge rights over the object; and (d) other rights not listed in

DEFINITION OF A LIABILITY

A liability is a present obligation of the entity to transfer an economic resource as a result of past events.

For a liability to exist, three criteria must all be satisfied:

- (a) the entity has an obligation;
- (b) the obligation is to transfer an economic resource and
- (c) the obligation is a present obligation that exists as a result of past events

OBLIGATION TO TRANSFER ECONOMIC RESOURCES

Example:

- (a) obligations to pay cash.
- (b) obligations to deliver goods or provide services.
- (c) obligations to exchange economic resources with another party on unfavourable terms. Such obligations include, for example, a forward contract to sell an economic resource on terms that are currently unfavourable or an option that entitles another party to buy an economic resource from the entity.
- (d) obligations to transfer an economic resource if a specified uncertain future event occurs.
- (e) obligations to issue a financial instrument if that financial instrument will oblige the entity to transfer an economic resource.

INVESTMENT PROPERTY

—In the note to the financial statements of a company on Investment Properties, disclosure of investment properties was given.

Depreciation on investment properties was not charged in the reporting year but the depreciation on such investments properties was charged during the comparative year.

OBSERVATION INVESTMENT PROPERTY

It was noted that the company has investment properties but the depreciation has not been charged on these properties during the reporting year.

It was viewed that as per the principles of Ind AS 40, an investment property is measured initially at cost.

Under the cost model, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses and Fair value is disclosed in notes to accounts. Accordingly, depreciation should have been charged on these properties and debited to Statement to Profit and Loss.

PRACTICAL TIPS

- Division II of Schedule III to the Companies Act 2013.
- **Current tax on the face of the Balance Sheet.**
- Actuarial gains and losses to be part of Retained earning as a separate line.
- Interest on defined benefit obligations – may be considered as Finance Cost.
- GST to be netted off from the revenue.
- **EPS to be measured with reference to Profit after tax and not with reference to OCI or TCI.**



Thank You

CA Yagnesh Desai yagnesh@ymdnco.com