Impact of Ind-AS on Indian Inc.

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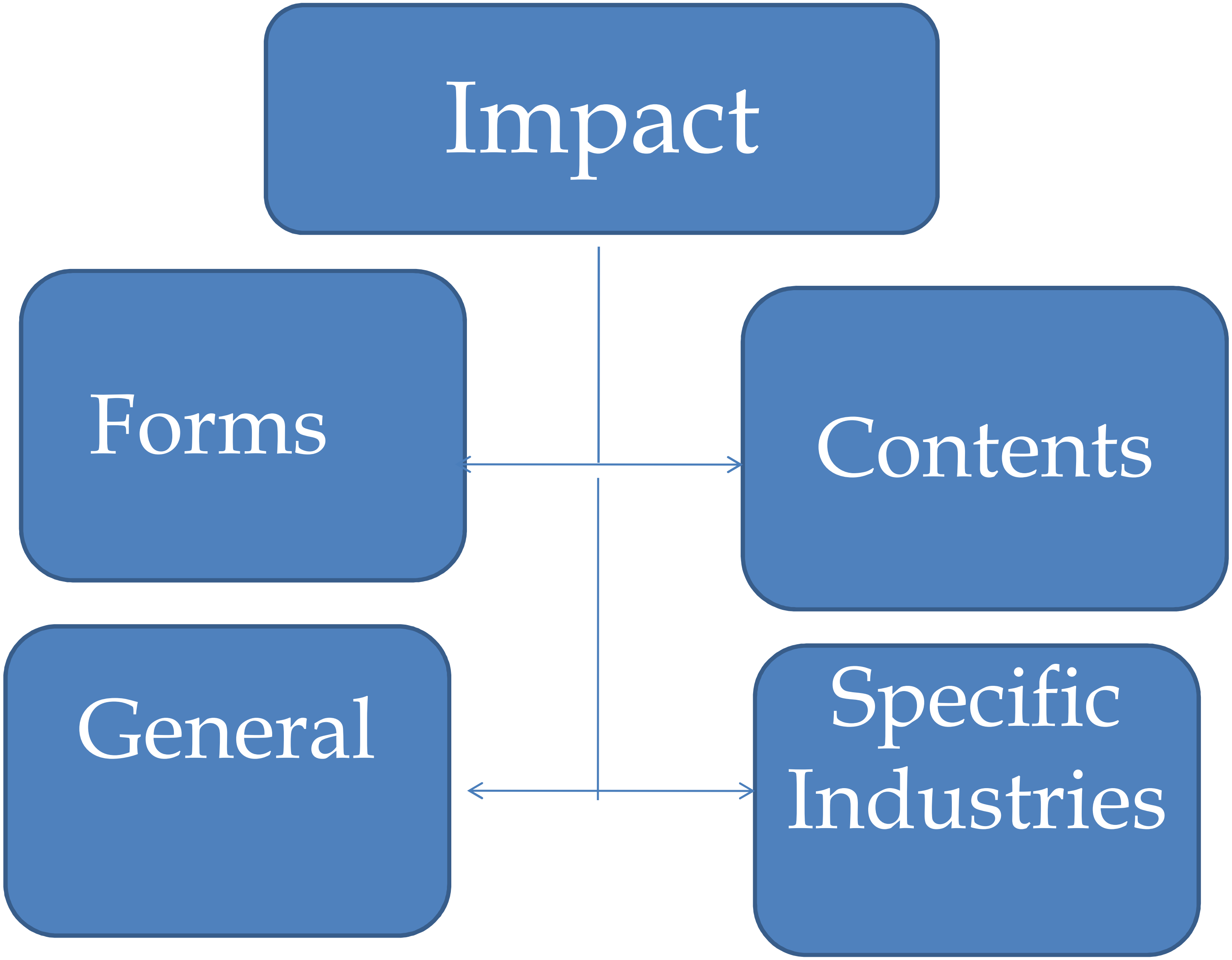
Impact of Ind-ASs !



Impact of **Ind-ASs** on Financial Reporting

On 1st Time Conversion

Post Conversion

General Impact

- Recognition
- Measurement
- Presentation – Mainly Financial Assets
- Disclosures

General Impact

- Revenue – whether Ind-AS 115 ?
- Consolidation
- Business Acquisition
- Financial Instruments
- Service Concession Arrangement s
- Leases

Revenue

- Identifiable – separable components to be accounted for separately – fair value.
- Customer royalty programme.
- Service concession arrangements.
- Time value of money.

Consolidation

- Control definition subjective
- Control could be obtained with agreement also.
- SPV no longer out of scope of consolidation
- Joint Ventures to be accounted for using equity method
- Under I GAAP no adjustments on consolidation.
- Ind-AS mandates recording deferred taxes on unrealised intercompany profits elimination.
- Also DTL may also get recorded in the consolidated accounts of a parent entity, if distribution of unremitted earnings of its subsidiary will result in additional tax consequences

Business Acquisition

- Acquisition of Business – Business acquisition.
- Acquisition method to be applicable
- On acquisition date , the identifiable assets the acquiree to be measured at fair value good will lower than under the IGAAP.
- Transaction cost expensed out
- Step acquisition

Financial Instruments

- Is it going to impact only Financial Institutes ?
- Ind-AS 109 provides extensive guidance on identification, classification, recognition and measurement of financial instruments
- Under Indian GAAP investments are classified as current or non current .
- Ind-AS significantly changes the measurements of financial instruments, where except for certain debt instruments financial assets will be recorded at fair value.
- Transaction cost – on long tern borrowings will not be charged immediately but over a period of time by using effective interest method.
- Transaction cost incurred to acquire financial assets under I GAAP is capitalised but will be expensed out or deferred depending on classification.

Non Financial Assets

- Change in the useful life treated as change in estimate – hence applied prospectively.
- Indefinite life of intangible assets(IA)
- Revaluation of IA allowed
- Discounting of decommissioning liability(ARO)

Exhaustive Guidance

- Investment property
- Share based payments
- Non current assets held for sale
- Rate regulated entities
- Exploration for and evaluation of mineral resources
- Fair value measurement
- Disclosure of interest in other entities
- Financial instruments – derivatives – hedge accouniting .

Specific Industry Impact – IFRIC 4

- Oil Industry
- Outsourcing Industries
- Power Industry -PPA
- Pharma Industry –
  channel stuffing\dumping arrangement
  short-dated inventory
  corroborative arrangements – R &D -SPV
  outsourcing

Revenue

- Telecom Industry

  Revenue – component – outsourcing -
- Auto Industries

  revenue – free insurance –buy back
- NBFC

  effective interest method
- Pharma
- Realty Sector – IFRIC 15 (Guidance note)