Study Paper No. 3/2013-F&EA

Telecom Regulatory Authority of India

Study Paper
On
Implication of Adoption of International Financial Reporting Standards (Converged IND AS) on Indian Telecom Service Sector Companies

New Delhi

January 2013

CONTENTS

PREFACE

Convergence of national accounting standards with International Financial Reporting Standards (IFRSs) has gained momentum all over the world in recent years. In a globalized business environment, the use of different accounting frameworks in different countries which implies inconsistent treatment and presentation of the same underlying financial transactions creates confusion for the users of financial statements. The need is for a single set of high quality globally accepted accounting standards. Many countries are attempting to restructure their national accounting standards with IFRSs which are increasingly being recognized as the global reporting standards. In pursuance of its G-20 commitment, India has also decided to pattern the Indian Accounting Standards on the lines of the IFRSs.

On 25 February 2011, the Ministry of Corporate Affairs (MCA) notified 35 converged Accounting Standards (IND AS). The date of implementation of the IND AS, however, is yet to be notified by MCA.

Several of the requirements of IND AS are significantly different from the accounting policies and practices currently adopted by Indian companies under the existing accounting standards. The transition to IND AS, as and when it occurs, is likely to have an impact on the accounts of these companies. It would be useful for regulators, investors and other stakeholders to understand the impact of the transition on the statements of profit and financial position of the implementing companies.

Although the date of transition to IND AS lies somewhere in the future, the Telecom Regulatory Authority of India, as telecom service sector regulator, has conducted an internal study to identify the significant differences between existing accounting standards and IND AS and their likely impact on the accounts of telecom service sector companies. The purpose of this study is to assist the stakeholders in understanding the identified differences and also the possible impacts. The study does not claim to cover every possible impact of adoption of IND AS, but only highlights significant aspects.

The draft of this study paper was uploaded on TRAI's website on 12th October 2011 inviting views / suggestions of all the stakeholders. After considering the views received from stakeholders, TRAI has finalized and released the study paper.

It is hoped that this study paper will serve as a useful resource to stakeholders in the telecom sector. For any clarification on the study paper, a reference may be made to Pr. Advisor (F&EA), Telecom Regulatory Authority of India, Mahanagar Doorsanchar Bhawan, Jawahar Lal Nehru Marg, New Delhi-110002, Fax No. 011-23235249, email id: trai.fadiv@gmail.com, fa@trai.gov.in).

(Rajeev Agrawal)
Secretary

1. OBJECTIVE OF THE STUDY

1.1 The increasing complexity of business transactions and globalization of capital markets call for a single set of high quality accounting standards for preparation of financial statements of an enterprise. The high standards of financial reporting underpin the trust investors place in financial statements. The International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) are increasingly being recognized as Global Reporting Standards.

1.2 The case for a single set of globally accepted accounting standards has prompted many countries to pursue convergence of national accounting standards with IFRSs. India has also decided that the Indian Accounting Standards should be converged with IFRSs. The original date of implementation of the new standards was fixed as 1st April 2011. The Ministry of Corporate Affairs (MCA), the concerned Ministry, has notified 35 Indian Accounting Standards which have been converged with International Financial Reporting Standards (called as IND AS) in February 2011**.** However, MCA has deferred the implementation of the converged accounting standards and as such the same has not been yet notified.

1.3 There are significant differences between the accounting treatments laid down in the existing Accounting Standards as against the treatments envisaged in the converged Indian Accounting Standards. These differences necessarily will have impact on the depiction of profit and financial position of an enterprise. As the regulators and various stakeholders use the financial statements to achieve numerous objectives, they cannot afford to ignore the impact of implementation of the converged Indian accounting standards or Ind AS. Regulators would need to be aware of their impact on regulatory accounts, the return earned on assets and profit position under various regulated services.

1.4 The objective of this study is to identify the possible impact of implementation of IND AS on the profit and financial position of the telecom sector companies as depicted in their financial statements, and consequently on the data that they submit in their reports to the TRAI and on the quantum of licence fee payable to the Government. In this context, this study:

- highlights the major differences between the existing Indian Accounting Standards and corresponding IFRSs.
- highlights the major differences between the converged Indian Accounting Standards (IND AS) and corresponding IFRSs.
- identifies the possible impact of implementation of IND AS on the profit and financial position of telecom service sector companies
- identifies the possible impact on the reporting to TRAI by telecom service sector companies
- identifies the possible impact on the licence fee payable to Government
- anticipates the challenges in implementation of IND AS

1.5 We expect that the study will help the regulator, the service providers and other stakeholders in understanding the material impact of implementation of IND AS.

1.6 The study does not purport to calculate the *quantum* of financial implication on adoption of IND-AS on the accounts of telecom service sector companies. Such a calculation would be possible only on the basis of analysis of actual data collected after the implementation of the IND AS. At this point in time, such financial data is not available. The study, therefore, only focuses on the identification of the nature of impact on Revenue, Profit/Loss, Fixed Assets, Depreciation, Working Capital, Capital Employed & Annual Licence Fee Payable for Telecom Services.

2. METHODOLOGY ADOPTED AND SOURCES

2.1 The study is primarily based on the following:

- Review of provisions of the existing Indian Accounting Standards prescribed under the Companies Act,1956
- Review of provisions of International Accounting Standards (IAS)/International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board
- Review of provisions of the converged Indian Accounting Standards (IND AS) notified by the Ministry of Corporate Affairs in February 2011.
- Review of information available on the issue on the website of Ministry of Corporate Affairs, Institute of Chartered Accountants of India, International Federation of Accountants (IFAC), Professional Accounting Consultancy Firms, etc.
- Review of the material available on the issue in professional magazines like Chartered Accountant, Chartered Secretary, etc.
- Discussions on the topic with major service providers viz Tata Telecom, Bharti Airtel, Idea, Reliance Communications, Vodafone and MTNL.

3. ACCOUNTING STANDARDS AND THEIR EVOLUTION

Need for Accounting Standards

3.1 Financial statements are prepared to summarize in monetary terms the end-result of all the business activities of an enterprise during an accounting period. These business activities vary from one enterprise to another. Comparison of the financial statements of various reporting enterprises poses some difficulties because of divergence in the methods and principles adopted by these enterprises in preparing their financial statements. In order to make these methods and principles uniform and comparable to the extent possible – accounting standards are evolved.

3.2 Accounting Standards are common standards for accounting and reporting of financial transactions. Accounting Standards contain the principles governing accounting practices relating to various aspects of measurement, treatments and disclosure of accounting transactions and events and determine the appropriate treatment of financial transactions. Accounting standards are, therefore, authoritative statements of how particular types of financial transaction and other events should be reflected in financial statements.

3.3 The objective of Accounting Standards is to standardize diverse accounting policies and practices with a view to increase the comparability and reliability of financial statements. In other words, the basic objective of Accounting Standards is to remove variations in the treatment of several accounting aspects and to bring about standardization in presentation. They intend to harmonize diverse accounting policies followed in the preparation and presentation of financial statements by different reporting enterprises so as to facilitate intra-firm and inter-firm comparison. Thus, compliance with accounting standards will normally be necessary for the fair presentation of financial statements.

3.4 Accounting Standards not only prescribe appropriate accounting treatment for complex business transactions but also foster greater transparency and market discipline. Accounting Standards also help regulatory agencies in benchmarking the accounting accuracy of business entities in their respective sectors.

Evolution of Accounting Standards

3.5 A financial reporting system supported by strong governance, high quality standards, and firm regulatory framework forms the firm underpinning for economic development. Indeed, sound financial reporting standards underlie the trust that investors place in financial reporting information, and investors' trust is crucial for ensuring capital flows into productive activity.

3.6 The forces of globalization prompt more and more countries to open their doors to foreign investment and as businesses expand across borders the need arises to recognize the benefits of having commonly accepted and understood financial reporting standards. In this scenario of globalization, India cannot insulate itself from the developments taking place worldwide.

3.7 In response to a long felt need for standardization of accounting on a global scale, the International Accounting Standards Committee (IASC) was formed in 1973 as a result of an agreement by accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland and the United States. The International Accounting Standards Committee (IASC) operated from 1973 until 2001. On 1 April 2001, the International Accounting Standards Board (IASB) assumed accounting standard-setting responsibilities from its predecessor body, the International Accounting Standards Committee. The IASB is the independent standard-setting body of the IFRS Foundation (an independent, not-for-profit private sector organization). Its members (currently 15 full-time members) are responsible for the development and publication of IFRSs**.** In fulfilling its standard-setting duties, the IASB follows a thorough, open and transparent due process of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component. The IASB engages closely with stakeholders around the world, including investors, analysts, regulators, business leaders, accounting standard-setters and the accountancy profession.

3.8 Standards issued by the International Accounting Standards Board are designated International Financial Reporting Standards (IFRSs). Standards originally issued by the International Accounting Standards Committee (1973-2001) continue to be designated International Accounting Standards (IASs). A list of IFRSs/IASs issued and presently in force is given in **Annexure-I.**

Accounting Standards in India

3.9 In India, the laws of the land – the Companies Act and other statutes – stipulate that financial statements should be true and fair in indicating the financial position and working results of companies. What constitutes a "true and fair" view is not defined by statute. Thus, it is quite possible for more than one set of financial statements to show simultaneously a true and fair view of a company's performance. This lacuna was sought to be overcome by the Institute of Chartered Accountants of India by constituting an Accounting Standards Board (ASB) on 21st April, 1977. The main function of the ASB is to formulate different accounting standards applicable to Indian enterprises after taking into consideration the applicable laws, customs, usages and business environment. Initially, the Accounting Standards were recommendatory in nature. After gaining sufficient experience, the Institute gradually started making the Accounting Standards mandatory for its members (Chartered Accountants), i.e., requiring the members to report on whether an enterprise subject to audit had followed a mandatory Accounting Standard.

3.10 Legal recognition to the Accounting Standards was accorded by the Companies Act, 1956, by introduction of Section 211(3A to 3C) through the Companies (Amendment) Act, 1999. These amendments made it mandatory for companies to follow in the preparation of their financial statements, accounting standards notified by the Central Government on the recommendations of a National Advisory Committee on Accounting Standards (NACAS) constituted under Section 210 A of the same Act.

3.11 The new sub-sections 3A, 3B and 3C to Section 211 inserted by the Companies (Amendment) Act, 1999, are reproduced below:

Section 211 (3A): 'Every profit and loss account and balance sheet of the company shall comply with the accounting standards'

Section 211 (3B): ' Where the profit and loss account and the balance sheet of the company do not comply with the accounting standards, such companies shall disclose in its profit and loss account and balance sheet, the following, namely:-

a) the deviation from the accounting standards;

b) the reasons for such deviation; and

c) the financial effect, if any, arising due to such deviation'

Section 211 (3C): 'For the purposes of this section, the expression "accounting standards" means the standards of accounting recommended by the Institute of Chartered Accountants of India, constituted under the Chartered Accountants Act, 1949 (38 of 1949), as may be prescribed by the Central Government in consultation with the National Advisory Committee on Accounting Standards established under sub- section (1) of section 210A.

Provided that the standards of accounting specified by the Institute of Chartered Accountants of India shall be deemed to be the Accounting Standards until the accounting standards are prescribed by the Central Government under this sub-section.'

A new clause (d) under sub-section 3 of Section 227 of the Companies Act, 1956 is also inserted requiring the statutory auditors of the company to mention the following in their audit report:

> ‘whether, in his opinion, the profit and loss account and balance sheet comply with the accounting standards referred to in sub-section (3C) of section 211’.

3.12 In exercise of the powers conferred under the Companies Act, 1956, the Government of India, Ministry of Company Affairs (now Ministry of Corporate Affairs), issued Notification dated December 7, 2006, prescribing Accounting Standards 1 to 7 and 9 to 29 as recommended by the NACAS. These accounting standards have come into effect in respect of the accounting periods commencing on or after the aforesaid date. A list of accounting standards notified by the Ministry of Corporate Affairs under the Companies Act, 1956 and the standards issued by the Institute of Chartered Accountants of India but not yet notified under the Companies Act, 1956 is given along with brief description of each standard, in **Annexure-II.**

3.13 **For enterprises other than companies registered under the Companies Act,1956, the statutes governing certain enterprises or their regulator require that the financial statements of such enterprises should be prepared in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India. Such enterprises include banks, insurance companies, statutory corporations, autonomous bodies, etc.**

Compliance with the Accounting Standards

3.14 Ensuring compliance with the Accounting Standards while preparing the financial statements is the responsibility of the management of the enterprise.

3.15 The mandatory status of an Accounting Standard implies that while discharging their attest (certification) functions, it will be the duty of the members of the Institute of Chartered Accountants of India to examine whether the Accounting Standards are complied with in the presentation of financial statements covered by their audit. In the event of any deviation from the Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviation.

3.16 Financial Statements cannot be described as complying with the Accounting Standards unless they comply with all the requirements of each applicable Standard.

4. CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

4.1 IFRS refers to International Financial Reporting Standards which are applied while preparing the Balance Sheet and other Financial Statements of a Company and are developed by the International Accounting Standard Board (IASB). IFRS is used in over 100 countries.

Need for Convergence with IFRSs

4.2 Convergence of the national Accounting Standards of the country with International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs) (collectively referred to as IFRSs), issued by the International Accounting Standards Board (IASB) has gained momentum in recent years all over the world. The International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) are increasingly being recognized as global reporting standards.

4.3 In the present era of globalization and liberalization, the world has become an economic village. The globalization of the business world and the attendant structures and regulations which support it, as well as the development of e-commerce, make it imperative to have a single globally accepted financial reporting system. A number of multi-national companies are establishing their businesses in various countries with emerging economies and vice versa. The entities in emerging economies are increasingly accessing the global markets to fulfill their capital needs by getting their securities listed on the stock exchanges outside their country. Consistent with this world-wide trend, capital markets are becoming integrated.

4.4 The use of different accounting frameworks in different countries, which results in inconsistent treatment and presentation of the same underlying economic transactions, creates confusion for users of financial statements. This confusion leads to inefficiency in capital markets across the world. The increasing complexity of business transactions and globalization of capital markets call for a single set of high quality accounting standards. As stated earlier, high standards of financial reporting form the basis for the trust that investors place in financial and non-financial information. The case for a single set of globally accepted accounting standards has prompted many countries to pursue convergence of national accounting standards with IFRSs.

Benefits of achieving convergence with IFRSs

4.5 Beneficiaries of convergence with IFRSs include the economy, investors and industry.

The Economy: Convergence benefits the economy by increasing growth of its international business. It facilitates maintenance of orderly and efficient capital markets, helps to increase capital formation and thereby promotes economic growth. It encourages international investing and thereby leads to more foreign capital flows into the country.

Investors: A strong case for convergence can be made from the viewpoint of the investors who wish to invest outside their own country. Investors want information that is relevant, reliable, timely and comparable across jurisdictions. Financial statements prepared using a common set of accounting standards help investors better understand investment opportunities as opposed to financial statements prepared using a different sets of national accounting standards. It helps to reduce transactions costs for global investors in terms of time and efforts to convert financial statements so that they can confidently compare investment options. Investors' confidence would be strong if accounting standards used are globally accepted. Convergence with IFRSs contributes to investors' understanding and confidence in high quality financial statements.

The industry: A major force in the movement towards convergence has been the interest of the industry. The industry is able to raise capital from foreign markets at lower cost if it can create confidence in the minds of foreign investors that their financial statements comply with globally accepted accounting standards. If accounting standards differ from country to country, enterprises which operate in different countries face a multitude of accounting requirements. The burden and cost of financial reporting using different sets of accounting standards is lessened with convergence and the process of preparing the individual and group financial statements is simplified.

IFRSs compliance

4.6 As of January 1, 2005, International Financial Reporting Standards (IFRS) will be the mandatory basis for financial reporting by companies that are listed on a stock exchange in the European Union ("EU"). This requirement is also applicable for listed telecommunications companies.

Difference between adoption of IFRS and convergence of IFRS

4.7 Adoption of IFRS, in simple terms, means that the country applying IFRS would be implementing IFRS in the same manner as issued by the IASB and would be 100% compliant with the guidelines issued by IASB.

4.8 However, convergence with IFRS means that the Accounting Standard Board of the country applying IFRS would work together with IASB to develop high quality compatible accounting standards over time. Thus, countries converging with IFRS may deviate to a certain extent from the IFRSs as issued by the IASB.

5. COMPARISON OF INDIAN ACCOUNTING STANDARDS & IFRS

Rule based standards and Principle based standards:

5.1 IFRSs are “principle-based” standards rather than “rule-based” standards like those which are currently followed in India. There are no standard rules under IFRS; only broad principles which define the outer boundary of accounting. Therefore, under IFRS, there is need to apply professional judgment consistent with the intent and spirit of the standards.

5.2 There are advantages and disadvantages to a rule based approach. Advantages include clarity in application, reduction of risk (but only when the applicable rule is followed), and comparability for companies in the same industry for the same rule. Disadvantages include a regimented approach where a transaction must be accounted for in accordance with the rule even if the applied accounting is misleading, and increased risk when the applicable rule is not followed.

5.3 Clearly defined principles provide many advantages as a basis of accounting, including allowing preparers the ability to consider the best way to account for and report a transaction. Disadvantages include an increased ability to manipulate transactional accounting and increased variations in accounting approaches for similar transactions.

Comparison of existing Indian Accounting Standards and IFRS/IAS

5.4 A comparison of existing Indian Accounting Standards and the corresponding IFRS/IAS is given in the **Annexure-III**

Voluntary adoption of IFRS by Companies in India

5.5 Securities Exchange Board of India (SEBI) has permitted filing of consolidated financial statements prepared in accordance with IFRSs issued by the IASB w.e.f April1, 2010. Bharti Airtel Limited has shifted to IFRS beginning with 1st April 2010 for preparation of consolidated financial statements for submission to SEBI. However, standalone financial statements of the company are being prepared in accordance with existing Indian Accounting Standards prescribed under the Companies Act,1956.

6. IFRS CONVERGENCE IN INDIA

6.1 The Ministry of Corporate Affairs (MCA) in its Press Release 2/2010 No. 1/1/2009-IFRS dated 22nd January 2010 has decided the roadmap for achieving convergence. There will be two separate sets of Accounting Standards under Section 211(3C) of the Companies Act, 1956. The first set would comprise of the Indian Accounting Standards which are converged with the IFRSs which shall be applicable to the specified class of companies. The second set would comprise of the existing Indian Accounting Standards and would be applicable to other companies, including Small and Medium Companies (SMCs).

6.2 As per the road map laid out by the MCA, companies will have to prepare their accounts as per converged accounting standards in a phased manner, beginning from April 1, 2011. The first set of Accounting Standards (i.e. converged accounting standards) will be applied to specified class of companies in phases as given below:

Phase-I: The following categories of companies will convert their opening balance sheets as at 1st April, 2011, if the financial year commences on or after 1st April, 2011, in compliance with the notified accounting standards which are convergent with IFRS. These companies are:-

a. Companies which are part of NSE – Nifty 50

b. Companies which are part of BSE - Sensex 30

c. Companies whose shares or other securities are listed on stock exchanges outside India

d. Companies, whether listed or not, which have a net worth in excess of Rs.1,000 crore

Phase-II : The companies, whether listed or not, having a net worth exceeding Rs. 500 crores but not exceeding Rs. 1,000 crore will convert their opening balance sheet as at 1st April, 2013, if the financial year commences on or after 1st April, 2013 in compliance with the notified accounting standards which are convergent with IFRS.

Phase-III : Listed companies which have a net worth of Rs. 500 crore or less will convert their opening balance sheet as at 1st April, 2014, if the financial year commences on or after 1st April, 2014, , in compliance with the notified accounting standards which are convergent with IFRS.

Companies which fall in the following categories will not be required to follow the notified accounting standards which are converged with the IFRS (though they may voluntarily opt to do so) but need to follow only the notified accounting standards which are not converged with the IFRS. These companies are: -

(a) Non-listed companies which have a net worth of Rs. 500 crore or less and whose shares or other securities are not listed on Stock Exchanges outside India.

(b) Small and Medium Companies (SMCs)

Notification of Converged Accounting Standards by Government

6.3 In pursuance of the G-20 commitment given by India, the process of convergence of Indian Accounting Standards with IFRS was carried out in Ministry of Corporate Affairs through wide ranging consultative exercise with all the stakeholders. The Government (MCA) vide Press Release-7/2011No.1/1/2009-IFRS dated the 25th February, 2011 has notified 35 Indian Accounting Standards converged with International Financial Reporting Standards (henceforth to be called IND AS). A list of these IND AS and corresponding IFRS/IAS is given in **Annexure-IV.**

6.4 The Government has postponed the decision of implementation of converged accounting standards with effect from 1st April 2011 in February 2011, without notifying any further date of implementation of the IND AS. The Government will notify the date of implementation at a later date in a phased manner after various issues including tax related issues are resolved with the concerned Departments.

7. COMPARISON OF IND AS AND IFRS

7.1 There are some differences in the provisions of IND AS notified by the Ministry of Corporate Affairs and of the provisions of IFRS/IAS. The list of standards where key differences exist are given below:

S.No	IND AS	Corresponding IAS/IFRS	Title	Whether difference from IFRS/IAS exists
1	IND AS-1	IAS-1	Presentation of Financial Statements	Yes
2	IND AS-2	IAS-2	Inventories	No
3	IND AS-7	IAS-7	Statement of Cash Flow	Yes
4	IND AS-8	IAS-8	Accounting Policies, Changes in Accounting Estimates and Errors	No
5	IND AS-10	IAS-10	Events after the Reporting period	No
6	IND AS-11	IAS-11	Construction Contracts	No
7	IND AS-12	IAS-12	Income Taxes	No
8	IND AS-16	IAS-16	Property, Plant & Equipment	No
9	IND AS-17	IAS-17	Leases	No
10	IND AS-18	IAS-18	Revenue	No
11	IND AS-19	IAS-19	Employee Benefits	Yes
12	IND AS-20	IAS-20	Accounting for Government Grants and Disclosure of Government Assistance	Yes
13	IND AS-21	IAS-21	The Effects of Changes in Foreign Exchange Rates	Yes
14	IND AS-23	IAS-23	Borrowing Costs	No
15	IND AS-24	IAS-24	Related Party Disclosure	Yes
16	IND AS-27	IAS-27	Consolidated and Separate Financial Statements	No
17	IND AS-28	IAS-28	Investments in Associates	Yes
18	IND AS-29	IAS-29	Financial Reporting in Hyperinflationary Economics	No
19	IND AS-31	IAS-31	Interest in Joint Ventures	No
20	IND AS-32	IAS-32	Financial Instruments: Presentation	Yes
21	IND AS-33	IAS-33	Earning Per Share	Yes

22	IND AS-34	IAS-34	Interim Financial Reporting	Yes
23	IND AS-36	IAS-36	Impairment of Assets	No
24	IND AS-37	IAS-37	Provisions, Contingent Liabilities and Contingent Assets	No
25	IND AS-38	IAS-38	Intangible Assets	No
26	IND AS-39	IAS-39	Financial Instruments: Recognition and Measurement	No
27	IND AS-40	IAS-40	Investment Property	Yes
28	IND AS-101	IFRS-1	First Time Adoption of Indian Accounting Standards	Yes
29	IND AS- 102	IFRS-2	Share-based payments	No
30	IND AS- 103	IFRS-3	Business Combination	Yes
31	IND AS -104	IFRS-4	Insurance Contracts	No
32	IND AS -105	IFRS-5	Non-current Assets Held for Sale and Discontinued Operations	No
33	IND AS-106	IFRS-6	Exploration for and Evaluation of Minerals Resources	No
34	IND AS 107	IFRS-7	Financial Instruments: Disclosures	No
35	IND AS 108	IFRS-8	Operating Segments	No

7.2 The summary of key differences between the IND AS and corresponding IFRS/IAS is given in **Annexure-V**

List of IFRS/IAS for which corresponding IND AS has not been issued:

S. No	Title	IFRS/IAS No
1	Agriculture	IAS-41
2	Financial Instruments	IFRS-9

Optional exemptions under IND AS notified by MCA

7.3 For first time adopters, there are certain optional exemptions available under IND AS e.g Property, Plant and Equipment, intangible assets, investment property, can be measured either at fair value, previous GAAP revaluation or the previous carrying amount as per Indian GAAP.

8. GENERAL ISSUES IN IMPLEMENTATION OF IND AS

8.1 The following are the general areas of concern for the Government as well as for the implementing enterprises:

Fair value: IND AS uses fair value as a measurement base for valuing of a number of items of financial statements. The use of fair value accounting can bring in some volatility and subjectivity to financial statements**.** The determination of fair value of the assets is a vital issue. Presently, there are no standard techniques or valuation standards for determination of fair value of assets. As such, determination of fair value of assets may vary from company to company depending upon the techniques/methods used.

Taxation: Adoption of IND AS would affect most of the items in the financial statements and consequently the tax liabilities would also undergo a change. Thus, the taxation laws should address the treatment of tax liabilities arising on adoption of IND AS.

Changes required in Indian Acts/Laws: The implementation of IND AS may result in a number of inconsistencies with the existing laws which include the Companies Act 1956, SEBI regulations, banking laws and regulations and the insurance laws and regulations. For adoption of IND AS, these Acts and Regulations need to be amended. Although steps to amend these laws have been initiated by the concerned departments/authorities, there is a need to ensure that the laws are amended well in time.

9. IMPACT OF IND AS ON THE ACCOUNTS OF TELECOM SERVICE SECTOR COMPANIES

9.1 As regulators and various stakeholders also use the financial statements for numerous objectives, they cannot ignore the possible impact of implementation of IFRS/IND AS on regulatory accounts, return earned on assets and profit position of various services. However, it is a challenge for the companies, the regulator, the licensor and other stakeholders to fully understand the impact of IFRS/IND AS implementation on financial reporting. The nature and magnitude of impact of implementation of IFRS/IND AS depends upon the differences between the existing Accounting Standards prescribed under the Companies Act, 1956 and IND Accounting Standards (converged Accounting Standards). Summary of the key differences between IND-ASs and existing ASs are given in **Annexure-VI**. Commonly recognized differences which are most likely to have a material impact on the regulatory accounts of telecom companies relate to Revenue Recognition and Valuation of Fixed Assets. Since the notification for implementation of IND AS in the specified companies has not yet been issued by the Ministry of Corporate Affairs, the companies are not presently required to follow the converged accounting standards (IND AS). However, once these standards are implemented in the near future, it is important for companies, the regulator and other stakeholders to understand the principles and requirements under the converged IND AS and the possible impact on accounts and financial reporting.

9.2 The quantified impact of implementation of IND AS by the telecom sector companies (which would be required to follow IND AS) can be assessed only after the implementation of these standards. However, in this exercise, efforts have been made to identify the nature of the possible impact of implementation of Ind AS on profit and financial position of the companies.

For identifying these impacts, discussions were held with the following major telecom service sector companies viz Tata Telecom, Bharti Airtel, Idea, Reliance Communications, Vodafone and MTNL. Based on the discussions with the telecom companies and internal study of the information obtained from the website of ICAI, Ministry of Corporate Affairs, IASB, other relevant websites and professional magazines, the significant impacts of implementation of IND AS on the accounts of telecom sector companies which will be required to follow IND AS are categorized as below:

1 Revenue Recognition-Activation fee (Customer Connection Revenue): Activation fee/installation charges or other charges of similar nature are normally collected from customers at the point of entry or subscription. The key difference in accounting treatment of activation fee and its impact is as under:

Treatment in IND AS 18	Treatment in existing AS-9	Impact on accounts on adoption of IND AS	Consequential effect on adoption of IND AS
Activation fee/installation charges or similar nature of other charges is recognized over the expected life of the customer and is not permitted to be recognized upfront.	There is no specific guidance under the existing accounting standard. Companies are generally recognizing activation revenue/other similar revenue upfront and showing revenue in the year of receipt.	Adoption of IND AS will affect (reduce) the revenue recognition of the relevant year in which the mobile connection is given due to its spread over the expected life of the customer. This will be a case of deferment of revenue.	As the revenue for the year of transaction will come down, the licence fee payable will be reduced for that year. However, the revenue will be accounted for in future years and licence fee will accordingly be deferred to those years. The deferment of revenue will have an impact on the profit for the year of transaction as well as future years and consequently on RoCE.

***Example**: A service provider has charged activation fee of Rs. 200 at the time of giving a new mobile telephone connection to a customer in April 2012. The expected life of the customer is 2 years.*

Treatment of activation fee as per existing accounting practice: *The entire amount of activation fee of Rs. 200 is recognized as income in the Profit & Loss account for the year 2012-13.*

Treatment of activation fee as per IND-AS 18: *The activation fee of Rs. 200 will be recognized over the expected useful life of the customer which is 2 years. Thus, Rs. 100 will be recognized as income in the Profit & Loss account for the year 2012-13. There will be deferment of revenue for the balance amount of activation fee of Rs. 100 which will be recognized as income in the next year i.e. 2013-14.*

2 **Revenue Recognition-Multiple Deliverables:** Telecom companies often offer customers bundled products which involve multiple components such as sale of equipment (like handsets, modems, etc. either at full price or subsidized prices or at no separate price) with free minutes, subsidized call rate, etc when a customer signs up for a service contract. The key difference in accounting treatment of multiple deliverables and its impact is summarized below:

Treatment in IND AS 18	Treatment in existing AS-9	Impact on accounts on adoption of IND AS	Consequential effect on adoption of Ind AS
In case of bundled sales involving multiple components/services, such multiple deliverables/ components of bundled sale shall be required to be divided into separate unit for accounting and the consideration is to be allocated based on their relative fair value as a stand-alone service/item.	There is no specific guidance under the existing accounting standard. Companies are recognizing revenue as a single unit and are not splitting revenue based on the component/ service in the bundled sales.	There will be no impact on overall revenue of the company. As IND AS requires the consideration to be allocated on the basis of fair value of each unit/ service/item, only the classification of revenue will change.	No consequential impact on revenue or assets/liabilities. However, the classification of such revenue will change on account of presentation of its break up.

Example: *A service provider has provided a mobile connection with mobile handsets along with 500 free calls to a customer in April 2012 for a total value of Rs. 3000. All free calls are used by customer in the year 2012-13.*

Treatment of revenue from bundled sales as per existing accounting practice: *The amount of Rs. 3000 is recognized as income from providing telecom service in the Profit & Loss account for the year 2012-13.*

Treatment of revenue from bundled sales as per IND-AS 18: *The bundled sale of Rs 3000 will be divided into two components viz sale of mobile handset and sale calls based on fair value of each component. Say the fair value of mobile hand set is Rs. 2700 and of free calls is Rs. 300. The sale will be reflected in the Profit & Loss account for 2012-13 as (i) Revenue from sale of mobile handsets-Rs 2700 (ii) Revenue from sale of mobile calls- Rs. 300.*

3 **Revenue Recognition-Customer incentives (Free Minutes):** Telecom companies generally offer customers free talk time without charging any additional revenue for the same. The key difference in accounting treatment of customer incentive and its impact is summarized below:

Treatment in IND AS 18	**Treatment in existing AS-9**	**Impact on accounts on adoption of IND AS**	**Consequential effect on adoption of IND AS**
Revenue recognition per minute is to be adjusted for the impact of free talk time. In other words, revenue per minute will be reduced by the amount of bonus talk time i.e revenue is measured at effective rate per minute.	There is no specific guidance under the existing accounting standard. Free talk time to customer is presently ignored for the purpose of measurement of revenue. Revenue recognition is based on actual usage of chargeable talk time by customers.	If the whole talk time is utilized by the customer within the same financial year, there will be no impact on the revenue. However, if this is not the case, then the revenue for the financial year in which the transaction takes place will be reduced by the unutilized talk time (adjusted after free talk time) but the revenue of the subsequent year/(s) will be increased when the remaining talk time is utilized or the	If the whole talk time (adjusted after free talk time) is not utilized, the revenue of the current financial year will be reduced and consequently licence fee will also be reduced for that year. However, the revenue and licence fee will be deferred to subsequent year/(s). This deferment will have an impact on the profit for the year

		validity period of use of talk time expires.	of transaction as well as for subsequent years and consequently on RoCE.

Example: *A customer purchased a package of 500 minutes for Rs. 500 in April 2012 and he has been given another 500 minutes free as Bonus talk time by the service provider with a validity period of 2 years. The customer could use 600 minutes only in the year 2012-13.*

Treatment of revenue from sale of talk time as per existing accounting practice: *The full amount of Rs. 500 will be recognized as income from rendering telecom service in the Profit & Loss account for the year 2012-13 treating revenue @ of Rs. 1.00 per minute (Rs. 500 for 500 minutes ignoring the impact of bonus talk time).*

Treatment of revenue from sale of talk time as per IND-AS 18: *The revenue per minute will be reduced by the amount of bonus talk time and measured at effective rate per minute. The effective rate per minute for recognition of revenue will be Rs.0.50 (Rs. 500 / 1000 minutes-including bonus minutes). Since 600 minutes were used by the customer in 2012-13, Rs 300 (600 minutes x Rs.0.50-effective rate per minute) will be recognized in Profit & Loss account for 2012-13 as income from rendering telecom service. The Balance amount of Rs. 200 will be recognized in Profit & Loss account of 2013-14 when the rest of the free minutes are consumed or their validity expires*.

4 The Effects of Changes in Foreign Exchange Rates (Fixed Assets): The key difference in accounting treatment of foreign exchange differences and its impact is summarized below:

Treatment in IND AS 21	**Treatment in existing AS-11**	**Impact on accounts on adoption of IND AS**	**Consequential effect on adoption of IND AS**
All foreign exchange differences which arise during a year are recognized in	All foreign exchange differences are recognized in profit or loss account. However, an option is	As per IND AS, the amount of foreign exchange difference arising on the liabilities for acquisition of fixed	Adoption of IND AS will affect the profit and amount of the capital

the profit or loss account of the same year or are systematically recognized over the period of the Assets/Liabilities (relating to long term monetary items).	available to capitalise the exchange difference on long term foreign currency monetary items in so far as they relate to acquisition of depreciable capital asset.	assets would have to be charged to P&L account. If a company has opted to capitalise the exchange differences as per existing accounting standard, adoption of IND AS will affect the amount of fixed assets as well as depreciation charged for the year and also for the subsequent years because of non capitalization of exchange differences.	employed of the company, who opted to capitalize exchange differences, due to change in the amount of fixed assets and also the profit. This will have an impact on RoCE.

Example: *A service provider has purchased an imported machine by taking foreign currency loan of USD of 1000 in April 2011 when one USD was equal to Rs.50. The loan is repayable in 3 three years. The exchange rate as on 31st March 2012 is one USD= Rs. 52.*

Treatment of effect of exchange rate on foreign currency loan taken for acquisition of machine as per existing AS-11: *The machine will initially be recorded in the books of accounts for 2011-12 at Rs 50000 (1000 USD x Rs.50). The service provider opts for capitalization of exchange differences as available in AS-11. At the close of year 2011-12, the service provider will add Rs. 2000 (USD 1000 x Rs. 2-exchange difference: Rs. 52 minus Rs. 50 as on 31-3-2012) to cost of imported machine. Thus, the cost of acquisition of imported machine will be increased to Rs.52000 as at the end of 31st March 2012 after adding the loss on account of exchange difference.*

Treatment of effect of exchange rate on foreign currency loan taken for acquisition of machine as per IND AS 21: *As per IND AS all foreign exchange differences related to foreign currency loans taken for acquisition of an assets is charged to Profit & Loss account and no other option is available for accounting treatment. In this case the service provider has to charge Rs. 2000 (USD 1000 x Rs. 2-exchange difference: Rs. 52 minus Rs. 50 as on 31-3-2012) in the Profit & Loss account for the year 2011-12.*

5 Property, Plant and Equipment (Fixed Assets)-Asset Retirement Obligations: The key difference in accounting treatment of assets retirement obligations (ARO) and its impact is as under:

Treatment in IND AS 16	Treatment in existing AS-10	Impact on accounts on adoption of IND AS	Consequential effect on adoption of IND AS
Assets retirement obligations (ARO) are measured at present value of the expected cost to settle the obligation.	Assets retirement obligations are not discounted and are recorded at the amount expected to be paid in future.	ARO liability is discounted and measured at amortized cost with subsequent charging of the amortization amount as finance cost. This will have impact on the profit for the year.	Adoption of IND AS will affect the profit due to charging of finance cost. ROCE will also be impacted.

Example: *A service provider has purchased an asset in April 2010 for Rs. 10000 having useful life of 5 years. The service provider has made a provision (asset retirement obligation) of Rs. 12000 in 2010-11 for replacement of this asset after its useful life (5 years).*

Treatment of asset retirement obligation as per existing AS 10*: The asset retirement obligation of Rs. 12000 will be recognized in the books of accounts over the useful life of the asset (i.e 5 years).*

Treatment of asset retirement obligation as per IND AS 16*: The asset retirement obligation will initially be recognized at Rs. 12000 in the books of accounts of 2010-11. In subsequent years, the asset retirement obligation will be recorded at present value (PV). If the present value of Rs. 1 is Rs.0.90 as on 31st March 2012, the asset retirement obligation of Rs. 12000 will be recorded at its present value of Rs. 10800 (Rs. 12000 x Rs. 0.90). The difference in value i.e. 1200 will be charged in Profit & Loss account as finance cost. Similarly, the asset retirement obligation will be recorded at present value in subsequent years.*

6 **Property, Plant and Equipment (Fixed Assets)-Review of useful life:** The key difference pertaining to useful life of fixed assets and its impact is as under:

Treatment in IND AS 16	Treatment in existing AS	Impact on accounts on adoption of IND AS	Consequential effect on adoption of IND AS
Useful life of the Property, Plant and Equipment is required to be reviewed at the end of each reporting period.	No provision for review of useful life of the assets. Schedule of the Companies Act,1956 provides the rates of depreciation of fixed assets based on estimated useful life.	Change of useful life of fixed assets will have an impact on the amount of depreciation charged and consequently on the written down value of the asset as well as on the profit for the year.	Adoption of IND AS will affect the amount of profit and capital employed. This will have an impact on RoCE.

Example: *A service provider has the following assets as on 31-3-2011 and depreciation is charged on Straight Line Method (SLM) based on their useful life as prescribed under the Companies Act, 1956:*

Assets	***Book Value***	***Rate of depreciation***	***Useful life***
Building	*Rs. 100000*	*5%*	*20 years*
Plant & Machinery	*Rs. 50000*	*10%*	*10 years*
Computers	*Rs.12000*	*25%*	*4 years*

Treatment as per existing accounting practice: *The written down value (WDV) of assets and depreciation (SLM) will be as under in the subsequent year 2011-12:*

Assets	***WD Value***	***Depreciation Charged***	***Useful life***
Building	*Rs. 95000*	*Rs. 5000*	*20 years*
Plant & Machinery	*Rs. 45000*	*Rs. 5000*	*10 years*
Computers	*Rs. 9000*	*Rs. 3000*	*4 years*
Total	***Rs. 149000***	***Rs. 13000***	

Treatment as per IND AS 16: *The useful life of each asset will be reviewed at the close of year 2011-12 and depreciation (SLM) will be charged accordingly. The useful life of each assets as on 31-3-2012 and consequently the WDV and depreciation(SLM) will be as under:*

Assets	***WD Value***	***Depreciation Charged***	***Useful life***
Building	*Rs. 90,000*	*Rs.10000 (10%)*	*10 years*
Plant & Machinery	*Rs. 45000*	*Rs. 5000*	*10 years*
Computers	*Rs. 8000*	*Rs. 4000*	*3 years*
Total	***Rs. 143000***	***Rs.19000***	

7 Property, Plant and Equipment (Fixed Assets)-Componentization approach: The key difference pertaining to componentization of fixed assets and its impact is as under:

Treatment in IND AS 16	Treatment in existing AS	Impact on accounts on adoption of IND AS	Consequential effect on adoption of IND AS
In case of composite assets (like BTS,), all items of fixed assets are to be broken to significant parts for componentizing accounting.	Componentization approach is not prescribed. Items of Fixed Assets are aggregated and accounted for.	If the rate of depreciation(which based on the useful life) of various components of fixed asset is different from those used for the whole asset at present, there will be a change in amount of depreciation charged and consequently the written down value of the components of fixed asset and profit for the year.	If the rates of depreciation vary due to componentization of the composite asset, the amount of profit will change. Capital employed will also be affected because of change in the value of components of fixed asset and the amount of depreciation charged thereon. RoCE will also be impacted.

Example: *A service providers has BTS costing Rs. 100000 as on 31st March 2012. The rate of depreciation for BTS (Composite asset) is 10 % under Straight Line Method (SLM) considering its useful life as 10 years.*

Treatment of BTS under the existing accounting standard: *BTS will be shown at a WDV of Rs. 90,000 as on 31st March 2012 in the Balance Sheet after deducting depreciation of Rs. 10000 @ 10% under SLM. An amount of Rs. 10000 will be charged as depreciation in the Profit & Loss account for the year 2011-12.*

Treatment of BTS as per IND AS 16: *BTS will be broken into significant parts. Say there are three major components A, B & C of BTS having cost of Rs. 50000, Rs. 30000 and Rs.20000 and useful life 10 years, 5 years and 4 years respectively.*

*The impact of componentization of BTS (31-3-2012**)** will be as under:*

Balance Sheet	***WDV***	***Depreciation:SLM (to be charged in P&L)***
BTS:		
Part A	*Rs. 45000*	*Rs. 5000*
Part B	*Rs. 24000*	*Rs. 6000*
Part C	*Rs. 15000*	*Rs. 5000*
Total	***Rs. 84000***	***Rs. 16000***

8 **Property, Plant and Equipment (Fixed Assets)-First time adoption:** The impact on fixed assets at the time of first time adoption of IND As is as under:

Treatment in IND AS 101	Treatment in existing AS	Impact on accounts on adoption of IND AS	Consequential effect on adoption of IND AS
Companies have the option to either adopt the carrying amount of Property, Plant & Equipment as on the date of transition as per existing accounting standard or the fair value.	--	In case the company selects the fair value option, there will be a change in value of fixed assets and also depreciation and consequently in the profit/loss for the year of adoption as well as for the subsequent years.	If the company adopts the fair value option, the amount of profit will change due to change in the amount of depreciation on fixed assets taken at fair value in place of historical cost. Consequently, Capital employed and RoCE will also be affected.

Example: *A service provider has the following fixed assets in their books of accounts at the time of transition and adopted SLM for charging depreciation :*

	Carrying amount (Rs.)	***Rate of depreciation***	***Depreciation***
Building	*500000*	*10%*	*Rs.50000*
Plant & Machinery	*200000*	*15%*	*Rs.30000*
Vehicles	*100000*	*20%*	*Rs.20000*
Total	***800000***		***Rs.100000***

Treatment of fixed assets as per IND AS 101: *The service provider decides to opt for fair value of assets at the time of transition. The fixed assets will be recorded in the books of accounts at the following fair value (assumed) having consequential impact on annual depreciation charged:*

	Fair Value	***Rate of depreciation***	***Depreciation***
Building	*Rs.800000*	*10%*	*Rs.80000*
Plant & Machinery	*Rs.100000*	*15%*	*Rs.15000*
Vehicles	*Rs.50000*	*20%*	*Rs.10000*
Total	***Rs. 950000***		***Rs. 105000***

9 **Employee Benefits- Recognition of actuarial gains and losses:** The key difference in accounting treatment of actuarial gains/losses and its impact is as under:

Treatment in IND AS 19	Treatment in existing AS-15	Impact on accounts on adoption of IND AS	Consequential effect on adoption of IND AS
All actuarial gains and losses arising on both defined benefit plans and other long-term employee benefits to be recognized in other comprehensive income. They are recognized in retained earnings. The amount recognized in other comprehensive income such as revaluation reserve, actuarial gains/losses are not part of operating revenue/income of the company	All actuarial gains and losses are recognized directly in profit and loss account.	Adoption of IND AS will affect the profit for the year due to recognition of such gains/losses in the retained earnings and not directly in the profit and loss account.	Adoption of IND AS will affect the amount of the profit for the year and consequently the RoCE.

Example: *A service provider has an accumulated liability of Rs. 100000 as on 31st March 2011 towards employees retirement benefits calculated based on actuarial valuation. This liability was re-assessed as Rs.110000 as on 31st March 2012 based on actuarial valuation resulting in actuarial loss of Rs. 10000 as at the end of accounting year 2011-12.*

Treatment of actuarial loss as per existing accounting standard-15: *The actuarial loss of Rs. 10000 arising on account of employees' retirement benefits as on 31st March 2012 will be charged to Profit & Loss Account for the year 2011-12 and consequently affect the profit/loss of the service provider to this extent.*

Treatment of actuarial loss as per IND-19: *The actuarial loss of Rs 10000 arising on account of employees' retirement benefits as on 31st March 2012 will be deducted directly from the retained earnings/surplus shown in the balance sheet and does not affect the profit/loss for the year 2011-12.*

10 **Financial Instruments: Recognition and Measurement-Fair valuation of financial assets and liabilities on initial recognition:** The impact of change in accounting treatment of financial assets/liabilities like security deposits and its impact is as under:

Treatment in IND AS- 39	Treatment in existing AS	Impact on accounts on adoption of IND AS	Consequential effect on adoption of IND AS
Financial assets/liabilities like security deposits paid are recognized at fair value on the date of initial recognition i.e. discounted present value of the amount to be received in future. The difference between the present value and the amount paid is recognized as an expense/income over the period of the financial asset/liability (viz. security deposit).	There is no specific provision in any existing AS for recognition of financial assets/ liabilities like security deposit at present value. However, security deposit paid/ received is usually recognized at the nominal amount i.e. the actual amount paid.	Adoption of IND AS will affect the profit for the year as well as the profit for subsequent years. Further the current assets/liabilities will also change due to recognition of security deposit at present value.	Adoption of IND AS will affect the amount of the profit and capital employed. This will also affect RoCE.

Example: *A service provider has taken a security of Rs. 500 from the customer at the time of granting new mobile connection in April 2011 having validity period of 3 years.*

Treatment of security deposit as per existing accounting practice: *The security deposit of Rs. 500 will be shown as liability in the balance sheet of each accounting year till the expiry of validity of the connection and the refund of same is made.*

Treatment of security deposit as per IND AS 39: *The security deposit will be shown at its net present value (NPV) in the balance sheet at the end of each accounting year and difference between the NPV and actual amount will be credited to Profit & Loss account of the relevant year. If the NPV of Rs. 1 is Rs. 0.90 at the end of year 2011-12, the liability towards security deposit will be shown as Rs. 450 (Rs. 500 x Rs. 0.90)in the Balance Sheet as on 31st March 2012 and the difference Rs. 50 will be charged to Profit & Loss account for the year 2011-12.*

11 Financial Instruments: Recognition and Measurement-Subsequent measurement of Investments: The change in valuation of investment and its impact is as under:

Treatment in IND AS-39	Treatment in existing AS-13	Impact on accounts on adoption of IND AS	Consequential effect on adoption of IND AS
After initial recognition, investment is measured at fair value.	Short-term investments/current investments are measured at lower of cost or market price. Long-term investments are carried at cost. However, when there is decline, other than temporary, in the value of long term investment, the carrying amount is reduced to recognize the decline.	Since all the investments will be measured at fair value after their initial recognition, the adoption of IND AS will have an effect on the profit of the company to the extent of difference between the valuation made at cost/ market price as per existing AS and the fair value determined as per IND AS.	Adoption of IND AS will affect the amount of profit and RoCE.

***Example**: A service provider has made investments of Rs. 10000 in the listed equity shares for a period of 9 months and Rs. 20000 in 3 years' term listed bonds. These investments were made on 1st August 2011. It is assumed that the fair/market value of the equity shares as on 31st March 2012 is Rs. 9000 and of Bonds is Rs. 19000.*

***Treatment of investments as per existing accounting standard-13:** The short-term investment will be shown at cost price or market value whichever is lower. In this case the investment in equity shares will be shown at marker value of Rs.9000 (Cost Rs. 10000, Market value Rs. 9000). The investment in bonds is a long term investment and will be shown at cost of Rs. 20000 in the Balance Sheet as on 31st March 2012. The total investments in shares and bonds will be shown as Rs. 29000 against the cost price of Rs. 30000. The difference of Rs. 1000 will be charged to the Profit & Loss account for the year 2011-12.*

***Treatment of investments as per IND- AS 39:** All the investment whether short-term or long term will be carried at fair value at the end of each accounting year. In this case, the investments in shares and bonds will be shown at Rs. 28000 (Rs. 9000+Rs19000) in the Balance Sheet as on 31st March 2012. The difference amount of Rs. 2000 will be charged to Profit & Loss account for the year 2011-12.*

10. CONCLUSION

10.1 The implementation of IND AS notified by the Ministry of Corporate Affairs will have significant impact on the profit and financial position of those telecom service sector companies which will be required to follow these standards as per criteria fixed. Consequently, it would also have impact on the financial information reported by the service providers to TRAI under the Accounting Separation Regulations of 2012 and under other orders/directions issued.

10.2 The Service Providers (both public and private /listed or unlisted) including state owned enterprises are required to report to the Authority on the Revenue, Assets, and Capital Employed Product-wise, Service-Wise and Network-Element wise and Returns on regulated telecommunications services by means of Accounting Separation Reports under the system of Reporting System on Accounting Separation Regulation, (7 of 2012). The Service Providers use the statutory financial statements as a starting point for cost allocation and regulatory reporting. The implementation of IND AS (converged with IFRS) will have an impact on the regulatory accounts mainly on account of changes in the revenue recognition and valuation of fixed assets. The major areas of impact will be:

- Revenue for the year
- Annual licence fee payable
- Profit/Loss for the year
- Value of fixed assets
- Depreciation charged during the year
- Working capital (value of current assets & current liabilities)
- Capital employed.

The quantum of impact will depend upon the nature and magnitude of financial transactions and exercise of options available under the IND AS for preparation of financial statements.

10.3 As per Regulation 5 of “The Reporting System on Accounting Separation Regulation, 2012”, the service providers are required to submit audited reports based on historical cost accounting every year within six months of the end of accounting year to TRAI. These Accounting Separation Reports are reconciled with the annual financial statements of the companies. The telecom service sector companies which will be required to follow IND AS shall have the option at the time of adoption of IND AS to measure their fixed assets at fair value or at carrying amount (historical cost) under IND AS 101. In subsequent years, the company shall also have option under IND AS-16 to opt for Cost model (historical cost) or Revaluation model (Fair value) to measure their fixed assets and accordingly maintain the fixed assets records. To fulfill the requirements of TRAI’s existing Accounting Separation Regulations, the company will have to keep separate records of fixed assets on historical cost basis even where it opts for fair value method at the time of adoption of IND AS or subsequently. As the date of implementation of IND AS has not yet been decided, this matter will be taken up in due course.

10.4 There are certain options/alternatives available under IND AS. This may result in a different accounting treatment of a same transaction by two different telecom companies depending upon the exercise of option/selection of a particular accounting treatment. Consequently, the return and financial position of such companies may differ even though the nature of the underlying transaction is same.

10.5 As and when the date of implementation of IND AS is notified by the Ministry of Corporate Affairs, due to the phasing of implementation, there will be two categories of telecom service sector companies viz. companies which are required to follow IND AS and companies which are not required to follow the IND AS. There will also be two sets of accounting standards under the

Companies Act, 1956. One set will be of the converged accounting standards (called IND AS) which will be applicable to the former category and the other set (existing accounting standards) will be for the latter. This will create a situation of different accounting treatments of the same financial transaction by the two different categories of telecom companies. In such a situation, it is likely that the financial information of the two categories of telecom companies will not be comparable.

10.6 The implementation of IND AS will have an impact on annual licence fee payable by the service providers to Department of Telecommunications (DOT) due to change in the accounting treatment of revenue recognition of certain telecom services which will result in deferment of revenue.

10.7 The implementation of IND AS may have substantial impact on the profit of the telecom service sector companies in the first year of adoption mainly because of use of fair value approach. This will have an impact on the income tax payable to the Government by such companies.

****

Annexure-I

LIST OF INTERNATIONAL ACCOUNTING STANDARDS (IAS)/INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

S.No	IAS/IFRS No	Title of IAS/IFRS
1	IAS-1	Presentation of Financial Statements
2	IAS-2	Inventories
3	IAS-7	Statement of Cash Flow
4	IAS-8	Accounting Policies, Changes in Accounting Estimates and Errors
5	IAS-10	Events after the Reporting period
6	IAS-11	Construction Contracts
7	IAS-12	Income Taxes
8	IAS-16	Property, Plant & Equipment
9	IAS-17	Leases
10	IAS-18	Revenue
11	IAS-19	Employee Benefits
12	IAS-20	Accounting for Government Grants and Disclosure of Government Assistance
13	IAS-21	The Effects of Changes in Foreign Exchange Rates
14	IAS-23	Borrowing Costs
15	IAS-24	Related Party Disclosure
16	IAS-26	Accounting and Reporting by Retirement Benefit Plans
17	IAS-27	Consolidated and Separate Financial Statements
18	IAS-28	Investments in Associates
19	IAS-29	Financial Reporting in Hyperinflationary Economics
20	IAS-31	Interest in Joint Ventures
21	IAS-32	Financial Instruments: Presentation
22	IAS-33	Earning Per Share
23	IAS-34	Interim Financial Reporting
24	IAS-36	Impairment of Assets
25	IAS-37	Provisions, Contingent Liabilities and Contingent Assets

26	IAS-38	Intangible Assets
27	IAS-39	Financial Instruments: Recognition and Measurement
28	IAS-40	Investment Property
29	IAS-41	Agriculture
30	IFRS-1	First Time Adoption of Indian Accounting Standards
31	IFRS-2	Share-based payments
32	IFRS-3	Business Combination
33	IFRS-4	Insurance Contracts
34	IFRS-5	Non-current Assets Held for Sale and Discontinued Operations
35	IFRS-6	Exploration for and Evaluation of Minerals Resources
36	IFRS-7	Financial Instruments: Disclosures
37	IFRS-8	Operating Segments

Annexure-II

LIST OF ACCOUNTING STANDARDS (AS) ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI)

AS No.	Title of AS	Brief description of AS
AS-1	Disclosure of Accounting Policies	AS requires the disclosure of significant accounting policies. Accounting Policies refer to specific accounting principles and the method of applying those principles adopted by the enterprises in preparation and presentation of the financial statements
AS-2	Valuation of Inventories	The objective of this standard is to formulate the method of computation of cost of inventories / stock, determine the value of closing stock / inventory at which the inventory is to be shown in balance sheet till it is not sold and recognized as revenue.
AS-3	Cash Flow Statements	Standard prescribes the preparation of Cash Flow Statement. Cash flow statement is additional information to user of financial statement. This statement exhibits the flow of incoming and outgoing cash. This statement assesses the ability of the enterprise to generate cash and to utilize the cash. This statement is one of the tools for assessing the liquidity and solvency of the enterprise.
AS-4	Contingencies and Events occurring after the balance sheet date	In preparing financial statement of a particular enterprise, accounting is done by following accrual basis of accounting and prudent accounting policies to calculate the profit or loss for the year and to recognize assets and liabilities in balance sheet. While following the prudent accounting policies, the provision is made for all known liabilities and losses even for those liabilities / events, which are probable. Professional judgment is required to classify the likehood of the future events occurring and, therefore, the question of contingencies and their accounting arises. Objective of this standard is to prescribe the accounting of contingencies and the events, which take place after the balance sheet date but before approval of balance sheet by Board of Directors. The Accounting Standard deals with Contingencies and Events occurring after the balance sheet date.
AS-5	Net Profit or Loss for the Period, Prior Period Items and change in Accounting Policies	The objective of this accounting standard is to prescribe the criteria for certain items in the profit and loss account so that comparability of the financial statement can be enhanced. Profit and loss account being a period statement covers the items of

		the income and expenditure of the particular period. The standard prescribes the manner in which the items pertain of previous period are being dealt. This accounting standard also deals with change in accounting policy, accounting estimates and extraordinary items
AS-6	Depreciation Accounting	Standard prescribes the accounting treatment of Depreciation on fixed assets. Depreciation is a measure of wearing out, consumption or other loss of value of a depreciable asset arising from use, passage of time. Depreciation is nothing but distribution of total cost of asset over its useful life.
AS-7	Construction Contracts	Accounting for long term construction contracts involves question as to when revenue should be recognized and how to measure the revenue in the books of contractor. As the period of construction contract is long, work of construction starts in one year and is completed in another year or after 4-5 years or so. Therefore question arises how the profit or loss of construction contract by contractor should be determined. Standard prescribe the manner in which the revenue is recognized. Standard prescribes two ways to determine profit or loss: On year-to-year basis based on percentage of completion or On completion of the contract
AS-9	Revenue Recognition	The standard explains as to when the revenue should be recognized in profit and loss account and also states the circumstances in which revenue recognition can be postponed. Revenue means gross inflow of cash, receivable or other consideration arising in the course of ordinary activities of an enterprise such as: sale of goods, rendering of services, and use of enterprises resources by other yielding interest, dividend and royalties.
AS-10	Accounting for Fixed Assets	Standard prescribe the manner for accounting of Fixed assets. A fixed asset is an asset, which is held with intention of being used for the purpose of producing or providing goods and services. In other words, asset not held for sale in the normal course of business and expected to be used for more than one accounting period.
AS-11	The Effects of changes in Foreign Exchange Rates	This accounting Standard deals with the accounting for transaction in Foreign currencies in translating in the Financial Statement of foreign operation, etc..
AS-12	Accounting for Government Grants	Standard prescribes the accounting treatment of revenue and capital Government grants. Government Grants are assistance by the Govt. in the form of cash or kind to an enterprise in return for past or future compliance with certain conditions.

AS-13	Accounting for Investments	Standard prescribes the manner of valuation of Investment for accounting. Investment is the assets held for earning income by way of dividend, interest and rentals, for capital appreciation or for other benefits.
AS-14	Accounting for Amalgamation	This accounting standard deals with accounting to be made in books of Transferee company in case of amalgamation. This accounting standard is not applicable to cases of acquisition of shares when one company acquires / purchases the share of another company and the acquired company is not dissolved and its separate entity continues to exist. The standard is applicable when acquired company is dissolved and separate entity ceased exists and purchasing company continues with the business of acquired company.
AS-15	Employee Benefits	Accounting Standard prescribes the accounting for employee benefits such as retirement benefits.
AS-16	Borrowing Costs	Enterprises are borrowing the funds to acquire, build and install the fixed assets and other assets. These assets take time to make them useable or saleable, therefore the enterprises incur the interest (cost on borrowing) to acquire and build these assets. The objective of the Accounting Standard is to prescribe the treatment of borrowing cost (interest + other cost) in accounting, whether the cost of borrowing should be included in the cost of assets or not.
AS-17	Segment Reporting	Standard prescribes of segment reporting. An enterprise needs in multiple products/services and operates in different geographical areas. Multiple products / services and their operations in different geographical areas are exposed to different risks and returns. Information about multiple products / services and their operation in different geographical areas are called segment information. Such information is used to assess the risk and return of multiple products/services and their operation in different geographical areas. Disclosure of such information is called segment reporting.
AS-18	Related Party Disclosure	Standards requires disclosure of related party transactions. Sometimes business transactions between related parties lose the feature and character of the arms length transactions. Related party relationship affects the volume and decision of business of one enterprise for the benefit of the other enterprise. Hence disclosure of related party transaction is essential for proper understanding of financial performance and financial position of enterprise.
AS-19	Accounting for leases	Standard prescribes the accounting treatment of

		leases (i.e operating lease and finance lease). Lease is an arrangement by which the lesser gives the right to use an asset for given period of time to the lessee on rent. It involves two parties, a lessor and a lessee and an asset which is to be leased. The lessor who owns the asset agrees to allow the lessee to use it for a specified period of time in return of periodic rent payments.
AS-20	Earning Per Share	Standard requires disclosure of Earning Per Share (EPS) in the financial statements. EPS is a financial ratio that gives the information regarding earning available to each equity share. This accounting standard gives computational methodology for the determination and presentation of earning per share..
AS-21	Consolidated Financial Statements	The objective of this standard is to prescribe the manner to present the financial statements of a parent and its subsidiary (ies) as a single economic entity. In other words the holding company and its subsidiary (ies) are treated as one entity for the preparation of these consolidated financial statements. Consolidated profit/loss account and consolidated balance sheet are prepared for disclosing the total profit/loss of the group and total assets and liabilities of the group.
AS-22	Accounting for Taxes on Income	Accounting standard prescribes the accounting treatment for taxes on income. Traditionally, amount of tax payable is determined on the profit/loss computed as per income tax laws. According to this accounting standard, tax on income is determined on the principle of accrual concept. According to this concept, tax should be accounted in the period in which corresponding revenue and expenses are accounted. In simple words tax shall be accounted on accrual basis; not on liability to pay basis.
AS-23	Accounting for Investments in Associates in consolidated financial statements	Accounting standard set out the principles and procedures for recognizing the investment in associates in the consolidated financial statements of the investor, so that the effect of investment in associates on the financial position of the group is indicated.
AS-24	Discontinuing Operations	The objective of this standard is to establish principles for reporting information about discontinuing operations. The focus of the disclosure of the Information is about the operations which the enterprise plans to discontinue. However, the disclosure about discontinued operation is also covered by this standard.
AS-25	Interim Financial Reporting	Standard prescribes the manner of presenting Interim Financial Reporting. Interim financial

		reporting is the reporting for periods of less than a year generally for a period of 3 months. As per clause 41 of listing agreement the companies are required to publish the financial results on a quarterly basis
AS-26	Intangible Assets	Standard prescribes the accounting treatment of intangible assets. An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supplying of goods or services for rentals to others or for administrative purpose.
AS-27	Financial Reporting of Interest in joint ventures	Standard prescribes the manner of reporting of interest in Joint venture in the financial statements. Joint Venture is defined as a contractual arrangement whereby two or more parties carry on an economic activity under 'joint control'. Joint control is the contractually agreed sharing of control over economic activity
AS-28	Impairment of Assets	Standard prescribes the accounting for impairment of assets. When the value of asset decreases, it may be called impairment of an asset. As per Standard, asset is said to be impaired when carrying amount of asset is more than its recoverable amount.
AS-29	Provisions, Contingent Liabilities And Contingent Assets	Objective of this standard is to prescribe the accounting for Provisions, Contingent Liabilities, and Contingent Assets. Provision is a liability, which can be measured only by using a substantial degree of estimation. A liability is present obligation of the enterprise arising from past events the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.
AS-30	Financial Instrument	The objective of this Standard is to establish principles for recognizing and measuring Financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in Accounting Standard.
AS-31	Financial Instrument: presentation	The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. The principles in this Standard complement the principles for recognizing and measuring financial assets and financial

		liabilities in Accounting Standard Financial Instruments
AS-32	Financial Instruments, Disclosures and Limited revision to accounting standards	The objective of this Standard is to require entities to provide disclosures in their financial statements that enable users to evaluate: • significance of financial instruments for the entity's financial position and performance; and • nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks.

LIST OF ACCOUNTING STANDARDS NOTIFIED UNDER THE COMPANIES ACT, 1956.

Accounting Standard	**Description**
Accounting Standard (AS) 1	Disclosure of Accounting Policies
Accounting Standard (AS) 2	Valuation of Inventories
Accounting Standard (AS) 3	Cash Flow Statements
Accounting Standard (AS) 4	Contingencies and Events Occurring After the Balance Sheet Date
Accounting Standard (AS) 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
Accounting Standard (AS) 6	Depreciation Accounting
Accounting Standard (AS) 7	Construction Contracts
Accounting Standard (AS) 9	Revenue Recognition
Accounting Standard (AS) 10	Accounting for Fixed Assets
Accounting Standard (AS) 11	The Effects of Changes in Foreign Exchange Rates
Accounting Standard (AS) 12	Accounting for Government Grants
Accounting Standard (AS) 13	Accounting for Investments
Accounting Standard (AS) 14	Accounting for Amalgamations
Accounting Standard (AS) 15	Employee Benefits
Accounting Standard (AS) 16	Borrowing Costs
Accounting Standard (AS) 17	Segment Reporting
Accounting Standard (AS) 18	Related Party Disclosures
Accounting Standard (AS) 19	Leases
Accounting Standard (AS) 20	Earnings Per Share
Accounting Standard (AS) 21	Consolidated Financial Statements
Accounting Standard (AS) 22	Accounting for Taxes on Income
Accounting Standard (AS) 23	Accounting for Investments in Associates in

	Consolidated Financial Statements
Accounting Standard (AS) 24	Discontinuing Operations
Accounting Standard (AS) 25	Interim Financial Reporting
Accounting Standard (AS) 26	Intangible Assets
Accounting Standard (AS) 27	Financial Reporting of Interests in Joint Ventures
Accounting Standard (AS) 28	Impairment of Assets
Accounting Standard (AS) 29	Provisions, Contingent Liabilities and Contingent Assets

List of Accounting Standards not yet notified under the Companies Act, 1956.

AS No.	**Title of AS**
AS-30	Financial Instrument
AS-31	Financial Instrument: presentation
AS-32	Financial Instruments, Disclosures and Limited revision to accounting standards

ANNEXURE-III

COMPARISON OF IFRS AND EXISTING INDIAN ACCOUNTING STANDARDS: MAJOR DIFFERENCES

TOPIC	IAS/IFRS	EXISTING INDIAN ACCOUNTING STANDARD(AS)
Presentation of financial statements: **Components of Financial Statements**	**IAS-1** provides overall requirements for the presentation of financial statements, guidance on their structure, and the minimum requirements for their content. Although it does not prescribe a particular format, it prescribes the components of the financial statements that together would be considered as a complete set of financial statements. 1. Statement of financial position (Balance Sheet), 2. Statement of comprehensive income / income statement (Profit and Loss account), 3. Statement of Changes in Equity , 4. Statement of Cash Flows, 5. Notes Comprising a Summary of Significant Accounting Policies and other Explanatory Information, and	**Schedule VI** of the Companies Act,1956 requires preparation of: 1. Balance sheet, 2. Profit and loss account, and 3. Notes to accounts **AS 3** requires preparation of Cash Flow Statements by certain enterprises. **AS-1** requires disclosure of significant accounting policies in the financial statements
Statement of Financial	A current/non-current presentation of assets and liability is used, unless a liquidity	Accounting standards do not prescribe a particular format; certain items must be presented on the

Position (Balance Sheet) – Format	presentation provides more relevant and reliable information. Certain minimum items are presented on the face of the balance sheet.	face of the balance sheet. Formats of Balance sheet are prescribed in Part-I of Schedule VI of the Companies Act, 1956.
Statement of Comprehensive Income (Profit and Loss Account) – Format	Presented in one of two formats (function or nature). Certain minimum items are presented on the face of the income statement. Under the nature of expense method expenses are aggregated in the income statement according to their nature, (for example depreciation, purchases of materials, transport costs, wages and salaries, advertising costs), and are not reallocated amongst various Functions within the enterprise. The function of expense or 'cost of sales' method classifies expenses according to their function as part of cost of sales, distribution or administrative activities. A separate Statement of Comprehensive Income is prescribed which inter-alia includes : a. Changes in revaluation surplus b. Actuarial gains and losses on defined benefit plans c. Gains or losses arising from translating	Accounting Standards and companies Act,1956 do not prescribe a standard format of profit & loss account; but certain income and expenditure items are disclosed in accordance with accounting standards and the part-I of schedule VI of Companies Act, 1956 No comprehensive income statement is prescribed. Only a Profit and Loss Account is prescribed.

	the financial statements of foreign operations	
Statement of Changes in Equity	A separate statement is required which shows capital transactions with the owners, the movement in accumulated profit/loss and a reconciliation of all other Components of equity.	No separate statement is required. The information is given in a separate schedule as a part of balance sheet.
Inventories : Net realizable value	**IAS-2:** Write-down of inventory is reversed if circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in the net realizable value because of changes in economic circumstances.	No specific guidance in **AS-2**
Statement of Cash Flows - cash flows from extraordinary items	**IAS-7**: As presentation of items as extraordinary is not permitted, the cash flow statement does not reflect any items of cash flow as extraordinary.	**AS-3:** Cash flows from items disclosed as extraordinary are classified as arising from operating, investing or financing activities and separately disclosed.
Accounting Policies, Changes in Accounting Estimates and Errors - changes in accounting policies	**IAS-8:** Requires retrospective application of changes in accounting policies by adjusting the opening balance of the affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy had always been applied.	**AS-5:** Changes in accounting policies should be made only if it is required by statute, for compliance with an Accounting Standard or for a more appropriate presentation of the financial statements on a prospective basis together with a disclosure of the impact of the same, if material.

Accounting Policies, Changes in Accounting Estimates & Errors – errors.	**IAS-8:** Material prior period errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening statement of financial position.	**AS-5:** Prior period errors are included in determination of profit or loss of the period in which the error is discovered and are separately disclosed in the statement of profit and loss in a manner that the impact on current profit or loss can be perceived.
Events after the Reporting Period - dividends	**IAS-10:** Liability for dividends declared to holders of equity instruments are recognized in the period when declared.	**AS-4:** Dividends are recognized as an appropriation from profits and recorded as a liability at the balance sheet date, if proposed or declared subsequent to the reporting period but before approval of the financial statements.
Income Taxes - deferred income taxes **Income Taxes - classification**	**IAS-12:** Deferred taxes are computed for temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. **IAS-12:** Classified as non-current, if current and non-current classification is presented	**AS-22:** Deferred taxes are computed for timing differences in respect of recognition of items of profit or loss for the purposes of financial reporting and for income taxes. **AS-22:** Deferred tax assets are to be disclosed on the face of the balance sheet separately after the head 'Investments'. Deferred tax liabilities are to be disclosed after the head 'Unsecured Loans'.
Property, Plant and Equipment -replacement costs	**IAS-16:** Replacement cost of an item of property, plant and equipment is capitalized if replacement meets the recognition criteria. Carrying amount of items replaced is Derecognized.	**AS-10:** Replacement cost of an item of property, plant and equipment is generally expensed when incurred.

Property, Plant and Equipment - cost of major inspection	**IAS-16:** Cost of major inspections and overhauls are recognized in the carrying amount of property, plant and equipment.	**AS-10:** Costs of major inspection are expensed when incurred.
Property, Plant and Equipment - depreciation	**IAS-16:** Property, plant and equipment are componentized and are depreciated separately.	**AS-10:** Fixed assets are not required to be componentized and depreciated separately.
Property, Plant and Equipment - transfers from revaluation reserve	**IAS-16:** Transfers from revaluation to retained earnings are made directly and not through profit or loss.	**AS-10:** Transfers may be done through the statement of profit and loss.
Property, Plant and Equipment - residual value	**IAS-16:** Estimates of residual value need to be reviewed at least at each year end.	**AS-10:** Estimates of residual value are not reviewed.
Property, Plant and Equipment - reassessment	**IAS-16:** Requires annual reassessment of useful life.	**AS-10:** No such requirement.

of useful life and depreciation method		
Leases - interest in leasehold land	**IAS-17:** Recognized as operating lease (i.e. prepayment) unless the leasehold interest is accounted for as investment property and the fair value model is adopted.	**AS-19:** Leasehold land is recorded and classified as fixed assets.
Leases - initial direct costs of lessors for assets under a finance lease	**IAS-17:** For finance leases, initial direct costs are included in the measurement of the finance lease receivable and reduce the amount of income recognized over the lease term.	**AS-19:** Initial direct costs are either recognized immediately in the statement of profit and loss or allocated against the finance income over the lease term.
Leases - initial direct costs of lessors for assets under operating leases	**IAS-17**: Initial direct costs incurred by lessors are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as lease income.	**AS-19:** Initial direct costs incurred by lessors are either deferred and allocated to income over the lease term in proportion to the recognition of rent income, or are recognized as an expense in the statement of profit and loss in the period in which they are incurred.
Revenue - Measurement	**IAS- 18:** Fair value of revenue from sale of goods and services when the inflow of cash and cash equivalents is deferred is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of consideration is recognized as interest income using the	**AS-9:** Revenue is recognized at the nominal amount of consideration receivable.

	effective interest method.	
Revenue - exchange transactions	**IAS-18:** Revenue recognition is done as under: **Exchanges of similar assets:** Carrying amount of the asset received= Carrying amount of the asset surrendered + cash or cash equivalent transferred. No gains or losses are recognized. **Exchanges of dissimilar assets:** Carrying amount of the asset received = Fair value of the asset received +/- cash or cash equivalent transferred. Gain or loss to be recognized = Fair value of the asset received +/- cash or cash equivalent transferred - carrying amount of the asset surrendered.	**AS-9:** No guidance given in the standard.
Revenue - interest	**IAS-18:** Interest income is recognized using the effective interest method.	**AS-9:** Interest is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
Customer Loyalty Programs	**IFRIC-13, /AS-18**: Award credits are accounted for as a separate identifiable component of a sales transaction, with the consideration allocated between the awards credit and the other components of sale.	**AS-9:** No guidance in the standard.
Employee benefits - actuarial gains and	**IAS-19:** Actuarial gains and losses recognized immediately in other comprehensive income.	**AS-15:** Actuarial gains and losses are recognized immediately in the statement of profit and loss.

losses		
Employee benefits - discount rate	**IAS-19:** Market yields at the end of the reporting period on high quality corporate bonds are used as discount rates.	**AS-15:** Market yields at the balance sheet date on Government bonds are used as discount rates.
Government Grants – recognition	**IAS-20**: Government grants are recognized as income to match them with related costs which they are intended to compensate on a systematic basis. Government grants are not directly credited to shareholders' interests. Government grants related to assets are presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.	**AS-12:** Government grants in the nature of promoters' contribution i.e. given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay, are credited directly to shareholders' funds. Grants related to revenue are recognized in the statement of profit and loss on a systematic and rational basis over the periods necessary to match them with the related costs. Grants relating to non-depreciable assets are credited to capital reserve. Grants related to depreciable assets are either treated as deferred income and transferred to the statement of profit and loss in proportion to depreciation, or deducted from the cost of the asset.
Government Grants - non-monetary government	**IAS-20**: The asset and the grant may be accounted at fair value. Alternatively, these can be accounted at nominal value	**AS-12:** If the asset is given by the Government at a discounted price, the asset and the grant is accounted at the discounted purchase price. Non-monetary grants free of cost are accounted for at

grants		nominal values.
Effects of Changes in Foreign Exchange Rates - exchange differences	**IAS-21:** Exchange differences arising on translation or settlement of foreign currency monetary items are recognized in profit or loss in the period in which they arise.	**AS-11:** Exchange differences on translation of monetary foreign currency liabilities incurred up to the end of the accounting periods commencing on or before 31 March 2004 towards acquisition of fixed assets are capitalized in the carrying amount of these assets.
Consolidated and Separate Financial Statements - scope	**IAS-27:** A parent is required to prepare consolidated financial statements to consolidate all its subsidiaries.	**AS-21:** Neither Companies Act,1956 nor accounting standard specify entities that are required to present consolidated financial statements. The accounting standard is required to be followed if consolidated financial statements are presented by an enterprise. SEBI requires listed companies to present consolidated financial statements.
Consolidated and Separate Financial Statements - reporting dates	**IAS-27:** Difference between the reporting date of the subsidiary and that of the parent shall be no more than three months.	**AS-21:** Difference between the reporting date of the subsidiary and that of the parent shall be no more than six months.
Investments in Associates - reporting	**IAS:28:** Difference between the reporting date of the associate and that of the parent shall be no more than three months.	**AS-23:** Maximum difference between the reporting date of the associate and that of the parent is not specified in the standard.

date		
Financial Instruments: Presentation - classification of financial liabilities	**IAS-32**: Capital instruments are classified as liability or equity depending on the issuer's contractual obligation to deliver cash or other financial asset, for example redeemable preference shares will be classified as financial liability.	**IAS-31:** Capital instruments are classified based on legal form - redeemable preference shares will be classified as equity. Preference dividends are always recognized as an appropriation from retained earnings
Earnings per share - disclosure in separate financial statements **Earnings per share - disclosure**	**IAS 33:** Standard permits EPS disclosure be made only in the consolidated financial statements of the parent company. **IAS-33:** Standard requires additional disclosure for EPS from continuing and discontinued operations.	**AS 20:** Standard requires disclosure of basic and diluted EPS both in the separate and consolidated financial statements of the parent company. **AS 20:** Standard does not require such disclosure.
Impairment of Assets - annual impairment test for goodwill and intangibles **Impairment of Assets - reversal of**	IAS-36: Goodwill and indefinite life intangible assets are required to be tested for impairment at least on an annual basis or earlier if there is an impairment indication. Impairment loss recognized for goodwill is prohibited from reversal in a subsequent period.	**AS-28**: Goodwill and other intangibles are tested for impairment only when there is an indication that they may be impaired. Impairment loss for goodwill is reversed if the impairment loss was caused by a specific external event of an exceptional nature that is not expected

impairment loss for goodwill		to recur and subsequent external events have occurred that reverse the effect of that event.
Provisions, Contingent Liabilities and Contingent Assets - Recognition of provisions	**IAS 37:** A provision is recognized when an entity has a present obligation (legal or constructive) as a result of a past event.	**AS-29:** Provisions are not recognized based on constructive obligations.
Intangible assets - measurement	**IAS-38:** Intangible assets can be measured at either cost or revalued amounts.	**AS-26:** Measured at cost.
Intangible assets - useful life	**IAS-38:** Useful life may be finite or indefinite.	**AS-26:** Useful life may not be indefinite.
Intangible assets - goodwill	**IAS-38:** Goodwill is not amortized but subject to annual impairment test.	**AS-26:** Goodwill arising on amalgamation in the nature of purchase is amortized over five years. Goodwill arising on acquisitions is not amortized but is tested for impairment..
Financial Instruments: Recognition and Measurement - investments, and loans	**IAS 39**: Financial instruments are classified as fair value through profit or loss, held to maturity, loans and receivables or available for sale. Loans and receivables are measured at	**AS-13**: Investments are classified as long-term or current. Long-term investments are carried at cost less provision for diminution in value, which is other than temporary. Current investments are carried at lower of cost and fair value. Loans and receivables are measured at cost less

and receivables	amortized cost using the effective interest method.	valuation allowance
Investment Property - measurement	**IAS 40:** Investment properties can be measured using the cost or the fair value model, with changes in fair value recognized in the profit or loss.	**AS-13**: Classified as long-term investments and measured at cost less impairment.
Business Combinations - goodwill measurement	**IFRS 3:** Measured as the difference between: aggregate of (a) the acquisition-date fair value of the consideration transferred; (b) the amount of any non-controlling interest and (c) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire; and the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. If the above difference is negative, the resulting gain is recognized as a bargain purchase in profit or loss.	**AS-14**: Any excess of the amount of the consideration over the value of the net assets of the transferor company acquired by the transferee company is recognized in the transferee company's financial statements as goodwill arising on amalgamation. If the amount of the consideration is lower than the value of the net assets acquired, the difference is recognized as Capital Reserve.
Business Combinations - subsequent measurement of goodwill	**IFRS 3:** Goodwill is not amortized but tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate impairment.	**AS-14**: Goodwill arising on amalgamations in the nature of purchase is amortized over a period not exceeding five years
Operating	**IFRS 8:** Operating segments are identified	**AS 17:** Standard requires an enterprise to identify

Segments - determination of segments	based on the financial information that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	two sets of segments (business and geographical), using a risks and rewards approach, with the enterprise's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.
Operating Segments - measurement	**IFRS 8:** Segment profit or loss is reported on the same measurement basis as that used by the chief operating decision maker. There is no definition of segment revenue, segment expense, segment result, and segment asset or segment liability.	**AS-17:** Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole. Segment revenue, segment expense, segment result, segment asset and segment liability have been defined.

Annexure-IV

LIST OF 35 IND AS NOTIFIED BY THE MINISTRY OF CORPORATE AFFAIRS ON 25 FEBRUARY 2011 AND CORRESPONDING NUMBER OF IFRS/IAS

S.No	IND AS/No.	Title of IND AS	Corresponding IAS/IFRS No.
1	IND AS-1	Presentation of Financial Statements	IAS-1
2	IND AS-2	Inventories	IAS-2
3	IND AS-7	Statement of Cash Flow	IAS-7
4	IND AS-8	Accounting Policies, Changes in Accounting Estimates and Errors	IAS-8
5	IND AS-10	Events after the Reporting period	IAS-10
6	IND AS-11	Construction Contracts	IAS-11
7	IND AS-12	Income Taxes	IAS-12
8	IND AS-16	Property, Plant & Equipment	IAS-16
9	IND AS-17	Leases	IAS-17
10	IND AS-18	Revenue	IAS-18
11	IND AS-19	Employee Benefits	IAS-19
12	IND AS-20	Accounting for Government Grants and Disclosure of Government Assistance	IAS-20
13	IND AS-21	The Effects of Changes in Foreign Exchange Rates	IAS-21
14	IND AS-23	Borrowing Costs	IAS-23
15	IND AS-24	Related Party Disclosure	IAS-24
16	IND AS-27	Consolidated and Separate Financial Statements	IAS-27
17	IND AS-28	Investments in Associates	IAS-28
18	IND AS-29	Financial Reporting in Hyperinflationary Economics	IAS-29
19	IND AS-31	Interest in Joint Ventures	IAS-31
20	IND AS-32	Financial Instruments: Presentation	IAS-32
21	IND AS-33	Earning Per Share	IAS-33
22	IND AS-34	Interim Financial Reporting	IAS-34
23	IND AS-36	Impairment of Assets	IAS-36
24	IND AS-37	Provisions, Contingent Liabilities and Contingent Assets	IAS-37

25	IND AS-38	Intangible Assets	IAS-38
26	IND AS-39	Financial Instruments: Recognition and Measurement	IAS-39
27	IND AS-40	Investment Property	IAS-40
28	IND AS-101	First Time Adoption of Indian Accounting Standards	IFRS-1
29	IND AS- 102	Share-based payments	IFRS-2
30	IND AS- 103	Business Combination	IFRS-3
31	IND AS -104	Insurance Contracts	IFRS-4
32	IND AS -105	Non-current Assets Held for Sale and Discontinued Operations	IFRS-5
33	IND AS-106	Exploration for and Evaluation of Minerals Resources	IFRS-6
34	IND AS 107	Financial Instruments: Disclosures	IFRS-7
35	IND AS 108	Operating Segments	IFRS-8

Annexure-V

COMPARISON OF IND-AS AND CORRESPONDING IFRS: KEY DIFFERENCES

TOPIC	PROVISION IN IAS/IFRS	PROVISION IN IND AS
	IAS 1: ***Presentation of Financial Statements***	**Ind AS 1:** ***Presentation of Financial Statements***
Statement of profit & Loss account	Standard provides an option either to follow single statement (Statement of Profit & Loss) approach or to follow the two statements approach (Separate Income Statement & Statement of Comprehensive Income)).	Standard allows only single statement approach.
Statement of Changes in Equity	Standard requires preparation of a Statement of Changes in Equity as a separate Statement	Standard requires that the Statement of Changes in Equity to be shown as a part of the Balance Sheet.
Terminology for titles	Standard gives option to individual entities to follow different terminology for tittles of financial statements.	Standard gives one terminology to be used by all entities
Classification of Expenses recognized in profit or loss	Entities can present an analysis of expenses recognized in profit or loss using either nature, or functional classification.	Entities should present an analysis of expenses recognized in profit or loss using a classification based only on the nature of expense.
Classification of	**IAS-7:Satement of Cash Flow** In case of other than financial entities,	**Ind AS-7: Statement of Cash Flow** Standard does not provide option and requires

interest and dividends paid and received for entities other than financial institution	Standard gives an option to classify interest paid and interest and dividend received as item of operating cash flow. Standard gives an option to classify dividends paid as an item of operating activity.	these items to be classified as items of financing activity and investing activity respectively. Dividend paid is to be classified as a part of financing activity only.
	IAS-19: Employees Benefits	**Ind-AS-19: Employees Benefits**
Discount rate for employee benefit obligations	Discount rate used to discount employee benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries, where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used.	Discount rate used to discount employee benefit obligations shall be determined by reference to market yields on Government Bonds at the end of the reporting period.
Actuarial gains & losses	Standard permits various options for treatment of actuarial gains and losses for post employment defined benefit plans.	Standard requires recognition of actuarial gains and losses in other comprehensive income both for post-employment defined benefit plans and other long term employment benefit plans.
	IAS-20: Accounting for Government Grants and Disclosure of Government Assistance.	**Ind AS-20: Accounting for Government Grants and Disclosure of Government Assistance.**
Non-monetary grants	Grants can be recognized either at their fair value or at nominal value.	Grants are recognized only at their fair value.

Presentation of grant related assets	Grant related assets can be presented either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.	Grant related assets are presented only by setting up the grant as deferred income.
	IAS-21: The Effects of Changes in Foreign Exchange Rates	**Ind AS-21: The Effects of Changes in Foreign Exchange Rates**
Change in functional currency –disclosures	When there is a change in functional currency of either reporting currency or a significant foreign operation, Standard requires disclosure of that fact and the reasons for change in functional currency.	Standard requires additional disclosure of the date of change in functional currency.
Exchange differences	Standard requires recognition of exchange differences arising on translation of monetary items from foreign currency to functional currency directly to profit or loss.	Standard permits option to recognize exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity. In such situation, This standard requires the accumulated exchange differences to be amortized to profit or loss whereas IAS 21 doest not permit such treatment.
	IAS-24: Related Party Disclosures	**Ind AS 24: Related Party Disclosures**
Disclosures conflicting with confidentiality requirement	No specific guidance in the Standard.	Standard states that disclosures which conflict with confidentiality requirements of statue/regulations are not required to be made.

Reporting Period **Accounting policies**	**IAS 28: Investment in Associates** Standard requires that difference between reporting period of an associate and that of investor should not be more than three months, in any case. Standard requires that if associate's accounting policies are different from those of the Investor company, the investor company should change the financial statements of the associates by using the same accounting policies.	**Ind AS 28: Investment in Associates** In the standard, phrase"unless it is impracticable" has been included. In the standard, phrase" unless it is impracticable" has been included.
Exception: financial liability	**IAS 32: Financial Instruments – Presentation** Exception as provided in Ind AS has not been provided in IAS	**Ind AS 32: Financial Instruments – Presentation** An exception has been included to the definition of financial liability. Standard consider equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed umber of equity's own equity instruments as an equity instrument if the exercise price is fixed in any currency.
Disclosure	**IAS 33: Earning Per Share** Standard requires that when an entity prepares both consolidated financial statements and	**Ind AS 33: Earning Per Share** Standard requires that EPS should be disclosed both in consolidated financial statements and

	separate financial statements, EPS may be given in consolidated financial statements.	separate financial statements.
Un-audited financial results	**IAS 34: Interim Financial Reporting** No guidance in the Standard.	**Ind AS 34: Interim Financial Reporting** Standard clarifies through a footnote that un-audited financial results required to be prepared and presented under Clause 41 of Listing Agreement with Stock Exchanges is not an Interim Financial Reporting.
Measurement	**IAS 40: Investment Property** Standard permits both cost model and fair value model for measurement of investment property after initial recognition.	**Ind AS 40: Investment Property** Standard permits only cost model.
Presentation of Comparatives **Foreign currency gain/loss**	**IFRS-1: First time adoption of IFRS** The comparatives (Previous Year Figures) are to be presented in the first financial statements prepared under IFRS on the basis of IFRS. No such exemption as provided in Ind AS	**Ind AS101: First time adoption of Ind AS** The comparatives are to be provided as per exiting notified accounting standards. In addition, an entity may also provide comparatives as per Ind AS on a memorandum basis. Standard provides that on the date of transition, if there are long-term monetary assets or long term monetary liabilities (mentioned in para 29A of Ind AS 21, the entity may exercise option regarding spreading over the unrealized Gains/losses over the life of Assets/Liabilities
	IFRS-3: Business Combinations	**Ind AS 103: Business Combinations**

Bargain purchase gain	Standard requires bargain purchase gain arising on business combination to be recognized in profit or loss.	Standard requires bargain purchase gain to be recognized in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase in which case, it shall be recognized directly in equity as capital reserve.

Annexure-VI

KEY DIFFERENCES BETWEEN IND ASs AND EXISTING ASs

Ind AS 1, Presentation of Financial Statements and existing AS 1 (issued 1979), Disclosure of *Accounting Policies*
• Ind AS 1 generally deals with presentation of financial statements, whereas existing AS 1 (issued 1979) deals only with the disclosure of accounting policies. The scope of Ind AS 1 is thus much wider. • Ind AS 1 allows deviation from a requirement of an accounting standard in case the management concludes that compliance with Ind ASs will be misleading and if the regulatory framework requires or does not prohibit such a departure. • Ind AS 1 requires presentation and provides criteria for classification of Current / Non-Current assets / liabilities • Ind AS 1 prohibits presentation of any item as extraordinary Item in the statement of profit and loss or in the notes. • Ind AS 1 requires disclosure of judgments made by management while framing of accounting polices. Also, it requires disclosure of key assumptions about the future and other sources of measurement uncertainty that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year. • Ind AS 1 requires the financial statements to include a Statement of Changes in Equity to be shown as a part of the balance sheet which, inter alia, includes reconciliation between opening and closing balance for each component of equity.
Ind AS 2, Inventories and existing AS 2, Valuation of Inventories
• Ind AS 2 provides explanation with regard to inventories of service providers whereas the existing AS 2 does not contain such an explanation. • The existing AS 2 specifically provides that the formula used in determining the cost of an item of inventory should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition whereas Ind AS 2 does not specifically state so and requires the use of consistent cost formulas for all inventories having a similar nature and use to the entity.
Ind AS 7, Statement of Cash Flows and the existing AS 3, Cash Flow Statements
• Ind AS 7 provides the treatment of cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale in the ordinary course of business as cash flows from operating activities. Further, treatment of cash receipts from rent and subsequent sale of such assets as cash flow from operating activity is also provided. The existing AS 3 does not contain such requirements. • Ind AS 7 requires to classify cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control as cash flows from financing activities. The existing AS 3 does not contain such a requirement. • Ind AS 7 mentions the use of Equity or Cost method while accounting for an investment in an associate or a subsidiary. It also specifically deals with the reporting of interest in a jointly controlled entity using proportionate consolidation and using equity method. The existing AS 3 does not contain such requirements

Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors and existing AS 5 (Revised 1997) Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
• Existing AS 5 restricts the definition of accounting policies to specific accounting principles and the methods of applying those principles while Ind AS 8 broadens the definition to include bases, conventions, rules and practices (in addition to principles) applied by an entity in the preparation and presentation of financial statements. • In addition to the situations allowed under Ind AS 8 for change in accounting policy, existing AS 5 allows the situation where change in accounting policy is required by statute. • Ind AS 8 specifically states that an entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an Ind AS specifically requires or permits categorisation of items for which different policies may be appropriate. Neither existing AS 5 nor any other existing Standard specifically requires accounting policies to be consistent for similar transactions, other events and conditions. • Ind AS 8 specifically states that errors include frauds, which is not covered in existing AS 5. • Ind AS 8 requires rectification of material prior period errors with retrospective effect subject to limited exceptions viz., where it is impracticable to determine the period specific effects or the cumulative effect of applying a new accounting policy. On the other hand, existing AS 5 requires the rectification of prior period items with prospective effect.
Ind AS 10, Events after the Reporting Period and existing AS 4, Contingencies and Events occurring after the Balance Sheet Date
• In Ind AS 10, material non-adjusting events are required to be disclosed in the financial statements, whereas the existing AS 4 requires the same to be disclosed in the report of approving authority. • As per Ind AS 10 dividend proposed or declared after the reporting period, can not be recognised as a liability in the financial statements because it dose not meet the criteria of a present obligation as per Ind AS 37. Such dividend is required to be disclosed in the notes in the financial statements as per Ind AS 1, whereas as per the existing AS 4 the same is required to be adjusted in financial statements because of the requirements prescribed in the Schedule VI to the Companies Act, 1956.If after the reporting date, it is determined that the fundamental accounting assumption of going concern is no longer appropriate, Ind AS 10 requires a fundamental change in the basis of accounting. Whereas existing AS 4 requires assets and liabilities to be adjusted for events occurring after the balance sheet date that indicate that the fundamental accounting assumption of going concern is not appropriate.
Ind AS 11 'Construction Contracts', and existing AS 7 (revised 2002), Construction Contracts
• Existing AS 7 does not recognise fair value concept as contract revenue is measured at consideration received/receivable, whereas Ind AS 11 requires that contract revenue shall be measured at fair value of consideration received/receivable.
Ind AS 12 , Income Taxes, and the existing AS 22 Taxes on Income
• Ind AS 12 is based on balance sheet approach. It requires recognition of tax consequences of differences between the carrying amounts of assets and liabilities and their tax base. Existing AS 22 is based on income statement approach. It requires recognition of tax consequences of differences between taxable income and accounting income. For this purpose differences between taxable income and accounting income are classified into

permanent and timing differences. • Existing AS 22 deals with disclosure of deferred tax assets and liabilities in the balance sheet. Ind AS 12 does not deal with this aspect except that it requires that income tax relating to each component of other comprehensive income shall be disclosed as current or non-current asset/liability in accordance with the requirements of Ind AS 1.
Ind AS 16 Property, Plant and Equipment, and existing AS 10, Accounting for Fixed Assets and AS 6, Depreciation Accounting
• Existing AS 10 specifically excludes accounting for real estate developers from its scope, whereas Ind AS 16 does not exclude such developers from its scope. • Ind AS 16, apart from defining the term property, plant and equipment, also lays down the following criteria which should be satisfied for recognition of items of property, plant and equipment: (a) it is probable that future economic benefits associated with the item will flow to the entity, and (b) the cost of the item can be measured reliably. Existing AS 10 does not lay down any specific recognition criteria for recognition of a fixed asset. As per the standard, any item which meets the definition of a fixed asset should be recognised as a fixed asset. • As per Ind AS 16, initial costs as well as the subsequent costs are evaluated on the same recognition principles to determine whether the same should be recognised as an item of property, plant and equipment. Existing AS 10 on the other hand, prescribes separate recognition principles for subsequent expenditure. As per existing AS 10, subsequent expenditures related to an item of fixed asset are capitalised only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. (Paragraph 7 of Ind AS 16 and Paragraph 12 of existing AS 10) • Ind AS 16 requires that major spare parts qualify as property, plant and equipment when an entity expects to use them during more than one period and when they can be used only in connection with an item of property, plant and equipment. • As per existing AS 10, only those spares are required to be capitalised which can be used only in connection with a fixed asset and whose use is expected to be irregular. (Paragraph 8 of Ind AS 16 and Paragraph 8.2 of existing AS 10) • Ind AS 16 is based on the component approach. Under this approach, each major part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. As a corollary, cost of replacing such parts is capitalised, if recognition criteria are met with consequent derecognition of carrying amount of the replaced part. The cost of replacing those parts which have not been depreciated separately is also capitalised with the consequent derecognition of the replaced parts. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. Existing AS 10, however, does not mandatorily require full adoption of the component approach. It recognises the said approach in only one paragraph by stating that accounting for a tangible fixed asset may be improved if total cost thereof is allocated to its various parts. Apart from this, neither existing AS 10 nor existing AS 6 deals with the aspects such as separate depreciation of components, capitalising the cost of replacement, etc. (Paragraphs 43, 70 of Ind AS 16 and paragraph 8.3 of Existing AS 10)

- Ind AS 16 requires that the cost of major inspections should be capitalised with consequent derecognition of any remaining carrying amount of the cost of the previous inspection. Existing AS 10 does not deal with this aspect. (Paragraph 14 of Ind AS 16)
- In line with the requirement of Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets, for creating a provision towards the costs of dismantling and removing the item of property plant and equipment and restoring the site on which it is located at the time the item is acquired or constructed, Ind AS 16 requires that the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located should be included in the cost of the respective item of property plant and equipment. Existing AS 10 does not contain any such requirement. (Paragraphs16 (c) and 18 of Ind AS 16)
- Ind AS 16 requires an entity to choose either the cost model or the revaluation model as its accounting policy and to apply that policy to an entire class of property plant and equipment. It requires that under revaluation model, revaluation be made with reference to the fair value of items of property plant and equipment. It also requires that revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

  Existing AS 10 recognises revaluation of fixed assets. However, the revaluation approach adopted therein is ad hoc in nature, as it does not require the adoption of fair value basis as its accounting policy or revaluation of assets with regularity. It also provides an option for selection of assets within a class for revaluation on systematic basis. (Paragraphs 29 and 31 of Ind AS 16 and paragraph 27 of existing AS 10)
- Ind AS 16 provides that the revaluation surplus included in equity in respect of an item of property plant and equipment may be transferred to the retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by an entity. In such a case, the amount of the surplus transferred would be the difference between the depreciation based on the revalued carrying amount of the asset and depreciation based on its original cost. Transfers from revaluation surplus to the retained earnings are not made through profit or loss. (Paragraph 41 of Ind AS 16)
- As compared to the above, neither existing AS 10 nor existing AS 6 deals with the transfers from revaluation surplus. To deal with this aspect, the Institute issued a Guidance Note on Treatment of Reserve Created on Revaluation of Fixed Assets. The Guidance Note provides that if a company has transferred the difference between the revalued figure and the book value of fixed assets to the 'Revaluation Reserve' and has charged the additional depreciation related thereto to its profit and loss account, it is possible to transfer an amount equivalent to accumulated additional depreciation from the revaluation reserve to the profit and loss account or to the general reserve as the circumstances may permit, provided suitable disclosure is made in the accounts. However, the said Guidance Note also recognises that it would be prudent not to charge the additional depreciation arising due to revaluation against the revaluation reserve.
- With regard to self-constructed assets, Ind AS 16, specifically states that the cost of abnormal amounts of wasted material, labour, or other resources incurred in the construction of an asset is not included in the cost of the assets. Existing AS 10 while dealing with self-constructed fixed assets does not mention the same. (Paragraph 22 of Ind AS 16)
- Ind AS 16 provides that the cost of an item of property, plant and equipment is the cash

price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with Ind AS 16. Similarly, the concept of cash price equivalent has been followed in case of disposal of fixed assets also. Existing AS 10 does not contain this requirement. (Paragraphs 23 and 72 of Ind AS 16)

- Existing AS 10 specifically deals with the situation where several assets are purchased for a consolidated price. It provides that the consideration should be apportioned to the various assets on the basis of their respective fair values. However, Ind AS 16 does not specifically deal with this situation. (Paragraph 15.3 of existing AS 10)
- Ind AS 16 requires that the residual value and useful life of an asset be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with AS 5. Under existing AS 6, such a review is not obligatory as it simply provides that useful life of an asset may be reviewed periodically. (Paragraph 51 of Ind AS 16)
- Ind AS 16 requires that the depreciation method applied to an asset should be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method should be changed to reflect the changed pattern. In existing AS 6, change in depreciation method can be made only if the adoption of the new method is required by statute or for compliance with an accounting standard or if it is considered that the change would result in a more appropriate preparation or presentation of the financial statements. (Paragraph 61 of Ind AS 16)
- Ind AS 16 requires that change in depreciation method should be considered as a change in accounting estimate and treated accordingly. In existing AS 6, it is considered as a change in accounting policy and treated accordingly. (Paragraph 61 of Ind AS 16)
- Ind AS 16 deals with the situation where entities hold the items of property, plant and equipment for rental to others and subsequently sell the same. No such provision is there in existing AS 10. (Paragraph 68A of Ind AS 16)

Ind AS 17, Leases and AS 19, Leases

- The existing standard excludes leases of land from its scope. Ind AS 17 does not have such scope exclusion. It has specific provisions dealing with leases of land and building applicable.
- The definition of residual value appearing in the existing standard has been deleted in Ind AS 17.
- Ind AS 17 deals with adjustment of lease payments during the period between inception of the lease and the commencement of the lease term. This aspect is not dealt with in the existing standard. Also, as per Ind AS 17, the lessee shall recognise finance leases as assets and liabilities in balance sheet at the commencement of the lease term whereas as per the existing standard such recognition is at the inception of the lease.

Ind AS 18, Revenue and the existing AS 9 (Issued 1985)

- Definition of ‘revenue’ given in the Ind AS 18 is broad compared to the definition of ‘revenue’ given in existing AS 9 because it covers all economic benefits that arise in the ordinary course of activities of an entity which result in increases in equity, other than increases relating to contributions from equity participants.
- Revenue arising from agreements of real estate development are specifically scoped out

from Ind AS18. Existing AS 9 does not exclude the same. • Ind AS 18 specifically deals with the exchange of goods and services with goods and services of similar and dissimilar nature. In this regard specific guidance is given regarding barter transactions involving advertising services. This aspect is not dealt with in the existing AS 9. • Ind AS 18 provides guidance on application of recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. Existing AS 9 does not specifically deal with the same. • For recognition of revenue in case of rendering of services, existing AS 9 permits the use of completed service contract method. Ind AS 18 requires recognition of revenue using percentage of completion method only. • Existing AS 9 requires the recognition of revenue from interest on time proportion basis. Ind AS 18 requires interest to be recognised using effective interest rate method. • Ind AS 18 specifically provides guidance regarding revenue recognition in case the entity is under any obligation to provide free or discounted goods or services or award credits to its customers due to any customer loyalty programme. Existing AS 9 does not deal with this aspect. • Ind AS 18 deals with accounting of transfer of property, plant and equipment by the customers to the entity, which are used by the entity to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. Existing AS 9 does not deal with this aspect. • Existing AS 9 specifically deals with disclosure of excise duty as a deduction from revenue from sales transactions. Ind AS 18 does not specifically deal with the same.
Ind AS 19, Employees Benefits, and existing AS 15 (revised 2005) Employees Benefits
• In Ind AS 19 employee benefits arising from constructive obligations are also covered whereas the existing AS 15 does not deal with the same. (Paragraph 3(c) of Ind AS 19) • Definitions of short-term employee benefits, other long-term employee benefits, return on plan assets and past service cost as per the existing AS 15 have been changed in Ind AS 19. (Paragraph 7 of Ind AS 19) • As per Ind AS 19, participation in a defined benefit plan sharing risks between various entities under common control is a related party transaction for each group entity and some disclosures are required in the separate or individual financial statements of an entity whereas the existing AS 15 does not contain similar provisions. (Paragraph 34 B of Ind AS 19). • Ind AS 19 requires recognition of the actuarial gains and losses in other comprehensive income, both for post-employment defined benefit plans and other long-term employment benefit plans. The actuarial gains and losses recognised in other comprehensive income should be recognised immediately in retained earnings and should not be reclassified to profit or loss in a subsequent period. Existing AS 15 requires recognition of the actuarial gains and losses immediately in the statement of profit and loss as income or expense
Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance, and AS 12 Accounting for Government Grants
• Ind AS 20 deals with the other forms of government assistance which do not fall within the definition of government grants. It requires that an indication of other forms of government assistance from which the entity has directly benefited should be disclosed in the financial statements. However, AS 12 does not deal with such government assistance.

- AS 12 requires that in case the grant is in respect of nondepreciable assets, the amount of the grant should be shown as capital reserve which is a part of shareholders' funds. It further requires that if a grant related to a non-depreciable asset requires the fulfilment of certain obligations, the grant should be credited to income over the same period over which the cost of meeting such obligations is charged to income. AS 12 also gives an alternative to treat such grants as a deduction from the cost of such asset.

  As compared to the above, Ind AS 20, is based on the principle that all government grants would normally have certain obligations attached to them and these grants should be recognised as income over the periods which bear the cost of meeting the obligation. It, therefore, specifically prohibits recognition of grants directly in the shareholders' funds.
- AS 12 recognises that some government grants have the characteristics similar to those of promoters' contribution. It requires that such grants should be credited directly to capital reserve and treated as a part of shareholders' funds. Ind AS 20 does not recognise government grants of the nature of promoters' contribution. As stated at (ii) above, Ind AS 20 is based on the principle that all government grants would normally have certain obligations attached to them and it, accordingly, requires all grants to be recognised as income over the periods which bear the cost of meeting the obligation.
- AS 12 requires that government grants in the form of nonmonetary assets, given at a concessional rate, should be accounted for on the basis of their acquisition cost. In case a non-monetary asset is given free of cost, it should be recorded at a nominal value. Ind AS 20 requires to to value non-monetary grants at their fair value, since it results into presentation of more relevant information and is conceptually superior as compared to valuation at a nominal amount.
- Existing AS 12 gives an option to present the grants related to assets, including non-monetary grants at fair value in the balance sheet either by setting up the grant as deferred income or by deducting the grant from the gross value of asset concerned in arriving at at its book value. Ind AS 20 requires presentation of such grants in balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at at at its book value is not available under Ind AS 20
- Ind AS 20 requires that loans received from a government that have a below-market rate of interest should be recognised and measured in accordance with Ind AS 39 (which requires all loans to be recognised at fair value, thus requiring interest to be imputed to loans with a below-market rate of interest) whereas AS 12 does not require so.

Ind AS 21 The Effects of Changes in Foreign Exchange Rates, and existing AS 11 The Effects of Changes in Foreign Exchange Rates

- Ind AS 21 is based on functional currency approach whereas existing AS 11 is not.
- Ind AS 21 permits an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity. In this situation, Ind AS 21 requires the accumulated exchange differences to be transferred to profit or loss in an appropriate manner. AS 11 does not permit such a treatment.
- Ind AS 21 permits an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity and to transfer the same to profit or loss over the term of such items. Existing AS 11, however, gives an option to the foreign currency gains and losses to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity to be transferred to profit or loss over the life of the

relevant liability/asset if such items are not related to acquisition of fixed assets upto 31st March 2011; where such items are related to acquisition of fixed assets, the foreign exchange differences can be recognised as part of the cost of the asset.
Ind AS 23, Borrowing Costs, and existing AS 16 Borrowing Costs
• Ind AS 23 does not require an entity to apply this standard to borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset measured at fair value, for example, a biological asset whereas the existing AS 16 does not provide for such scope relaxation. • Ind AS 23 excludes the application of this Standard to borrowing costs directly attributable to the acquisition, construction or production of inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis whereas existing AS 16 does not provide for such scope relaxation and is applicable to borrowing costs related to all inventories that require substantial period of time to bring them in saleable condition. • As per existing AS 16, Borrowing Costs, inter alia, include the following: (a) interest and commitment charges on bank borrowings and other short-term and long-term borrowings; (b) amortisation of discounts or premiums relating to borrowings; (c) amortisation of ancillary costs incurred in connection with the arrangement of borrowings; Ind AS 23 requires to calculate the interest expense using the effective interest rate method as described in Ind AS 39 Financial Instruments: Recognition and Measurement. Items • Ind AS 23 specifically provides that in some circumstances, it is appropriate to include all borrowings of the parent and its subsidiaries when computing a weighted average of the borrowing costs while in other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable to its own borrowings. This specific provision is not there in the existing AS 16.
Ind AS 24, Related Party Disclosures, and the existing AS 18 (Issued 2000) Related Party Disclosures
• Existing AS 18 uses the term "relatives of an individual", whereas Ind AS 24 uses the term "a close member of that person's family". Definition of close members of family as per Ind AS 24 includes the persons specified within the meaning of 'relative' under the Companies Act 1956 and that person's domestic partner, children of that person's domestic partner and dependants of that person's domestic partner. However, the existing AS 18 covers the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise. Hence, the definition as per Ind AS 24 is much wider.(Paragraph 3 of existing AS 18 and paragraph 9 of Ind AS 24). • Existing AS-18 defines state-controlled enterprise as "an enterprise which is under the control of the Central Government and/or any State Government(s)". However, in Ind AS 24, there is extended coverage of Government Enterprises, as it defines a government-related entity as "an entity that is controlled, jointly controlled or significantly influenced by a government." Further, "Government refers to government, government agencies and similar bodies whether local, national or international." (paragraph 10 of existing AS 18 and paragraph 9 of Ind AS 24) • Existing AS 18 covers key management personnel (KMP) of the entity only, whereas, Ind

AS 24 covers KMP of the parent as well. (Paragraph 3 of existing As 18 and paragraph 9 of Ind AS 24)

- Under Ind AS 24 there is extended coverage in case of joint ventures. Two entities are related to each other in both their financial statements, if they are either co-venturers or one is a venturer and the other is an associate. Whereas as per existing AS 18, co-venturers or co-associates are not related to each other.
- Ind AS 24 requires an additional disclosure as to the name of the next most senior parent which produces consolidated financial statements for public use, whereas the existing AS-18 has no such requirement.
- Ind AS 24 requires extended disclosures for compensation of KMP under different categories, whereas the existing AS 18 does not specifically require.
- Ind AS 24 requires "the amount of the transactions" need to be disclosed, whereas existing AS 18 gives an option to disclose the "Volume of the transactions either as an amount or as an appropriate proportion".
- Ind AS 24 requires disclosures of certain information by the government related entities, whereas the existing AS 18 presently exempts the disclosure of such information.

Ind AS 27 Consolidated and Separate Financial Statements, and existing AS 21, Consolidated Financial Statements

- Ind AS 27 makes the preparation of Consolidated Financial Statements mandatory for a parent. Existing AS 21 does not mandate the preparation of Consolidated Financial Statements by a parent.

  As far as separate financial statements are concerned, as per existing AS 21, Consolidated Financial Statements are prepared in addition to separate financial statements. However, Ind AS 27 does not mandate preparation of separate financial statements.
- Ind AS 27 provides guidance for accounting for investments in subsidiaries, jointly controlled entities and associates in preparing the separate financial statements. Existing AS 21 does not deal with the same.
- As per existing AS 21, subsidiary is excluded from consolidation when control is intended to be temporary or when subsidiary operates under severe long term restrictions. Ind AS 27 does not give any such exemption from consolidation except that if a subsidiary meets the criteria to be classified as held for sale, in that case it shall be accounted for as per Ind AS 105, Noncurrent Assets held for Sale and Discontinued Operations.
- As per the definition given in Ind AS 27, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. However, the definition of control given in the existing AS 21 is rule-based, which requires the ownership, directly or indirectly through subsidiary(ies), of more than half of the voting power of an enterprise; or control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities.
- As per existing AS 21 minority interest should be presented in the consolidated balance sheet separately from liabilities and equity of the parent's shareholders. However, as per Ind AS 27 non-controlling interests shall be presented in the consolidated balance sheet within equity separately from the parent shareholders' equity.
- Existing AS 21 permits the use of financial statements of the subsidiaries drawn upto a date different from the date of financial statements of the parent after making adjustments

regarding effects of significant transactions. The difference between the reporting dates should not be more than six months. As per Ind AS 27, the length of difference in the reporting dates of the parent and the subsidiary should not be more than three months.

- Both the existing AS 21 and Ind AS 27, require the use of uniform accounting policies. However, existing AS 21 specifically states that if it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied. However, Ind AS 27 does not recognise the situation of impracticability.

Ind AS 28, Investments in Associates, and existing AS 23 (issued 2001), Accounting for Investments in Associates in Consolidated Financial Statements

- Ind AS 28 excludes from its scope, investments in associates held by venture capital organisations, mutual funds, unit trusts and similar entities including investment-linked insurance funds, which are treated in accordance with Ind AS 39 Financial Instruments: Recognition and Measurement. The existing AS 23 does not make such exclusion.
- As per the definition given in Ind AS 28, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The definition of control given in the existing AS 23 is rule-based, which requires the ownership, directly or indirectly through subsidiary(ies), of more than half of the voting power of an enterprise; or control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other entity so as to obtain economic benefits from its activities.
- Existing AS 23 requires application of the equity method only when the entity has subsidiaries and prepares Consolidated Financial Statements. Ind AS 28 requires application of equity method in financial statements other than separate financial statements even if the investor does not have any subsidiary.
- One of the exemptions from applying equity method in the existing AS 23 is where the associate operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investee. No such exemption is provided in Ind AS 28.
- The existing AS 23 permits the use of financial statements of the associate drawn upto a date different from the date of financial statements of the investor when it is impracticable to draw the financial statements of the associate upto the date of the financial statements of the investor. There is no limit on the length of difference in the reporting dates of the investor and the associate. As per Ind AS 28 , length of difference in the reporting dates of the investor and the associate should not be more than three months unless it is impracticable.
- Both the existing AS 23 and Ind AS 28 require that similar accounting policies should be used for preparation of investor's financial statements and in case an associate uses different accounting policies for like transactions, appropriate adjustments shall be made to the accounting policies of the associate. The existing AS 23 provides exemption to this that if it is not possible to make adjustments to the accounting policies of the associate, the fact shall be disclosed along with a brief description of the differences between the accounting policies. Ind AS 28 provides that the investor's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances unless it is impracticable to do so.
- As per existing AS 23, investor's share of losses in the associate is recognised to the

extent of carrying amount of investment in the associate. As per Ind AS 28, carrying amount of investment in the associate as well as its other long term interests in the associate that, in substance form part of the investor's net investment in the associate shall be considered for recognising investor's share of losses in the associate.

- With regard to impairment, the existing AS 23 requires that the carrying amount of investment in an associate should be reduced to recognise a decline, other than temporary, in the value of the investment. Ind AS 28 requires that after application of equity method, including recognising the associate's losses, the requirements of Ind AS 39 shall be applied to determine whether it is necessary to recognise any additional impairment loss.

Ind AS 31, Interests in Joint Ventures and existing AS 27 (issued 2002), Financial Reporting of Interests in Joint Ventures

- The scope of Ind AS 31 specifically excludes joint venture investments made by venture capital organizations, mutual funds, unit trusts and similar entities including investment-linked insurance funds which are treated in accordance with Ind AS 39 Financial Instruments: Recognition and Measurement. The existing AS 27 does not make such exclusion.
- Ind AS 31 provides that a venturer can recognise its interest in jointly controlled entity using either proportionate consolidation method or equity method. Existing AS 27 prescribes the use of proportionate consolidation method only.
- Existing AS 27 requires application of the proportionate consolidation method only when the entity has subsidiaries and prepares Consolidated Financial Statements. Ind AS 31 requires proportionate consolidation of jointly controlled entities, even if the venturer does not have any subsidiary in financial statements other than separate financial statements.

Ind AS 32, Financial Instruments: Presentation, and existing AS 31 Financial Instruments: Presentation

- The existing AS 31 does not apply to contracts for contingent consideration in a business combination in case of acquirers. Ind AS 32 does not exempt such contracts. (Paragraph 3 (c) of existing AS 31)
- Ind AS 32 specifies conditions for offsetting a financial liability or financial asset. The existing AS 31 does not specify the same. (AG 38 of Ind AS 32)
- As an exception to the definition of 'financial liability' in paragraph 11 (b) (ii), Ind AS 32 considers the equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments as an equity instrument if the exercise price is fixed in any currency. This exception is not provided in AS 31.

Ind AS 33, Earnings per Share, and existing AS 20, Earnings per Share

- Existing AS 20 does not specifically deal with options held by the entity on its shares, e.g., purchased options, written put option etc. Ind AS 33 deals with the same.
- Ind AS 33 requires presentation of basic and diluted EPS from continuing and discontinued operations separately. However, existing AS 20 does not require any such disclosure.
- Existing AS 20 requires the disclosure of EPS with and without extraordinary items. Since as per Ind AS 1, Presentation of Financial Statements, no item can be presented as extraordinary item, Ind AS 33 does not require the aforesaid disclosure.

Ind AS 34, Interim Financial Reporting, and existing AS 25 (Issued 2002) Interim Financial Reporting
• As per the existing standard, the contents of an interim financial report include, at a minimum, a condensed balance sheet, a condensed statement of profit and loss, a condensed cash flow statement and selected explanatory notes. Ind AS 34 requires, in addition to the above, a condensed statement of changes in equity for the period which is presented as a part of the balance sheet. (Consequential to change in Ind AS 1) • Ind AS 34 prohibits reversal of impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. There is no such specific prohibition in the existing standard. • Under the existing standard, if an entity's annual financial report included the consolidated financial statements in addition to the separate financial statements, the interim financial report should include both the consolidated financial statements and separate financial statements, complete or condensed. Ind AS 34 states that it neither requires nor prohibits the inclusion of the parent's separate statements in the entity's interim report prepared on a consolidated basis. (Paragraph 14 of revised AS 25) • While the existing standard requires furnishing of information on contingent liabilities only, Ind AS 34 requires furnishing of information on both contingent liabilities and contingent assets, if they are significant. (Paragraph 15B(m) of Ind AS 34)
Ind AS 36, Impairment of Assets, and existing AS 28 (issued 2002), Impairment of Assets
• Ind AS 36 applies to financial assets classified as: (a) subsidiaries, as defined in Ind AS 27, (b) associates as defined in Ind AS 28) (c) joint ventures as defined in Ind AS 31 The existing AS 28 does not apply to the above assets. • Ind AS 36 requires annual impairment testing for an intangible asset with an indefinite useful life or not yet available for use and goodwill acquired in a business combination. The existing AS 28 does not require the annual impairment testing for the goodwill unless there is an indication of impairment. • The existing AS 28 requires that the impairment loss recognised for goodwill should be reversed in a subsequent period when it was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events that have occurred that reverse the effect of that event whereas Ind AS 36 prohibits the recognition of reversals of impairment loss for goodwill.
Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets, and Existing AS 29 (issued 2003) Provisions, Contingent Liabilities and Contingent Assets
• The existing AS 29 prohibits discounting the amounts of provisions. Ind AS 37 requires discounting the amounts of provisions, if effect of the time value of money is material. • The existing AS 29 notes the practice of disclosure of contingent assets in the report of the approving authority but prohibits disclosure of the same in the financial statements. Ind AS 37 requires disclosure of contingent assets in the financial statements when the inflow of economic benefits is probable.

Ind AS 38, Intangible Assets, and the existing AS 26 (Issued 2002)
• The existing standard defines an intangible asset as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes whereas in Ind AS 38 , the requirement for the asset to be held for use in the production or supply of goods or services, for rental to others, or for administrative purposes has been removed from the definition of an intangible asset. • Under Ind AS 38, if payment for an intangible asset is deferred beyond normal credit terms, the difference between this amount and the total payments is recognised as interest expense over the period of credit unless it is capitalised as per Ind AS 23. However, there is no such provision in the existing standard. • As per Ind AS 38, when intangible assets are acquired free of charge or for nominal consideration by way of government grant, an entity should, in accordance with Ind AS 20, record both the grant and the intangible asset at fair value. As per the existing standard, intangible assets acquired free of charge or for nominal consideration by way of government grant is recognised at nominal value or at acquisition cost, as appropriate plus any expenditure that is attributable to making the asset ready for intended use.(Paragraph 33 of existing AS 26) (Paragraph 44 of Ind AS 38) • The existing standard is based on the assumption that the useful life of an intangible asset is always finite, and includes a rebuttable presumption that the useful life cannot exceed ten years from the date the asset is available for use. That rebuttable presumption is not there in Ind AS 38. Ind AS 38 recognizes that the useful life of an intangible asset can even be indefinite subject to fulfilment of certain conditions, in which case it should not be amortised but should be tested for impairment. • Ind AS 38 permits an entity to choose either the cost model or the revaluation model as its accounting policy, whereas in the existing standard, revaluation model is not permitted. • Paragraph 94 of Ind AS 38 acknowledges that the useful life of an intangible asset arising from contractual or legal rights may be shorter than the legal life. The existing standard does not include such a provision. • Under Ind AS 38, the residual value is reviewed at least at each financial year-end. If it increases to an amount equal to or greater than the asset's carrying amount, amortisation charge is zero unless the residual value subsequently decreases to an amount below the asset's carrying amount. However, the existing standard specifically requires that the residual value is not subsequently increased for changes in prices or value. • As per the existing standard, change in the method of amortisation is a change in accounting policy whereas as per Ind AS 38 (paragraph 104), this would be a change in accounting estimate. • The existing standard also requires annual impairment testing of asset not yet available for use. There is no such requirement in Ind AS 38.
Ind AS 39, Financial Instruments: Recognition and Measurement and the existing AS 30, Financial Instruments: Recognition and Measurement
• As per Paragraph 2(f) of AS 30, the contracts for contingent consideration in a business combination in case of acquirers are exempted from the scope of the Standard. However, Ind AS 39 does not include this exemption. • Ind AS 39 states that 'an entity shall not reclassify any financial instrument out of the fair

value through profit or loss category if upon initial recognition it was designated by the entity as at fair value through profit or loss; and may, if a financial asset is no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), reclassify that financial asset out of the fair value through profit or loss category if the requirements in paragraph 50B or 50D are met.' AS 30 prohibits any financial instruments into or out of the category of financial instruments designated at fair value through profit or loss. (Paragraph 50(b) of Ind AS 39) • AS 30 states that 'an entity should not reclassify a financial instruments into or out of the fair value through profit or loss category while it is held or issued' while Ind AS 39 states that 'an entity shall not reclassify a derivative out of the fair value through profit or loss category while it is held or Issued.' (Paragraph 50 of Ind AS 39). • Ind AS 39 does not exempt contracts for contingent consideration in a business combination from its scope while the existing standard provides an exemption. In the existing standard, the exemption applies only to the acquirer.. • Ind AS 39 provides that in determining the fair value of the financial liabilities which upon initial recognition are designated at fair value through profit or loss, any change in fair value consequent to changes in the entity's own credit risk shall be ignored. AS 30, however, requires all changes in fair values in case of such liabilities to be recognised in profit or loss.
Ind AS 103, Business Combinations, and existing AS 14, Accounting for Amalgamations
• Ind AS 103 defines business combination which has a wider scope whereas the existing AS 14 deals only with amalgamation. • Under the existing AS 14 there are two methods of accounting for amalgamation. The pooling of interest method and the purchase method. Ind AS 103 prescribes only the acquisition method for each business combination. • Under the existing AS 14, the acquired assets and liabilities are recognised at their existing book values or at fair values under the purchase method. Ind AS 103 requires the acquired identifiable assets liabilities and non-controlling interest to be recognised at fair value under acquisition method. • Ind AS 103 requires that for each business combination, the acquirer shall measure any non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. On other hand, the existing AS 14 states that the minority interest is the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and it is shown outside shareholders' equity. • Under Ind AS 103, the goodwill is not amortised but tested for impairment on annual basis in accordance with Ind AS 36.The existing AS 14 requires that the goodwill arising on amalgamation in the nature of purchase is amortised over a period not exceeding five years • Ind AS 103 deals with reverse acquisitions whereas the existing AS 14 does not deal with the same. • Ind AS 103 requires bargain purchase gain arising on business combination to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve. Under existing AS 14 the excess amount is treated as capital reserve.

Ind AS 105, Non-current Assets Held for Sale and Discontinued Operations, and the existing AS 24 (issued 2002), Discontinuing Operations
• Under Ind AS 105, a discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale. In the existing AS 24, there is no concept of discontinued operations but it deals with discontinuing operations. • As per Ind AS 105, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification with certain exceptions. The existing AS 24 does not specify any time period in this regard as it relates to discontinuing operations • Under Ind AS 105, non-current assets (disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the balance sheet. The existing AS 24 requires to apply the principles set out in other relevant Accounting Standards, e.g., the existing AS 10 requires that the fixed assets retired from active use and held for disposal should be stated at the lower of their net book value and net realisable value and shown separately in the financial statements.
Ind AS 108 Operating Segments, and the existing AS 17 (Issued 2000), Segment Reporting
• Identification of segments under Ind AS 108 is based on 'management approach' i.e. operating segments are identified based on the internal reports regularly reviewed by the entity's chief operating decision maker. Existing AS 17 requires identification of two sets of segments—one based on related products and services, and the other on geographical areas based on the risks and returns approach. One set is regarded as primary segments and the other as secondary segments. • Ind AS 108 requires that the amounts reported for each operating segment shall be measured on the same basis as used by the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Existing AS 17 requires segment information to be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements. Accordingly, existing AS 17 also defines segment revenue, segment expense, segment result, segment assets and segment liabilities. • Ind AS 108 requires disclosures of revenues from external customers for each product and service. With regard to geographical information, it requires the disclosure of revenues from customers in the country of domicile and in all foreign countries, non-current assets in the country of domicile and all foreign countries. It also requires disclosure of information about major customers. Disclosures in existing AS 17 are based on the classification of the segments as primary or secondary segments. Disclosure requirements for primary segments are more detailed as compared to secondary segments.