
PwC Reporting *InBrief*

FAQs on the SEBI circular on the revised format for financial results and implementation of Ind AS

July 2016



Background

The Securities and Exchange Board of India (SEBI) had earlier issued a circular dated 30 November 2015 (November '15 circular), prescribing the formats for publishing financial results under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. SEBI has modified the format for publishing financial results and also provided certain relaxations and

clarifications on issues relating to the implementation of Ind AS vide its circular dated 5 July 2016 (July '16 circular). This alert includes the highlights of the circular and FAQs relating to the impact of these circulars on entities complying with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS/Ind AS Rules).



Highlights

Formats

- The formats prescribed in the November'15 circular continue to be relevant for the first three quarters of the financial year 2016–17 (till December 2016) for the purpose of submission to stock exchanges.
- For periods ending on or after 31 March 2017, formats for unaudited/audited quarterly results and the unaudited/audited half-yearly statement of assets and liabilities/balance sheet will be as per the formats for the balance sheet and statement of profit and loss (excluding notes and detailed sub-classification) prescribed in Schedule III to the Companies Act, 2013. (Banking and insurance companies are required to follow the formats prescribed under the acts/regulations specified by their respective regulators).
- Financial results have to include certain minimum segment information in compliance with Ind AS 108, 'Operating segments'.
- The July '16 circular prescribes the format to be followed for publishing financial results in newspapers.
- In case of any technical difficulties relating to the formats or implementation of circulars, reference can be made to the relevant provisions of Ind AS Rules and Schedule III to the Companies Act, 2013. (Suitable explanations and clarifications have to be given in the results, if they are considered necessary).
- Where a company has changed its year end to align with the year end of 31 March and the comparative/current year end is shorter or longer than a 12-month period, the comparative information included will relate to such a shorter or longer period. (A suitable note has to be included, with due prominence, that comparatives are not entirely comparable.)

Ind AS compliance

- Comparatives have to be filed along with quarterly/annual financial results for Ind AS compliance.
- All relaxations available for first-time adopters in 2016–17 will also be available to companies which will be covered by Ind AS requirements in subsequent phases during their corresponding first year of Ind AS implementation.
- Disclosure of the balance of reserves (excluding the revaluation reserve) as per the balance sheet of the previous year ended 31 March 2016 is not mandatory for the first three quarters ending 31 December 2016.
- An entity with subsidiaries, joint ventures or associates can exercise the option to submit quarterly consolidated financial results in the second quarter (30 September 2016) instead of the first quarter (30 June 2016). The option cannot be changed once exercised.

Relaxations for quarters ending 30 June 2016 and 30 September 2016

- The timeline has been extended by one month (results can be filed up to 75 days from the end of each quarter).
- In terms of comparatives, for the quarter ending 30 June 2016, only the corresponding quarter of the previous year needs to be provided. A limited review or audit of such comparatives is not mandatory. For the quarter ending 30 September 2016, only the corresponding quarter and year-to-date comparatives need to be provided.
- For the quarter ending 30 June 2016, presenting Ind AS-compliant financial results for the preceding quarter and previous year ended 31 March 2016 is not mandatory. Similarly, for the quarter ending 30 September 2016, presenting Ind AS-compliant financial results for the previous year ended 31 March 2016 is not mandatory. In both cases, even if disclosed, a limited review or audit of such information is not mandatory.
- Where no limited review or audit is performed for the comparative period, this fact will be mentioned with due prominence in the results. However, management needs to exercise necessary due diligence to ensure that the financial results provide a true and fair view of its affairs.
- The format for the balance sheet for the half-year ended 30 September 2016 will be as per that prescribed in Schedule III to the Companies Act, 2013

Relaxations for the quarter ending 31 December 2016

Submission of Ind AS-compliant financial results for the previous year ended 31 March 2016 is not mandatory. However, if these results are included, they need to be subjected to a limited review or audit.

Reconciliations

- The November '15 circular mandates disclosures as required by paragraph 32 of Ind AS 101 relating to the presentation of reconciliations.
- The July '16 circular requires the following reconciliations to be given:
 - Reconciliation of equity for the previous year ended 31 March 2016 to be provided while submitting the audited yearly balance sheet for the period ended 31 March 2017
 - Reconciliation of equity for the previous year ended 31 March 2016 to be provided in case the listed entity intends to provide the same while submitting the unaudited/audited Ind AS-compliant half-yearly balance sheet for the period ended 30 September 2016
 - Reconciliation of profit or loss to be provided only for the corresponding quarter of the previous year

Frequently asked questions (FAQs)

Results: Format and content

1. Are the relaxations discussed above available to a company which has adopted Ind AS on a voluntary basis?

Yes. The July '16 circular does not distinguish between entities that have adopted Ind AS on a voluntary basis and those which are mandated to comply with Ind AS. It is to be noted that these relaxations are meant for the implementation of Ind AS during the first year of adoption.

2. Is it mandatory or optional to give Indian GAAP [Companies (Accounting Standards) Rules, 2006, as amended] comparatives for the other columns (apart from those for the current quarter and corresponding quarter of the previous year prepared in accordance with Ind AS)?

The circulars (November '15 and July '16) do not prescribe disclosure of Indian GAAP comparatives for any period. Further, the November '15 circular clearly states that entities adopting Ind AS shall ensure that the comparatives filed along with quarterly/annual financial results are Ind AS compliant. In view of the above, it would not be appropriate to disclose Indian GAAP as comparative information.

3. Is an entity mandatorily required to present consolidated results?

The requirements for presenting consolidated results are included in Regulation 33(3)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This regulation requires companies to exercise an option as to whether or not they will submit quarterly/year-to-date consolidated financial results in addition to the stand-alone financial results. The only relaxation provided by the July '16 circular is that companies can exercise this option in the second quarter as against the requirement in Regulation 33(3)(b) of having to exercise the option in the first quarter.

4. The format specified in the November '15 and July '16 circulars allows the presentation of extraordinary items. Can extraordinary items be disclosed as a part of Ind AS-compliant results?

Ind AS 1 (paragraph 87) expressly prohibits disclosure of any item as an 'extraordinary item'. The July '16 circular (paragraph 2.10) clarifies that reference should be made to Ind AS Rules in case of a technical difficulty in interpreting any specific item in the format or implementation of the circular. In view of this, to ensure compliance with Ind AS, no item can be disclosed as extraordinary in Ind AS-compliant results. Refer to Annexure 1 below for a discussion on exceptional items:

'An entity shall not present any items of income or expense as extraordinary items, in the statement of profit and loss or in the notes.' (Ind AS 1, paragraph 87)

5. Do reconciliations have to form a mandatory part of the results to be published in the newspapers or should they form part of the results submitted to the stock exchanges only?

The format in Annexure I to the July '16 circular containing the format of the results to be published in newspapers does not include a requirement for disclosing the reconciliations. Accordingly, it appears that disclosure of reconciliations in the published results is not a mandatory requirement; however, a company may choose to do so voluntarily. The reconciliations shall mandatorily be included as part of the results for submission to the stock exchanges.

6. Is a reconciliation for total comprehensive income/profit or loss required while submitting annual audited financial results?

Yes. There is no specific relaxation included in the July '16 circular with respect to providing reconciliation for total comprehensive income/profit or loss along with the annual audited financial results. Accordingly, the reconciliation will need to be provided in accordance with the requirement of Ind AS 101, paragraph 24.

7. Is a reconciliation for total comprehensive income/profit or loss relating to the preceding quarter required where an entity opts to present preceding quarter results voluntarily?

Neither the July '16 circular nor paragraph 32 of Ind AS 101 includes any specific disclosure requirement for the reconciliation of total comprehensive income/profit or loss relating to the preceding quarter. Companies can opt to disclose such information voluntarily.

8. What are the generally expected changes to the format prescribed in the November '15 circular in order to be compliant with Ind AS and Schedule III (Division II) to the Companies Act, 2013?

Paragraph 2.10 of the July '16 circular allows reference to be made to the relevant provisions of Ind AS Rules and Schedule III to the Companies Act, 2013, where necessary, to make suitable modifications to the prescribed formats. The significant items where a modification may be required include:

- Excise duty: To align with the requirements of Schedule III (Division II) to the Companies Act, 2013, as well as the requirements of Ind AS 18, 'Revenue', the requirement in the format prescribed in the November '15 circular to disclose revenue net of excise duty requires modification. On the basis of these requirements, revenue will be disclosed gross, including excise duty.
- Extraordinary items: As discussed in FAQ 4 above, no item should be disclosed as an extraordinary item in line with the requirements of Ind AS 1, 'Presentation of financial statements'.
- Other comprehensive income: Although the format prescribed by SEBI does not include any reference to other comprehensive income, the same would be disclosed to comply with Ind AS Rules and Schedule III (Division II) to the Companies Act, 2013.

Also, refer to **Annexure 1**, which includes an illustrative format for quarterly financial results per Ind AS.

Requirement relating to audit/limited review

9. Is a limited review/audit required for the current quarter (June 2016 and September 2016)?

Yes. The relaxation given in paragraph 2.6.1 (ii) of the July '16 circular with respect to a limited review or audit not being mandatory is only with respect to the comparative results. It has not been extended to the current period quarter.

10. Do comparatives for the December quarter require a review or audit?

Yes. Presently, there is no specific relaxation given in paragraph 2.6.2 of the July '16 circular making a limited review or audit optional for the comparative period for the quarter ended 31 December 2016. Accordingly, to ensure compliance with Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it appears a review/audit would be required.

11. Do comparatives for the year ended 31 March 2016 need to be audited while submitting annual results for the year ended 31 March 2017?

Yes. Presently, there is no specific relaxation with respect to presenting audited comparative information for the year ending on 31 March 2017 that has been given in the July '16 circular. Accordingly, to ensure compliance with Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it appears such an audit would be required.



Annexure 1

This format is for illustrative purposes only based on the requirements of SEBI Circular CIR/CFD/CMD/15/2015 dated 30 November 2015, Circular CIR/CFD/FAC/62/2016 dated 5 July 2016, Companies (Indian Accounting Standards) Rules, 2015 and Schedule III (Division II) to the Companies Act, 2013. Companies may modify the format and notes to the financial results based on their specific circumstances, ensuring that the regulatory requirements are met.

Statement of stand-alone/consolidated unaudited/audited results for the quarter ended 30 June 2016

PART- I	Mandatory	Optional	Mandatory	Optional
Particulars	3 months ended (dd/mm/yyyy)	Preceding 3 months ended (dd/mm/yyyy)	Corresponding 3 months ended in the previous year (dd/mm/yyyy)	Previous year ended (dd/mm/yyyy)
(Refer to notes below)	(Unaudited)/(audited)	Not subjected to review/audit	Not subjected to review/audit	Not subjected to review/audit
1. Income from operations a. Net sales/income from operations b. Other operating income Total income from operations				
2. Expenses a. Cost of materials consumed b. Purchase of stock-in-trade c. Changes in inventories of finished goods, work-in-progress and stock-in-trade d. Employee benefits expense e. Depreciation and amortisation expense f. Other expenses (any item exceeding 10% of the total expenses relating to continuing operations to be shown separately) Total expenses				
3. Profit/(loss) from operations before other income, finance costs and exceptional items (1 - 2)				
4. Other income				
5. Profit/(loss) before finance costs and exceptional items (3+4)				
6. Finance costs				
7. Profit/(loss) before exceptional items (5 - 6)				
8. Exceptional items				
9. Profit/(loss) before tax (7 +/- 8)				

PART- I	Mandatory	Optional	Mandatory	Optional
Particulars	3 months ended (dd/mm/yyyy)	Preceding 3 months ended (dd/mm/yyyy)	Corresponding 3 months ended in the previous year (dd/mm/yyyy)	Previous year ended (dd/mm/yyyy)
(Refer to notes below)	(Unaudited)/ (audited)	Not subjected to review/audit	Not subjected to review/audit	Not subjected to review/audit
10. Tax expense				
11. Net profit/(loss) for the period (9 +/- 10)				
12. Share of profit/(loss) of associates and joint ventures*				
13. Net profit/(loss) for the period (11 +/- 12)*				
14. Other comprehensive income, net of income tax a. Items that will not be reclassified to profit or loss b. Items that will be reclassified to profit or loss Total other comprehensive income, net of income tax				
15. Total comprehensive income for the period (13 +/- 14)*				
16. Net profit/(loss) attributable to:* • Owners • Non-controlling interests Total comprehensive income attributable to:* • Owners • Non-controlling interests				
17. Paid-up equity share capital (face value of the share shall be indicated)				
18. Reserve excluding revaluation reserves as per the balance sheet of the previous accounting year #				
19. Earnings per share (of ___ INR/- each) (not annualised): a. Basic b. Diluted				

See the accompanying note to the financial results

Commentary:

**Applicable in the case of consolidated results. Additionally, in such cases, line item 11 to be titled as 'Net profit/(loss) for the period before share of profit/(loss) of associates and joint ventures'.*

Optional disclosure for quarter ended 30 June 2016.

1. This is the format for the submission of unaudited/audited financial results by companies other than banks (refer to Annexure I to SEBI's Circular CIR/CFD/CMD/15/2015 dated 30 November 2015).
2. Profit/loss from discontinuing operations, if any, shall be disclosed separately with details thereof. Refer to Schedule III (Division II) to the Companies Act, 2013, for such format.
3. Net sales/income from operations is to include excise duty.
4. The above format is for the purpose of submission to the stock exchanges and not publishing in the newspaper.
5. As per Ind AS 1, 'Presentation of financial statements' (paragraph 87), an entity shall not present any items of income or expense as extraordinary items in the statement of profit and loss or in the notes.
6. Ind AS 1 does not include a specific name for the types of items that should be separately disclosed. The term 'exceptional items' should not be confused with the term 'extraordinary items'. The concept of 'extraordinary items' does not exist in Ind AS and all items of income and expense, including exceptional items, are, therefore, deemed to arise from ordinary activities. Those companies that choose to disclose a category 'exceptional items' in their Ind AS financial statements should ensure that the notes to the financial statements include a definition of this term; this is particularly important because the term 'exceptional item' is not defined within Ind AS and Schedule III. The term will be unfamiliar to some users of the financial statements and may not be comparably applied across different companies. Typically, companies include the definition of such terms in their principal accounting policies. The presentation and definition of these items should be applied consistently from year to year.
7. An entity shall present earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity.
8. The SEBI format prescribes the presentation of share of profit/loss of associates and joint ventures after profit/loss after tax. Normally, this would be shown after finance cost and before profit/loss before income tax. Both the presentations are acceptable for the purpose of quarterly results.



Notes to the financial results:

1. This statement has been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on _____.
2. This statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS), prescribed under Section 133 of the Companies Act, 2013, and other recognised accounting practices and policies to the extent applicable. Beginning 1 April 2016, the Company has for the first time adopted Ind AS with a transition date of 1 April 2015.
3. The format for unaudited quarterly results as prescribed in SEBI's Circular CIR/CFD/CMD/15/2015 dated 30 November 2015 has been modified to comply with the requirements of SEBI's circular dated 5 July 2016, Ind AS and Schedule III (Division II) to the Companies Act, 2013, which are applicable to companies that are required to comply with Ind AS.
4. The statement does not include Ind AS-compliant results for the preceding quarter and previous year ended 31 March 2016 as the same are not mandatory as per SEBI's circular dated 5 July 2016.
5. Segment information as per Ind AS 108, 'Operating segments':

Commentary:

The note shall contain the following minimum information:

- a. Segment revenue (including inter-segment revenue);
- b. Segment results;
- c. Segment assets;
- d. Segment liabilities.

Unallocated items, wherever applicable, shall be shown separately in respect of the above information. Aggregate inter-segment revenue shall be shown as a deduction from the segment revenue.

6. The Ind AS-compliant corresponding figures in the previous year have not been subjected to review/audit. However, the Company's management has exercised necessary due diligence to ensure that such financial results provide a true and fair view of its affairs.
7. The reconciliation of net profit or loss reported in accordance with Indian GAAP to total comprehensive income in accordance with Ind AS is given below:

Description	Corresponding 3 months ended in the previous year (dd/mm/yyyy)
	Not subjected to review/audit
	(Unaudited)/ (audited)
Net profit or loss as per previous GAAP (Indian GAAP)	
Add/Less: Adjustment (A) Adjustment (B)	
Net profit/loss as per Ind AS	
Other comprehensive income, net of income tax	
Total comprehensive income for the period	

Brief notes to the reconciliation:

- (a) Adjustment A represents XXX_____
- (b) Adjustment B represents XXX_____

Commentary:

A reconciliation to its total comprehensive income in accordance with Ind AS for the comparable interim period (current and year to date). The starting point for such reconciliation shall be the profit or loss in accordance with previous GAAP (Indian GAAP) (paragraph 32 (a) (ii) of Ind AS 101). The reconciliations shall give sufficient detail to enable users to understand the material adjustments to the statement of profit and loss.

8. Any other significant/material event or matters as per the requirements of 'Schedule IV - Part A: Disclosure in financial results' of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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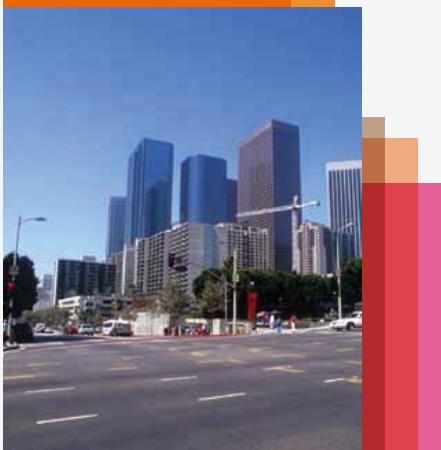
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