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IFRS, US GAAP, Ind AS and Indian GAAP
Similarities and differences

pwc

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Preface

This publication is designed to alert companies, investors, and other capital market participants to the major differences between IFRS, US GAAP, Ind AS and Indian GAAP as they exist today, and to the timing and scope of accounting changes that the standard setting agendas of the International Accounting Standards Board (IASB), the Financial Accounting Standards Board (FASB) and Institute of Chartered Accountants of India (ICAI) (collectively, the Boards) will bring. Also, as discussed in Chapter 1, knowing the different accounting frameworks and being financially multilingual are increasingly important for capital market participants. Each topical chapter consists of the following:

- A conceptual discussion of the current IFRS, US GAAP, Ind AS and Indian GAAP similarities and differences;
- A more detailed analysis of current differences between the frameworks, including an assessment of the impact embodied within the differences; and
- Commentary and insight with respect to recent/proposed guidance.

Though this publication is not all-encompassing, it does focus on those differences that we generally consider to be the most significant or most common. When applying the individual accounting frameworks, companies should consult all of the relevant accounting standards and, where applicable, national law.

Locating guidance on particular topics

Guidance on particular topics can be located using the table of contents. The table of contents provides a detailed listing of the various sections in each chapter. The titles of each section are intentionally descriptive to enable users to easily find a particular topic.

References to other chapters and sections in this publication

Where relevant, the discussion includes general and specific references to other chapters of the publication that provide additional information. References to another chapter or particular section within a chapter are indicated by the abbreviation "SD" followed by the specific section number (e.g. SD 2.3.2 refers to section 2.3.2 in Chapter 2 of this publication).

Guidance date

This publication considers authoritative pronouncements and other developments under IFRS, US GAAP, Ind AS and Indian GAAP through 31 May 2017. Future editions may be released to keep pace with significant developments and can be found on the PwC website (www.pwc.in). In addition, this publication supersedes all previously issued editions.

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This publication has been prepared to support you in reviewing the differences between IFRS, US GAAP, Ind AS and Indian GAAP that we generally consider to be the most significant or most common. It should be used in combination with a thorough analysis of the relevant facts and circumstances, review of the authoritative accounting literature, and appropriate professional and technical advice.

We hope you find the information and insights in this publication useful. We will continue to share additional perspectives and interpretations as they develop.

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1. Importance of being financially multilingual

1.1. Overview

India has not adopted IFRS Standards. India has adopted Indian Accounting Standards (Ind AS) that are based on and substantially converged with IFRS Standards as issued by the IASB.

Ind AS is being applied in a phased manner from 1 April 2016, beginning with companies whose net worth is equal to or exceeding 500 crore INR. Comparative Ind AS information for the year ending 31 March 2016 is also required. Listed companies and others with a net worth equal to or exceeding 250 crore INR will follow suit starting 1 April 2017.

Banks and Insurance companies are required to comply with Ind AS beginning from 1 April 2018.

Non-Banking Financial Corporations shall apply Ind AS in a phased manner from 1 April 2018, beginning with NBFCs whose net worth is equal to or exceeding 500 crore INR. Comparative Ind AS information for the year ending 31 March 2018 will also be required. Listed NBFCs and NBFCs with a net worth equal to or exceeding 250 crore INR will follow suit starting 1 April 2019.

The companies not covered under Ind AS roadmap shall continue to apply existing Indian GAAP, however, they can voluntarily adopt Ind AS. Once Ind AS is applied, an entity cannot switch back to Indian GAAP.

1.2. Influence of IFRS on Ind AS

As per preface to the Statements of Accounting Standards, the ICAI, being a full-fledged member of the International Federation of Accountants (IFAC), is expected, inter alia, to actively promote the IASB's pronouncements in the country with a view to facilitate global harmonization of accounting standards. Accordingly, while formulating the Accounting Standards, the Accounting Standards Board (ASB) will give due consideration to International Accounting Standards (IASs) issued by the International Accounting Standards Committee (predecessor body to IASB) or International Financial Reporting Standards (IFRSs) issued by the IASB, as the case may be, and try to integrate them, to the extent possible, in the light of the conditions and practices prevailing in India.

1.3. IFRS and US GAAP affects Indian businesses in multiple ways

While use of IFRS/US GAAP in India by companies for its statutory reporting is not allowed, IFRS/US GAAP remains increasingly relevant to many Indian businesses. Companies will be affected by IFRS/US GAAP at different times and to a different degree, depending on factors such as size, industry, geographic makeup, M&A activity, and global expansion plans. The following discussion expands on these impacts.

1.3.1. Mergers and acquisitions and capital-raising

The volume of global M&A transactions continues to remain at historically high levels. As more companies look outside their borders for potential buyers, targets, and capital, knowledge and understanding of IFRS and US GAAP becomes increasingly important. Despite the FASB and IASB recent standard-setting coordination, significant differences in both bottom-line impact and disclosure requirements remain. Understanding these differences and their impact on key deal metrics, as well as on both short and long-term financial reporting requirements, will lead to a more informed decision-making process and help minimize late surprises that could significantly impact deal value or timing.

1.3.2. Foreign stakeholders

As our marketplace becomes increasing global, more Indian companies have foreign stakeholders. These stakeholders may require IFRS/US GAAP financial information, including budgets and management information prepared under IFRS/US GAAP.

1.3.3. Foreign businesses

Many countries currently require or permit IFRS for statutory financial reporting purposes, while other countries have incorporated IFRS into their local accounting framework used for statutory reporting. As a result, Indian multinational companies should, at a minimum, monitor the IFRS activity of their foreign businesses.

Our point of view

To assist investors and preparers in obtaining this multilingual skill, this publication provides a broad understanding of the major differences between IFRS, US GAAP, Ind AS and Indian GAAP as they exist today, as well as an appreciation for the level of change on the horizon. While this publication does not cover every difference between these frameworks, it focuses on those differences we generally consider to be the most significant or most common.

2. IFRS/Ind AS first-time adoption

2.1. IFRS/Ind AS first-time adoption

IFRS 1/Ind AS 101 *First-Time Adoption of IFRS/Ind AS*, is the standard that is applied during preparation of a company's first IFRS/Ind AS based financial statements. IFRS 1/Ind AS 101 was created to help companies transition to IFRS/Ind AS and provides practical accommodations intended to make first-time adoption cost-effective. It also provides application guidance for addressing difficult conversion topics.

2.1.1. What does IFRS 1/Ind AS 101 require?

The key principle of IFRS 1/Ind AS 101 is full retrospective application of all IFRS/Ind AS standards that are effective as of the closing balance sheet or reporting date of the first IFRS/Ind AS financial statements. Full retrospective adoption can be very challenging and burdensome. To ease this burden, IFRS 1/Ind AS 101 gives certain optional exemptions and certain mandatory exceptions from retrospective application.

IFRS 1/Ind AS 101 requires companies to:

- Identify the first IFRS/Ind AS financial statements;
- Prepare an opening balance sheet at the date of transition to IFRS/Ind AS;
- Select accounting policies that comply with IFRS/Ind AS effective at the end of the first IFRS/Ind AS reporting period and apply those policies retrospectively to all periods presented in the first IFRS/Ind AS financial statements;
- Consider whether to apply any of the optional exemptions from retrospective application;
- Apply the mandatory exceptions from retrospective application; and
- Make extensive disclosures to explain the transition to IFRS/Ind AS.

IFRS 1 is regularly updated to address first-time adoption issues arising from new standards and amendments as they become effective. Therefore, there are a number of amendments to IFRS 1 which became effective on or after 1 January 2016. There are currently nineteen long-term optional exemptions to ease the burden of retrospective application. These exemptions are available to all first-time adopters, regardless of their date of transition. The standard also provides four short-term exemptions, which are temporarily available to users and often address transition issues related to new standards. New exemptions related to the application of IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments* to comparative information will be effective for annual reporting periods beginning on or after 1 January 2018, consistent with the effective date of IFRS 9. The short and long-term exemptions provide limited relief for first-time adopters, mainly in areas where the information needed to apply IFRS retrospectively might be particularly challenging to obtain.

Ind AS 101 is largely consistent with IFRS 1. The key differences between IFRS 1 and Ind AS 101 is explained below.

2.1.2. When to apply IFRS 1/Ind AS 101?

Companies are required to apply IFRS 1/Ind AS 101 when they prepare their first IFRS/Ind AS financial statements, including when they transition from their previous GAAP to IFRS/Ind AS. These are the first financial statements to contain an explicit and unreserved statement of compliance with IFRS/Ind AS.

2.1.3. The opening IFRS/Ind AS balance sheet

The opening IFRS/Ind AS balance sheet is the starting point for all subsequent accounting under IFRS/Ind AS and is prepared at the date of transition, which is the beginning of the earliest period for which full comparative information is presented in accordance with IFRS/Ind AS. For example, preparing IFRS/Ind AS financial statements for the two years ending 31 March 2017, would have a transition date of 1 April 2015 requiring an opening balance sheet as of that date. That would also be the date of the opening IFRS/Ind AS balance sheet.

IFRS 1/Ind AS 101 requires that the opening IFRS/Ind AS balance sheet:

- Include all of the assets and liabilities that IFRS/Ind AS requires;
- Exclude any assets and liabilities that IFRS/Ind AS does not permit;
- Classify all assets, liabilities, and equity in accordance with IFRS/Ind AS;
- Measure all items in accordance with IFRS/Ind AS; and
- Be prepared and presented within an entity's first IFRS/Ind AS financial statements.

These general principles are followed unless one of the optional exemptions or mandatory exceptions does not require or permit recognition, classification, and measurement in line with the above.

2.1.4. Important takeaways

The transition to IFRS/Ind AS can be a long and complicated process with many technical and accounting challenges to consider. Experience with conversions in Europe and Asia indicates there are some challenges that are consistently underestimated by companies making this change, including:

Consideration of data gaps—Preparation of the opening IFRS/Ind AS balance sheet may require the calculation or collection of information that was not previously required under Previous GAAP (e.g. Indian GAAP). Companies should plan their transition and identify the differences between Indian GAAP and IFRS/Ind AS early so that all of the information required can be collected and verified in a timely manner. Likewise, companies should identify differences between local regulatory requirements and IFRS/Ind AS. This could impact the amount of information-gathering that may be necessary.

Consolidation of additional entities—IFRS/Ind AS consolidation principles differ from those of Indian GAAP in certain respects and those differences might cause some companies either to deconsolidate entities or to consolidate entities that were not consolidated under Indian GAAP. Subsidiaries that previously were excluded from the consolidated financial statements are to be consolidated as if they were first-time adopters on the same date as the parent. Companies also will have to consider the potential data gaps of investees to comply with IFRS/Ind AS informational and disclosure requirements.

Consideration of accounting policy choices—A number of IFRS/Ind AS standards allow companies to choose between alternative policies. Companies should select carefully the accounting policies to be applied to the opening balance sheet and have a full understanding of the implications to current and future periods. Companies should take this opportunity to evaluate their IFRS/Ind AS accounting policies with a "clean sheet of paper" mind-set. Although many accounting requirements may appear to be similar between Indian GAAP and IFRS/Ind AS, companies should not overlook the opportunity to explore alternative IFRS/Ind AS accounting policies that might better reflect the economic substance of their transactions and enhance their communications with investors and quality of financial reporting.

The key GAAP differences between IFRS 1 and Ind AS 101 are listed below:

Topic	***Key GAAP differences***
Previous GAAP	IFRS defines Previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting IFRS. However, Ind AS specifically defines Previous GAAP as the basis of accounting that a first-time adopter used for its statutory reporting requirement in India immediately before adopting Ind AS. For instance, companies required to prepare their financial statements in accordance with Section 133 of the Companies Act, 2013, shall consider those financial statements as previous GAAP financial statements.
Exemption – Property, plant and equipment, Intangible assets and Investment property	Ind AS provides an entity option to use carrying values of all such assets as on the date of transition to Ind ASs, in accordance with previous GAAP as an acceptable starting point under Ind AS. This option is not available under IFRS.
Exemption-Leases	Ind AS provides an entity to use the transition date facts and circumstances for lease arrangements which includes both land and building elements to assess the classification of each element as finance or an operating lease at the transition date to Ind ASs. Also, if there is any land lease newly classified as finance lease then the first time adopter may recognize assets and liability at fair value on that date; any difference between those fair values is recognized in retained earnings. This option is not available under IFRS.
Exemption-Non-current Assets Held for Sale and Discontinued Operations	Ind AS permits an entity to use the transitional date circumstances to measure such assets or operations at the lower of carrying value and fair value less cost to sell. This option is not available under IFRS.
Exemption – Business Combination	IFRS/Ind AS requires first-time adopter to exclude from its opening IFRS/Ind AS balance sheet any item recognized in accordance with previous GAAP that does not qualify for recognition as an asset or liability under IFRS/Ind ASs. The first-time adopter shall account for the resulting change in the retained earnings as at the transition date except in certain specific instances where it requires adjustment in the goodwill. In such specific instances where IFRS allows adjustment in the goodwill, under Ind AS 101 it can be adjusted with the capital reserve to the extent such adjustment amount does not exceed the balance available in capital reserve.

Topic	*Key GAAP differences*
Exemption-Service Concession Arrangements	Ind AS allows an entity to use the policy adopted for amortization of intangible assets arising from service concession arrangements related to toll roads recognized in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. This option is not available under IFRS.
Exemption-Long term foreign currency monetary items	A first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognized in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. This option is not available under IFRS.
Exemption-Investment property	IFRS 1 provides an option to use fair value or previous GAAP revaluation as deemed cost at the date of transition for investment property. However, this option has not been provided under Ind AS 101, as Ind AS 40 permits only the cost model.

Recent/proposed guidance

2.1.5. Exposure draft of amendment to Ind AS 101: First-time Adoption

The ICAI has issued an exposure draft to amend Ind AS 101. The exposure draft proposes to amend paragraph D7AA of Ind AS 101 whereby an entity can elect to continue with the previous GAAP carrying value for *a class* of its property, plant and equipment *(instead of all of its property, plant and equipment)* as its deemed cost on transition to Ind AS. Further, the amendment also proposes to remove the following requirement from paragraph D7AA of Ind AS 101 *"If an entity avails the option under this paragraph, no further adjustments to the deemed cost of the property, plant and equipment so determined in the opening balance sheet shall be made for transition adjustments that might arise from the application of other Ind ASs".*

The amendments shall be effective for annual periods beginning on or after 1st April 2017, subject to MCA notification.

3. Revenue recognition

3.1. Revenue recognition

In May 2014, the FASB and IASB issued their long-awaited converged standard on revenue recognition *Revenue from Contracts with Customers*. The revenue standard, as amended, is effective for calendar year-end companies in 2018 (2019 for non-public entities following US GAAP). The new model is expected to impact revenue recognition under both US GAAP and IFRS, and will eliminate many of the existing differences in accounting for revenue between the two frameworks. Many industries having contracts in the scope of the new standard will be affected, and some will see pervasive changes. Refer to the Recent/proposed guidance section of this chapter for a further discussion of the new revenue standard.

India had earlier issued the standard equivalent to IFRS 15 *Revenue from Contracts with Customers* by notifying Ind AS 115 *Revenue from Contracts with Customers*. However, the National Advisory Committee on Accounting Standards (NACAS) recommended to the government to defer implementation of Ind AS 115. Consequently, the MCA has omitted Ind AS 115 from the standards notified under Section 133 of the Companies Act, 2013 and has instead notified two standards namely Ind AS 11 *Construction Contracts* and Ind AS 18 *Revenue*. Ind AS 11 and Ind AS 18 are equivalent to IAS 11 *Construction Contracts* and IAS 18 *Revenue*, respectively. For real estate developers, ICAI has issued the Guidance Note on Accounting for Real Estate Transactions for Ind AS compliant companies.

It is to be noted that in absence of comprehensive guidance under Indian GAAP, varied practices are followed by corporate entities based on either legal form of the transaction or industry practices, resulting in differences with IFRS/Ind AS and US GAAP.

Until the new revenue standard is effective for all entities, existing differences between the frameworks remain. Current US GAAP revenue recognition guidance is extensive and includes a significant number of standards issued by the FASB, the Emerging Issues Task Force (EITF), the American Institute of Certified Public Accountants (AICPA), and the US Securities and Exchange Commission (SEC). The guidance tends to be highly detailed and is often industry-specific. While the FASB's codification has put authoritative US GAAP in one place, it has not impacted the volume and/or nature of the guidance. IFRS has two primary revenue standards and four revenue-focused interpretations. The broad principles laid out in IFRS are generally applied without further guidance or exceptions for specific industries. Ind AS is largely similar to IFRS.

A detailed discussion of industry-specific differences is beyond the scope of this publication. However, the following examples illustrate industry-specific US GAAP guidance and how that guidance can create differences between US GAAP and IFRS and produce conflicting results for economically similar transactions.

- US GAAP guidance on software revenue recognition requires the use of vendor-specific objective evidence (VSOE) of fair value in determining an estimate of the selling price. IFRS does not have an equivalent requirement.
- Activation services provided by telecommunications providers are often economically similar to connection services provided by cable television companies. The US GAAP guidance governing the accounting for these transactions, however, differs. As a result, the timing of revenue recognition for these economically similar transactions also varies.

As noted above, IFRS contains minimal industry-specific guidance. Rather, the broad principles-based approach of IFRS is to be applied across all entities and industries. Current Ind AS is largely similar to the current IFRS (except in cases identified in this publication). A few of the more significant, broad-based differences between the frameworks are highlighted below:

Contingent pricing and how it factors into the revenue recognition models vary between US GAAP and IFRS/Ind AS. Under US GAAP, revenue recognition is based on fixed or determinable pricing criterion, which results in contingent amounts generally not being recorded as revenue until the contingency is resolved. IFRS/Ind AS looks to the probability of economic benefits associated with the transaction flowing to the entity and the ability to reliably measure the revenue in question, including any contingent revenue. This could lead to differences in the timing of revenue recognition, with revenue potentially being recognized earlier under IFRS/Ind AS. Indian GAAP includes similar provisions as IFRS/Ind AS with respect to probability of economic benefits and reliability of measurement of revenue.

Two of the most common revenue recognition issues relate to (1) the determination of when transactions with multiple deliverables should be separated into components and (2) the method by which revenue gets allocated to the different components. US GAAP requires arrangement consideration to be allocated to elements of a transaction based on relative selling prices. A hierarchy is in place which requires VSOE of fair value to be used in all circumstances in which it is available. When VSOE is not available, third-party evidence (TPE) may be used. Lastly, a best estimate of selling price may be used for transactions in which VSOE or TPE does not exist. The residual method of allocating arrangement consideration is no longer permitted under US GAAP (except under software industry guidance), but continues to be an option under IFRS/Ind AS. Under US GAAP and IFRS/Ind AS, estimated selling prices may be derived in a variety of ways, including cost plus a reasonable margin. Under Indian GAAP, there is no specific guidance in the accounting standard which deals with the requirement to separate deliverables into components. However, in recent years, there have been technical guides issued by the ICAI and opinions of the Expert Advisory Committee (EAC) of ICAI which, though non-authoritative by nature, have provided some guidance.

The accounting for customer loyalty programs may drive fundamentally different results. The IFRS/Ind AS requirement to treat customer loyalty programs as multiple-element arrangements, in which consideration is allocated to the goods or services and the award credits based on fair value through the eyes of the customer, would be acceptable for US GAAP purposes. US GAAP reporting companies, however, may use the incremental cost model, which is different from the multiple-element approach required under IFRS/Ind AS. In this instance, IFRS/Ind AS generally results in the deferral of more revenue. Under Indian GAAP, both the practices—treating customer loyalty programs as multiple-element arrangement and the cost model, are acceptable, in absence of any specific requirement in the accounting standards.

US GAAP prohibits use of the cost-to-cost percentage-of-completion method for service transactions (unless the transaction explicitly qualifies as a particular type of construction or production contract). Most service transactions that do not qualify for these types of construction or production contracts are accounted for under a proportional-performance model. IFRS/Ind AS requires use of the percentage-of-completion method in recognizing revenue in service arrangements unless progress toward completion cannot be estimated reliably (in which case a zero-profit approach is used) or a specific act is much more significant than any other (in which case revenue recognition is postponed until the significant act is executed). Prohibition of the use of the completed contract method under IFRS/Ind AS and diversity in application of the percentage-of-completion method might also result in differences. Indian GAAP permits the use of completed service method or the proportionate completion method depending on service to be performed. In case of construction contracts, Indian GAAP requires the use percentage-of-completion method.

Due to the significant differences in the overall volume of revenue-related guidance, a detailed analysis of specific fact patterns is normally necessary to identify and evaluate the potential differences between the accounting frameworks.

Technical references

US GAAP

ASC 605-20-25-1 through 25-6, ASC 605-20-25-14 through 25-18, ASC 605-25, ASC 605-35, ASC 605-50, ASC 985-605, CON 5, SAB Topic 13

IFRS

IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18, SIC 31

Ind AS

Ind AS 11, Ind AS 18, Guidance Note on Accounting for Real Estate Transactions (Ind AS)

Indian GAAP

AS 7, AS 9, Guidance Note on Accounting for Real Estate Transactions (Revised 2012), Guidance Note on Accounting by Dot-Com Companies, Industry specific technical guides*

** Technical guides are issued by the Research Committee of the ICAI and are not authoritative guidance. They are not a substitute for accounting and reporting requirements, rather they deal with specific accounting issues dealt with by certain industries and are not intended to be comprehensive guidance. Similarly, guidance notes are primarily designed to provide guidance to members on matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues which may pose difficulty. Guidance notes are recommendatory in nature. A member should ordinarily follow recommendations in a guidance note relating to an auditing matter except where he is satisfied that in the circumstances of the case, it may not be necessary to do so. Similarly, while discharging his attest function, a member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary.*

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

3.2. Revenue recognition—general

The concept of IFRS/Ind AS being principles-based, and US GAAP being principles-based but also rules-laden, is perhaps nowhere more evident than in the area of revenue recognition. This fundamental difference requires a detailed, transaction-based analysis to identify potential GAAP differences. Differences may be affected by the way companies operate, including, for example, how they bundle various products and services in the marketplace.

IFRS	US GAAP	Ind AS	Indian GAAP
Two primary revenue standards capture all revenue transactions within one of the four broad categories: • Sale of goods • Rendering of services • Others' use of an entity's assets (yielding interest, royalties, etc.) • Construction contracts Revenue recognition criteria for each of these categories include the probability that the economic benefits associated with the transaction will flow to the entity and that the revenue and costs can be measured reliably. Additional recognition criteria apply within each broad category. The principles laid out within each of the categories are generally to be applied without significant further rules and/or exceptions. The US GAAP concept of VSOE of fair value does not exist under IFRS, thereby resulting in more elements likely meeting the separation criteria under IFRS as compared to US GAAP. Although the price that is regularly charged by an entity when an item is sold separately is the best evidence of the item's fair value, IFRS acknowledges that reasonable estimates of fair value (such as cost plus a reasonable margin) may, in certain circumstances, be acceptable alternatives.	Revenue recognition guidance is extensive and includes a significant volume of literature issued by various US standard setters. Generally, the guidance focuses on revenue being (1) either realized or realizable and (2) earned. Revenue recognition is considered to involve an exchange transaction; that is, revenue should not be recognized until an exchange transaction has occurred. These rather straightforward concepts are augmented with detailed rules. A detailed discussion of industry-specific differences is beyond the scope of this publication. For illustrative purposes only, we note that highly specialized guidance exists for software revenue recognition. One aspect of that guidance focuses on the need to demonstrate VSOE of fair value in order to separate different software elements in a contract. This requirement goes beyond the general fair value requirement of US GAAP.	Similar to IFRS.	Similar to IFRS. Revenue recognition criteria primarily include transfer of significant risks and rewards of ownership and at the time of performance, it is not unreasonable to expect ultimate collection and there is no significant uncertainty regarding the amount of consideration that will be derived. Further, unlike IFRS, the accounting standard on revenue recognition does not provide guidance on identification of transactions including the requirement to apply the revenue recognition criteria separately to identifiable components or linked transactions. There is limited and non-mandatory guidance in EAC opinions and industry specific technical guides on accounting for issues in retail sector and revenue recognition for software issued by the ICAI.

3.3. Contingent consideration—general

Revenue may be recognized earlier under IFRS/Ind AS when there are contingencies associated with the price/level of consideration as compared to US GAAP.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
For the sale of goods, one looks to the general recognition criteria as follows: • The entity has transferred to the buyer the significant risks and rewards of ownership; • The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; • The amount of revenue can be measured reliably; • It is probable that the economic benefits associated with the transaction will flow to the entity; and • The costs incurred or to be incurred with respect to the transaction can be measured reliably. IFRS specifically calls for consideration of the probability of the benefits flowing to the entity as well as the ability to reliably measure the associated revenue. If it were probable that the economic benefits would flow to the entity and the amount of revenue could be reliably measured, contingent consideration would be recognized assuming that the other revenue recognition criteria are met. If	General guidance associated with contingencies around consideration is addressed within SEC Staff Accounting Bulletin (SAB) Topic 13 and the concept of the seller's price to the buyer being fixed or determinable. Even when delivery clearly has occurred (or services clearly have been rendered), the SEC has emphasized that revenue related to contingent consideration should not be recognized until the contingency is resolved. It would not be appropriate to recognize revenue based upon the probability of a factor being achieved.	Similar to IFRS.	For the sale of goods, the general recognition criteria are as follows: • The entity has transferred to the buyer the significant risks and rewards of ownership; • The entity retains no effective control over the goods sold to a degree usually associated with ownership; • The revenue is measurable at the time of sale; and • It is not unreasonable to expect ultimate collection. In addition to above, when uncertainties exist regarding the determination of the amount, or its associated costs, these uncertainties may influence the timing of revenue recognition.

IFRS	US GAAP	Ind AS	Indian GAAP
either of these criteria were not met, revenue would be postponed until all of the criteria are met.			

3.4. Multiple-element arrangements—general

While the guidance often results in the same treatment under the US GAAP and IFRS/Ind AS frameworks, careful consideration is required, as there is the potential for significant differences.

IFRS	US GAAP	Ind AS	Indian GAAP
The revenue recognition criteria usually are applied separately to each transaction. In certain circumstances, however, it is necessary to separate a transaction into identifiable components to reflect the substance of the transaction. At the same time, two or more transactions may need to be grouped together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole. The price that is regularly charged when an item is sold separately is the best evidence of the item's fair value. At the same time, under certain circumstances, a cost-plus-reasonable-margin approach to estimating fair value would be appropriate under IFRS. The use of the residual method and, under rare circumstances, the reverse residual method may be acceptable to allocate arrangement consideration.	Revenue arrangements with multiple deliverables are separated into different units of accounting if the deliverables in the arrangement meet all of the specified criteria outlined in the guidance. Revenue recognition is then evaluated independently for each separate unit of accounting. US GAAP includes a hierarchy for determining the selling price of a deliverable. The hierarchy requires the selling price to be based on VSOE if available, third-party evidence (TPE) if VSOE is not available, or estimated selling price if neither VSOE nor TPE is available. An entity must make its best estimate of selling price (BESP) in a manner consistent with that used to determine the price to sell the deliverable on a standalone basis. No estimation methods are prescribed; however, examples include the use of cost plus a reasonable margin.	Similar to IFRS.	No specific guidance for multiple element or linked transactions is given in AS 9 *Revenue Recognition*. Revenue recognition is largely driven by the form or structure of the contract. However, the Guidance Note on Accounting by Dot-Com Companies, suggests that it is appropriate to 'unbundle' the separate elements of the arrangement or contract at their respective fair values. Additionally, there are non-mandatory guidance in the form of EAC opinions and industry specific technical guides on accounting issues in retail sector and software which provide similar guidance for separation. For example, in an EAC Opinion titled 'Accounting for maintenance spares supplied free of cost along with the main

IFRS	US GAAP	Ind AS	Indian GAAP
	Given the requirement to use BESP if neither VSOE nor TPE is available, arrangement consideration will be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The residual method is precluded. The reverse-residual method (when objective and reliable evidence of the fair value of an undelivered item or items does not exist) is also precluded unless other US GAAP guidance specifically requires the delivered unit of accounting to be recorded at fair value and marked to market each reporting period thereafter.		equipment', the EAC has opined that the entity is selling two products under one composite selling arrangement and the principles of revenue recognition should be applied separately to each element of the composite arrangement with a view to recognize revenue. Since, some of the guidance is not mandatory, these principles may not have been applied in all cases across industries or transactions. Consequently, there is some diversity in practice in this area.

3.4.1. *Multiple-element arrangements—contingencies*

In situations where the amount allocable to a delivered item includes an amount that is contingent on the delivery of additional items, differences in the frameworks may result in recognizing a portion of revenue sooner under IFRS/Ind AS compared to US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS maintains its general principles and would look to key concepts including, but not limited to, the following: • Revenue should not be recognized before it is probable that economic benefits would flow to the entity • The amount of revenue can be measured reliably When a portion of the amount allocable to a delivered item is contingent on the	The guidance includes a strict limitation on the amount of revenue otherwise allocable to the delivered element in a multiple-element arrangement. Specifically, the amount allocable to a delivered item is limited to the amount that is not contingent on the delivery of additional items. That is, the amount allocable to the delivered item or items is the lesser of the	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
delivery of additional items, IFRS might not impose a limitation on the amount allocated to the first item. A thorough consideration of all factors would be necessary so as to draw an appropriate conclusion. Factors to consider would include the extent to which fulfilment of the undelivered item is within the control of, and is a normal/customary deliverable for, the selling party, as well as the ability and intent of the selling party to enforce the terms of the arrangement. In practice, the potential limitation is often overcome.	amount otherwise allocable in accordance with the guidance or the noncontingent amount.		

3.4.2. Multiple-element arrangements—customer loyalty programs

Entities that grant award credits as part of sales transactions, including awards that can be redeemed for goods and services not supplied by the entity, may encounter differences that impact both the timing and total value of revenue to be recognized. Where differences exist, revenue recognition is likely to be delayed under IFRS/Ind AS compared to US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS requires that award, loyalty, or similar programs, whereby a customer earns credits based on the purchase of goods or services, be accounted for as multiple-element arrangements. As such, IFRS requires that the fair value of the award credits (otherwise attributed in accordance with the multiple-element guidance) be deferred and recognized separately upon achieving all applicable criteria for revenue recognition. The above-outlined guidance applies whether the credits can be redeemed for goods or services supplied by the entity or whether the credits can be redeemed for	Currently, divergence exists under US GAAP in the accounting for customer loyalty programs. Two very different models generally are employed. Some companies utilize a multiple-element accounting model, wherein revenue is allocated to the award credits based on relative fair value. Other companies utilize an incremental cost model, wherein the cost of fulfilment is treated as an expense and accrued for as a “cost to fulfil,” as opposed to deferred based on relative fair value.	Similar to IFRS.	No specific guidance in accounting standards and it is observed that the provision model is generally used. There is limited guidance in the Guidance Note on Accounting by Dot-Com Companies and the Technical guide on Accounting Issues in the Retail Sector. The guidance note requires the use of provision model in case of general point and loyalty programs, while the technical guide discusses both the models and suggests that the accounting

IFRS	US GAAP	Ind AS	Indian GAAP
goods or services supplied by a different entity. In situations where the credits can be redeemed through a different entity, a company also should consider the timing of recognition and appropriate presentation of each portion of the consideration received, given the entity's potential role as an agent versus a principal in each aspect of the transaction.	The two models can result in significantly different accounting.		prescribed in IFRS is the preferred method for accounting of loyalty programs. However, the technical guide also permits the provision model (i.e. incremental cost model) accounting to be followed in absence of reliable data or if estimation of fair value of credits presents significant difficulties. Additionally, the EAC in one of its opinion has also suggested the use of provision model in an opinion dealing with reward points given to credit card holders under credit card reward point schemes. Consequently, some diversity in practice may arise in this area.

3.4.3. Multiple-element arrangements—loss on delivered element only

The timing of revenue and cost recognition in situations with multiple element arrangements and losses on the first element may vary under the different frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
When there is an apparent loss on the first element of a two-element arrangement, an accounting policy choice may exist as of the date the parties entered into the contract. When there is a loss on the first element but a profit on the second element (and the overall arrangement is profitable), a company has an accounting policy choice if performance of the undelivered element	When there is a loss on the first element of a two-element arrangement (within the scope of the general/non-industry-specific, multiple-element revenue recognition guidance), an accounting policy choice with respect to how the loss is treated may exist. When there is a loss on the first element but a profit on the second	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
is both probable and in the company's control. Specifically, there are two acceptable ways of treating the loss incurred in relation to the delivered unit of accounting. The company may (1) recognize costs in an amount equal to the revenue allocated to the delivered unit of accounting and defer the remaining costs until delivery of the second element, or (2) recognize all costs associated with the delivered element (i.e., recognize the loss) upon delivery of that element. Once the initial allocation of revenue has been made, it is not revisited. That is, if the loss on the first element becomes apparent only after the initial revenue allocation, the revenue allocation is not revisited. There is not, under IFRS, support for deferring the loss on the first element akin to the US GAAP approach.	element (and the overall arrangement is profitable), a company may choose between two acceptable alternatives if performance of the undelivered element is both probable and in the company's control. The company may (1) determine that revenue is more appropriately allocated based on cost plus a reasonable margin, thereby removing the loss on the first element, or (2) recognize all costs associated with the delivered element (i.e., recognize the loss) upon delivery of that element.		

3.5. Sales of services—general

A fundamental difference in the guidance surrounding how service revenue should be recognized has the potential to significantly impact the timing of revenue recognition.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS requires that service transactions be accounted for by reference to the stage of completion of the transaction (the percentage-of-completion method). The stage of completion may be determined by a variety of methods, including the cost-to-cost method. Revenue may be recognized on a straight-line basis if the	US GAAP prohibits the use of the cost-to-cost revenue recognition method for service arrangements unless the contract is within the scope of specific guidance for construction or certain production-type contracts.	Similar to IFRS.	Under Indian GAAP, revenue from service transactions is usually recognized as the service is performed, either by the proportionate completion method or completed service contract method. The performance should be measured

IFRS	US GAAP	Ind AS	Indian GAAP
services are performed by an indeterminate number of acts over a specified period and no other method better represents the stage of completion. When the outcome of a service transaction cannot be measured reliably, revenue may be recognized to the extent of recoverable expenses incurred. That is, a zero-profit model would be utilized, as opposed to a completed-performance model. If the outcome of the transaction is so uncertain that recovery of costs is not probable, revenue would need to be deferred until a more accurate estimate could be made. Revenue may have to be deferred in instances where a specific act is much more significant than any other acts.	Generally, companies would apply the proportional-performance model or the completed-performance model. In circumstances where output measures do not exist, input measures (other than cost-to-cost), which approximate progression toward completion, may be used. Revenue is recognized based on a discernible pattern and, if none exists, then the straight-line approach may be appropriate. Revenue is deferred if a service transaction cannot be measured reliably.		either under completed service contract method or proportionate completion method, whichever relates the revenue to the work accomplished. Proportionate completion method is generally applied where performance consists of the execution more than one act. Completed services contract method is generally applied where performance consists of the execution of a single act. Alternatively, when services are performed in more than a single act, and the services yet to be performed are so significant in relation to the transaction taken as a whole that performance cannot be deemed to have been completed until the execution of those acts. For practical purposes, revenue may be recognized on a straight-line basis if the services are performed by an indeterminate number of acts over a specified period and no other method better represents the stage of completion. Indian GAAP does not prescribe use of zero cost model for revenue recognition purposes.

3.5.1. *Sales of services—right of refund*

Differences within IFRS/Ind AS and US GAAP provide the potential for revenue to be recognized earlier under IFRS/Ind AS when services-based transactions include a right of refund.

IFRS	***US GAAP***	***Ind AS***	***Indian GAAP***
Service arrangements that contain a right of refund must be considered to determine whether the outcome of the contract can be estimated reliably and whether it is probable that the company would receive the economic benefit related to the services provided. When reliable estimation is not possible, revenue is recognized only to the extent of the costs incurred that are probable of recovery.	A right of refund may preclude recognition of revenue from a service arrangement until the right of refund expires. In certain circumstances, companies may be able to recognize revenue over the service period—net of an allowance—if certain criteria within the guidance are satisfied.	Similar to IFRS.	No specific guidance.

3.6. *Construction contracts*

There are a variety of differences between the frameworks with potentially far-reaching consequences.

Differences ranging from the transactions scoped into the construction contract accounting guidance to the application of the models may have significant impact.

IFRS	***US GAAP***	***Ind AS***	***Indian GAAP***
The guidance applies to contracts specifically negotiated for the construction of a single asset or a combination of assets that are interrelated or interdependent in terms of their design, technology, and function, or their ultimate purpose or use. The guidance is not limited to certain industries and includes fixed-price and cost-plus construction contracts.	The guidance generally applies to accounting for performance of contracts for which specifications are provided by the customer for the construction of facilities, the production of goods, or the provision of related services. The scope of this guidance generally has been limited to specific industries and types of contracts.	Construction contracts accounting is similar to IAS 11, except that IFRIC 15 *Agreements for the Construction of Real Estate* has not been adopted. The real estate transactions shall be accounted in accordance with the Guidance Note on Accounting for Real Estate Transactions (Ind AS).	Similar to Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
Assessing whether a contract is within the scope of the construction contract standard or the broader revenue standard continues to be an area of focus. A buyer's ability to specify the major structural elements of the design (either before and/or during construction) is a key indicator (although not, in and of itself, determinative) of construction contract accounting. Construction accounting guidance is generally not applied to the recurring production of goods.			
Completed-contract method: The completed-contract method is prohibited.	Although the percentage-of-completion method is preferred, the completed-contract method is required in certain situations, such as when management is unable to make reliable estimates. For circumstances in which reliable estimates cannot be made, but there is an assurance that no loss will be incurred on a contract (e.g., when the scope of the contract is ill-defined but the contractor is protected from an overall loss), the percentage-of-completion method based on a zero-profit margin, rather than the completed-contract method, is used until more-precise estimates can be made.	Similar to IFRS.	Similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
Percentage-of-completion method: IFRS utilizes a revenue approach to percentage of completion. When the final outcome cannot be estimated reliably, a zero-profit method is used (wherein revenue is recognized to the extent of costs incurred if those costs are expected to be recovered). The gross-profit approach is not allowed.	Within the percentage-of-completion model there are two acceptable approaches: the revenue approach and the gross-profit approach. Under gross-profit approach, earned revenue is the amount of gross profit earned on a contract for a period plus the costs incurred on the contract during the period.	Similar to IFRS.	Similar to IFRS.
Combining and segmenting contracts: Combining and segmenting contracts is required when certain criteria are met.	Combining and segmenting contracts is permitted, provided certain criteria are met, but it is not required so long as the underlying economics of the transaction are reflected fairly.	Similar to IFRS.	Similar to IFRS.

3.7. Sale of goods—continuous transfer

Outside of construction accounting under IFRS, some agreements for the sale of goods will qualify for revenue recognition by reference to the stage of completion.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRIC 15 introduces the concept of a continuous transfer model that is applicable to certain contracts for the sale of goods. When an agreement is for the sale of goods and is outside the scope of construction accounting, an entity considers whether all of the sale of goods revenue recognition criteria are met continuously as the contract progresses. When all of the sale of goods criteria are	Other than construction accounting, US GAAP does not have a separate model equivalent to the continuous transfer model for sale of goods.	IFRIC 15 has not been adopted. Real estate transactions shall be accounted in accordance with the Guidance Note on Accounting for Real Estate Transactions (Ind AS). As per the guidance note, real estate sales where seller enters into an agreement with the buyer at initial stages of construction considered to have the effect of transferring all significant risks	The Guidance Note on Accounting for Real Estate Transactions (Revised 2012) contains principles similar to the Ind AS guidance note.

IFRS	US GAAP	Ind AS	Indian GAAP
met continuously, an entity recognizes revenue by reference to the stage of completion using the percentage-of-completion method. The requirements of the construction contracts guidance are generally applicable to the recognition of revenue and the associated expenses for such continuous transfer transactions. Meeting the revenue recognition criteria continuously as the contract progresses for the sale of goods is expected to be relatively rare in practice.		and rewards of ownership to the buyer provided the agreement is legally enforceable and subject to the satisfaction of conditions which signify transferring of significant risks and rewards even though the legal title is not transferred or the possession of the real estate is not given to the buyer. These contracts are in substance construction type contracts. Revenue in such cases is recognized by applying the percentage of completion method on the basis of the methodology explained in Ind AS 11. As per the guidance note, this method can be applied only when the outcome of the project can be estimated reliably. The guidance note also provides certain conditions which would indicate that the outcome of the real estate project can be reliably estimated including certain indicative numerical thresholds to be followed. The principles of Ind AS 18 are applied for recognizing revenue, costs and profits from transactions of real estate which are in substance similar to delivery of goods, where the revenues, costs and profits are recognized when the revenue recognition process is completed.	

3.8. Barter transactions

The IFRS/Ind AS and US GAAP frameworks do not permit revenue to be recognized in an exchange or barter of similar goods or services. Where goods or services are exchanged for goods or services of a dissimilar in nature, the frameworks generally require different methods for determining the value ascribed to barter transactions.

IFRS	US GAAP	Ind AS	Indian GAAP
General: IFRS generally requires companies to use the fair value of goods or services received as the starting point for measuring a barter transaction.	US GAAP generally requires companies to use the fair value of goods or services surrendered as the starting point for measuring a barter transaction.	Similar to IFRS.	No specific guidance.
Non-advertising-barter transactions: When the fair value of items received is not reliably determinable, the fair value of goods or services surrendered can be used to measure the transaction.	The fair value of goods or services received can be used if the value of goods or services surrendered is not clearly evident.	Similar to IFRS.	No specific guidance.
Accounting for advertising-barter transactions: Revenue from a barter transaction involving advertising cannot be measured reliably at the fair value of advertising services received. However, a seller can reliably measure revenue at the fair value of the advertising services it provides if certain criteria are met.	If the fair value of assets surrendered in an advertising-barter transaction is not determinable, the transaction should be recorded based on the carrying amount of advertising surrendered, which likely will be zero.	Similar to IFRS.	No specific guidance, except Guidance note on Accounting by Dot-Com Companies. As per the guidance note, revenue from advertising barter transactions should be recognized only when the fair values of similar transactions are readily determinable from the entity's history.

IFRS	US GAAP	Ind AS	Indian GAAP
Accounting for barter-credit transactions:			
There is no further/specific guidance for barter-credit transactions. The broad principles outlined above should be applied.	It should be presumed that the fair value of the nonmonetary asset exchanged is more clearly evident than the fair value of the barter credits received. However, it is also presumed that the fair value of the nonmonetary asset does not exceed its carrying amount unless there is persuasive evidence supporting a higher value. In rare instances, the fair value of the barter credits may be utilized (e.g., if the entity can convert the barter credits into cash in the near term, as evidenced by historical practice).	Similar to IFRS.	No specific guidance.

3.9. Extended warranties

The IFRS/Ind AS requirement to separately allocate a portion of the consideration to each component of an arrangement on a relative fair value basis has the potential to impact the timing of revenue recognition for arrangements that include a separately priced extended warranty or maintenance contract.

IFRS	US GAAP	Ind AS	Indian GAAP
If an entity sells an extended warranty, the revenue from the sale of the extended warranty should be deferred and recognized over the period covered by the warranty. In instances where the extended warranty is an integral component of the sale (i.e., bundled into a single transaction), an entity should attribute consideration based on relative fair value to each component of the bundle.	Revenue associated with separately priced extended warranty or product maintenance contracts generally should be deferred and recognized as income on a straight-line basis over the contract life. An exception exists where experience indicates that the cost of performing services is incurred on an other than-straight-line basis.	Similar to IFRS.	No specific guidance, except Technical Guide on Accounting Issues in the Retail Sector issued by the ICAI prescribes that revenue associated with the extended warranty is deferred and recognized on a straight line basis over the warranty period (unless there is evidence that some other method better

IFRS	US GAAP	Ind AS	Indian GAAP
	The revenue related to separately priced extended warranties is determined by reference to the separately stated price for maintenance contracts that are sold separately from the product. There is no relative fair market value allocation in this instance.		represents the stage of completion).

3.10. Discounting of revenues

Under IFRS/Ind AS, revenue is measured at the fair value of the consideration received or receivable. Indian GAAP does not specifically recognize the fair value concept. Discounting of revenue (to present value) is more broadly required under IFRS/Ind AS than under US GAAP. This may result in lower revenue under IFRS/Ind AS because the time value portion of the ultimate receivable is recognized as finance/interest income.

IFRS	US GAAP	Ind AS	Indian GAAP
Discounting of revenue to present value is required in instances where the inflow of cash or cash equivalents is deferred. In such instances, an imputed interest rate should be used for determining the amount of revenue to be recognized as well as the separate interest income component to be recorded over time.	The discounting of revenue is required in only limited situations, including receivables with payment terms greater than one year and certain industry-specific situations, such as retail land sales or license agreements for motion pictures or television programs. When discounting is required, the interest component should be computed based on the stated rate of interest in the instrument or a market rate of interest if the stated rate is considered unreasonable.	Similar to IFRS.	Revenue is not adjusted for the time value in absence of specific guidance, except for example in case of instalment sales which is specifically required under AS 9.

3.11. Consideration paid to customers

Treatment of consideration paid to customers including accounting for vouchers, sales returns can be different between the various frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
General: Revenue is measured at the fair value of the consideration received or receivable. This is normally the price specified in the contract taking into account the amount of any trade discounts, settlement discounts and volume rebates allowed by the entity. Cash consideration given by a vendor to a customer is a reduction of the revenue earned from the customer, unless the vendor is purchasing separately identifiable goods or services from the customer. Where no separately identifiable goods are supplied or services provided by the customer in consideration for cash, the substance is that the payment of cash is linked to the sale to the customer. It is therefore treated as a discount on the purchase price and is reflected as a reduction in the revenue recognized.	Cash consideration given to a customer is presumed to be contra revenue or a reduction of selling prices. This presumption is overcome when both of the following conditions are met: • The vendor receives an identifiable benefit in exchange for the consideration. This benefit must be separable from the recipient's purchase of the vendor's products. The transaction should be at arm's length such that the vendor could have entered into the transaction with another party (that did not purchase the vendor's products or services) and received the same terms. • The vendor can reasonably estimate the fair value of the benefit identified under first condition. If the amount of consideration paid by the vendor exceeds the estimated fair value of the benefit received, that excess amount should be characterized as a reduction of revenue when recognized in the vendor's income statement.	Similar to IFRS.	Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods and from rendering of services. Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them. Trade discounts and volume rebates are deducted in determining revenue. However, cash discounts are not deducted from revenue, instead presented as an expense.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Vouchers: Where vouchers are issued as part of a sales transaction and are redeemable against future purchases from the seller, revenue should be reported at the amount of the consideration received or receivable less the voucher's fair value. In substance, this is a multiple element arrangement, as the customer is purchasing both goods or services and a voucher. The revenue should be allocated based on the fair values of the goods or services and the voucher (taking breakage into consideration).	Similar to IFRS.	Similar to IFRS.	No specific guidance. The Technical Guide on Accounting Issues in Retail Sector provides similar guidance as IFRS.
Sales returns: In respect of sales returns, the entity has an accounting policy choice as to whether it adjusts revenue for the value of expected sales returns or whether it adjusts both revenue for the expected value of sales returns and cost of sales for the value of corresponding goods expected to be returned. The result of this second approach is that the provision for returns is measured as the margin on the sale.	Revenue and cost of sales reported in the income statement shall be reduced to reflect estimated sales returns. When applying this guidance, both revenues and costs related to those sales must be eliminated in the current period. For accounting purposes, such products have not been sold. When a company is able to reliably estimate product returns, a company should generally report estimated products that are deemed unsold as inventory (under a separate caption, inventory on consignment and at cost) and, if sales proceeds have been received, record deferred revenue (at sale price). In such situations, companies should consider the need to establish an inventory allowance for products that (1) will be returned and (2) may be obsolete or have a cost greater than market. If the amount of consigned-out inventory is	Similar to IFRS.	No specific guidance. The Technical Guide on Accounting Issues in Retail Sector states in cases where right of return is provided, sales recognized during the period should be reduced by the estimate of the returns, at the gross amount of sales and a corresponding current asset should be recognized representing the inventory that may be returned. In one of the EAC opinion, the committee opined that the provision for sales return should be measured as the best estimate of the loss expected to be incurred by the Company in respect of such returns including any incremental cost that would

IFRS	US GAAP	Ind AS	Indian GAAP
	material, a company should, at a minimum, separately disclose in the notes to the financial statements the amount of such inventory, and any related inventory allowances or write-downs.		be necessary to resell the goods expected to be returned. Since the guidance is not mandatory, these principles may not be applied in all cases across industries or transactions. Consequently, some diversity in practice may arise in this area.

3.12. Transfers from customers

While there is guidance under IFRS, US GAAP and Ind AS on transfer of assets from customers, there is no guidance on this topic under Indian GAAP. The lack of guidance has led to diversity in practice.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRIC 18 *Transfer of assets from customers* considers how an entity should account for assets received from a customer in return for connection to a network and/or ongoing access to goods or services. It requires a transferred item of property, plant and equipment from a customer to be recognized by the recipient, at it fair value, as part of its own property, plant and equipment to the extent that it meets the definition of an asset in the Conceptual Framework from the recipient's perspective. The entity receiving the asset determines whether the asset has been received in exchange for one or more separately identifiable services. Revenue is recognized when each separately identifiable service is delivered.	There is limited guidance under Topic 605-35-25 *Revenue Recognition* on customer furnished materials in context of construction-type and production-type contracts. When materials are furnished by a customer, and the contractor is responsible for the nature, type, characteristics, or specifications of material that the customer furnishes, or is responsible for the ultimate acceptability of performance of the project based on such material, then the value of those items shall be included as contract price and reflected as revenue and costs in periodic reporting of operations. As a general rule, revenues and costs shall include all items for which the contractor has an associated risk, including items on which his contractual fee was based.	Similar to IFRS.	No specific guidance.

3.13. Presentation of taxes

Treatment of taxes is primarily based on the assessment of the nature of relationship, i.e., whether the entity is acting in the capacity of the principal or agent. While the guidance for sales tax is consistent across IFRS, Ind AS and Indian GAAP, presentation of excise duty could be significantly different. Further, US GAAP provides policy choices for treatment of taxes.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Presentation of indirect taxes is assessed based on the nature of the taxes in terms of whether the entity acts as a principal or agent. When an entity sells a product, sales taxes that are collected on behalf of a government body should be excluded from the revenue recognized. These taxes are remitted to the government in full and do not increase equity. Revenue should, therefore, be presented net of sales taxes. The treatment of sales taxes differs from that of production taxes e.g. excise duty, which are treated as a cost of sales and included as revenue.	Taxes may be reported on either a gross basis (included in revenues and costs) or on a net basis (excluded from revenues) as an accounting policy election. A reporting entity should disclose its accounting policy applied to each type of tax collected on behalf of governmental authorities. Reporting entities should also disclose the amounts of any taxes reported on a gross basis for each period for which an income statement is presented, if those amounts are significant. This information can be disclosed on an aggregate basis.	Similar to IFRS. This issue has now also been clarified by Securities Exchange Board of India (SEBI) as well Ind AS Transition Facilitation Group (ITFG). The , clarified that the amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue. Excise duty is a liability of the manufacturer which forms part of the cost of production, irrespective whether the goods are sold or not. Therefore, recovery of excise duty flows to the entity on its own account and the same should be included in the amount of revenue.	AS 9 specifically provides that the excise duty included in the turnover should be shown as reduction from the gross turnover on the face of the statement of profit and loss. Similar to IFRS, indirect taxes such as sales taxes, goods and services taxes and value added taxes etc., are also reduced from revenue.

3.14. Service concession arrangements

Service concession arrangements may be in the scope of ASC 853 *Service Concession Arrangements*, for US GAAP or IFRIC 12 *Service Concession Arrangements* for IFRS or Ind AS 11 Appendix A *Service Concession Arrangements*, for Ind AS if they meet certain criteria. The above authoritative literature provides guidance on the accounting by private entity operators for public-to-private service concession arrangements (for example, airports, roads, and bridges) that are controlled by the public sector entity grantor. The operator also may provide construction, upgrading, or maintenance services in addition to operations. Under US GAAP and IFRS/Ind AS, the infrastructure used in these arrangements should not be recognized as property, plant, and equipment by the operator. Under Indian GAAP, in absence of any specific guidance, such infrastructure is recognized as property, plant and equipment by the operator. ASC 853 does not specify how an operator should account for the various aspects of a service concession arrangement other than to refer the operator to follow other applicable US GAAP. IFRIC 12/Ind AS 11—Appendix A requires the operator to follow specific existing IFRS/Ind AS for various aspects of a service concession arrangement and provides additional guidance for other aspects.

IFRS	US GAAP	Ind AS	Indian GAAP
Generally, the operator would not account for these arrangements as leases, unless the operator has a right to use some physically separable, independent, and cash generating portion of the infrastructure, or if the facilities are used to provide purely ancillary unregulated services. In these cases, there may in substance be a lease from the grantor to the operator, which should be accounted for in accordance with IAS 17 *Leases*. The operator will account for revenue and costs for construction or upgrade services in accordance with IAS 11 and for operation services in accordance with IAS 18.	The operator should not account for these arrangements as leases. For the operator's revenue and costs relating to the construction, upgrade, or operation services, the standard refers the operator to ASC 605 *Revenue Recognition* on revenue recognition. If there are multiple services in the arrangement, the operator should consider the multiple element revenue guidance, including determining if the services are separate units of account and performing the revenue allocation based on their relative selling price. Refer to SD 3.4 for further information on this difference.	Similar to IFRS.	No specific guidance. The ICAI has issued an exposure draft Guidance Note on Accounting for Service Arrangements which is similar to IFRS. This has not yet been finalized.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRIC 12 includes guidance that if the operator performs more than one service under the arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable. The consideration to be received by the operator in exchange for construction or upgrade services may result in the recognition of a financial asset, an intangible asset or a combination of both. It is necessary to account for each component separately. The operator recognizes a financial asset to the extent that it has an unconditional right to receive a specified or determinable amount of cash or other financial assets for the construction services. The operator recognizes an intangible asset to the extent that it has a right to charge fees to users of the public services. The operator may have a contractual obligation to maintain or restore the infrastructure to a specified condition before it is returned to the grantor at the end of the arrangement, which should be recognized and measured in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent assets*.	The multiple element revenue guidance includes the concept of not recognizing any amounts of contingent revenue, which differs from IFRS. Refer to SD 3.4.1 for further information on this difference. In the absence of specific guidance, the operator needs to determine if it is able to recognize an asset for the consideration to be received by the operator in exchange for construction and upgrade services, and/or defer the costs associated with such services. An intangible asset would not be recognized as the consideration received for construction services. Additionally, in some of these arrangements the operator will pay the grantor to enter into an operating agreement, which would generally be considered consideration payable to a customer under US GAAP, if the grantor is determined to be the customer. This may result in an asset that will be amortized against revenue over the term of the operating agreement.		

3.15. Recent/proposed guidance

3.15.1. Joint FASB/IASB revenue recognition standard

As discussed earlier, in May 2014, the FASB and IASB issued their long-awaited converged standard on revenue recognition—ASC 606 *Revenue from Contracts with Customers* and IFRS 15**.** The standard contains principles that an entity will apply to report useful information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from its contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services. The standard could significantly change how entities recognize revenue, especially those that currently apply industry-specific guidance. The standard will also result in a significant increase in the volume of disclosures related to revenue.

The standard sets forth a five-step model for recognizing revenue from contracts with customers:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

Since issuing the standard in 2014, the boards have each issued several amendments to the standard. In 2015, both boards amended the standard to defer the effective date by one year. The US GAAP standard, as amended, is effective for public entities for annual reporting periods, and interim periods therein, beginning after 15 December 2017 with early adoption permitted a year earlier. Non-public entities have an additional year to adopt the new standard. The IFRS standard, as amended, is effective for all entities for the first interim period within annual reporting periods beginning on or after 1 January 2018. Early adoption is permitted. Refer to SD 3.15.1.7 for discussion of the other amendments issued by the boards.

We believe entities should continue to evaluate how the model might affect current business activities, including contract negotiations, key metrics (including debt covenants and compensation arrangements), budgeting, controls and processes, information technology requirements, and accounting. The new standard permits application either (i) retrospectively to all existing contracts, using any combination of several optional practical expedients, or (ii) through use of a modified retrospective transition method (whereby the cumulative effect of initially applying the guidance is recognized as an adjustment to the opening equity balance in the period of initial application). This modified retrospective approach must be supplemented by additional disclosures.

3.15.1.1 Identify the contract with a customer

The model starts with identifying the contract with the customer and whether an entity should combine, for accounting purposes, two or more contracts (including contract modifications), to properly reflect the economics of the underlying transaction. An entity will need to conclude that it is "probable," at the inception of the contract, that the entity will collect the consideration to which it will ultimately be entitled in exchange for the goods or services that are transferred to the customer in order for a contract to be in the scope of the revenue standard. The term "probable" has a different meaning under US GAAP (where it is generally interpreted as 75%-80% likelihood) and IFRS (where it means more likely than not—that is, greater than 50% likelihood). Despite different thresholds, in a majority of transactions, an entity will not enter into a contract with a customer if there is significant credit risk without also having protection to ensure it can collect the consideration to which it is entitled. Therefore, we believe there will be limited situations in which a contract would pass the "probable" threshold under IFRS, but fail under US GAAP (i.e., contracts where probability of collection falls between 50% and 80%).

Two or more contracts with the same customer (or related parties of the customer) should be combined if the contracts are entered into at or near the same time and the contracts are negotiated with a single commercial objective, the amount of consideration in one contract depends on the other contract, or the goods or services in the contracts are interrelated. A contract modification is treated as a separate contract only if it results in the addition of a separate performance obligation and the price reflects the stand-alone selling price (i.e., the price at which the good or service would be sold for if sold on a stand-alone basis) of the additional performance obligation. The modification is otherwise accounted for as an adjustment to the original contract either through a cumulative catch-up adjustment to revenue or a prospective adjustment to revenue when future performance obligations are satisfied, depending on whether the remaining goods and services are distinct.

3.15.1.2 Identify the performance obligations in the contract

An entity will be required to identify all performance obligations in a contract. Performance obligations are promises to transfer goods or services to a customer and are similar to what we know today as "elements" or "deliverables". Performance obligations might be explicitly stated in the contract but might also arise in other ways. Legal or statutory requirements to deliver a good or perform a service might create performance obligations even though such obligations are not explicit in the contract. A performance obligation may also be created through customary business practices, such as an entity's practice of providing customer support, or by published policies or specific company statements. This could result in an increased number of performance obligations within an arrangement, possibly changing the timing of revenue recognition.

An entity accounts for each promised good or service as a separate performance obligation if the good or service is distinct (i.e., the customer can benefit from the good or service either on its own or together with other resources readily available to the customer); and is distinct within the context of the contract (i.e., the good or service is separately identifiable from other promises in the contract). As a result, while aspects of this model are similar to existing literature, careful consideration will be needed to ensure the model is applied to the appropriate unit of account.

Sales-type incentives such as free products or customer loyalty programs, for example, are currently recognized as marketing expense under US GAAP in some circumstances. These incentives might be performance obligations under the new model; if so, revenue will be deferred until such obligations are satisfied, such as when a customer redeems loyalty points. Other potential changes in this area include accounting for return rights, licenses, and options.

3.15.1.3 Determine the transaction price

Once an entity identifies the performance obligations in a contract, the obligations will be measured by reference to the transaction price. The transaction price reflects the amount of consideration that an entity expects to be entitled to in exchange for goods or services delivered. This amount is measured using either a probability-weighted or most-likely-amount approach; whichever is most predictive. The amount of expected consideration captures: (1) variable consideration if it is "probable" (US GAAP) or "highly probable" (IFRS) that the amount will not result in a significant revenue reversal if estimates change, (2) an assessment of time value of money (as a practical expedient, an entity need not make this assessment when the period between payment and the transfer of goods or services is less than one year), (3) non-cash consideration, generally at fair value, and (4) consideration paid to customers. While the standards use different words in measuring variable consideration ("probable" under US GAAP and "highly probable" under IFRS), the intent of the boards is that the terminology should lead to the same accounting treatment under both frameworks.

Inclusion of variable consideration in the initial measurement of the transaction price might result in a significant change in the timing of revenue recognition. Such consideration is recognized as the entity satisfies its related performance obligations, provided (1) the entity has relevant experience with similar performance obligations (or other valid evidence) that allows it to estimate the cumulative amount of revenue for a satisfied performance obligation, and (2) based on that experience, the entity does not expect a significant reversal in future periods in the cumulative amount of revenue recognized for that performance obligation. Revenue may therefore be recognized earlier than under existing guidance if an entity meets the conditions to include variable consideration in the transaction price. Judgment will be needed to assess whether the entity has predictive experience about the outcome of a contract. The following indicators might suggest the entity's experience is not predictive of the outcome of a contract: (1) the amount of consideration is highly susceptible to factors outside the influence of the entity, (2) the uncertainty about the amount of consideration is not expected to be resolved for a long period of time, (3) the entity's experience with similar types of contracts is limited, and (4) the contract has a large number and broad range of possible consideration amounts.

3.15.1.4 Allocate the transaction price to the performance obligations

For contracts with multiple performance obligations, the performance obligations should be separately accounted for to the extent that the pattern of transfer of goods and services is different. Once an entity identifies and determines whether to separately account for all the performance obligations in a contract, the transaction price is allocated to these separate performance obligations based on relative standalone selling prices.

The best evidence of standalone selling price is the observable price of a good or service when the entity sells that good or service separately. The selling price is estimated if a standalone selling price is not available. Some possible estimation methods include (1) cost plus a reasonable margin or (2) evaluation of standalone sales prices of the same or similar products, if available. If the standalone selling price is highly variable or uncertain, entities may use a residual approach to aid in estimating the standalone selling price (i.e., total transaction price less the standalone selling prices of other goods or services in the contract). An entity may also allocate discounts and variable amounts entirely to one (or more) performance obligations if certain conditions are met.

3.15.1.5 Recognize revenue when each performance obligation is satisfied

Revenue should be recognized when a promised good or service is transferred to the customer. This occurs when the customer obtains control of that good or service. Control can transfer at a point in time or continuously over time. Determining when control transfers will require a significant amount of judgment. An entity satisfies a performance obligation over time if: (1) the customer is receiving and consuming the benefits of the entity's performance as the entity performs (i.e., another entity would not need to substantially re-perform the work completed to date); (2) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (3) the entity's performance does not create an asset with an alternative use to the entity, the entity has a right to payment for performance completed to date, and it expects to fulfil the contract. A good or service not satisfied over time is satisfied at a point in time. Indicators to consider in determining when the customer obtains control of a promised asset include: (1) the customer has an unconditional obligation to pay, (2) the customer has legal title, (3) the customer has physical possession, (4) the customer has the risks and rewards of ownership of the good, and (5) the customer has accepted the asset. These indicators are not a checklist, nor are they all-inclusive. All relevant factors should be considered to determine whether the customer has obtained control of a good.

If control is transferred continuously over time, an entity may use output methods (e.g., units delivered) or input methods (e.g., costs incurred or passage of time) to measure the amount of revenue to be recognized. The method that best depicts the transfer of goods or services to the customer should be applied consistently throughout the contract and to similar contracts with customers. The notion of an earnings process is no longer applicable.

3.15.1.6 Contract cost guidance

The new model also includes guidance related to contract costs. Costs relating to satisfied performance obligations and costs related to inefficiencies should be expensed as incurred. Incremental costs of obtaining a contract (e.g., a sales commission) should be recognized as an asset if they are expected to be recovered. An entity can expense the cost of obtaining a contract if the amortization period would be less than one year. Entities should evaluate whether direct costs incurred in fulfilling a contract are in the scope of other standards (e.g., inventory, intangibles, or fixed assets). If so, the entity should account for such costs in accordance with those standards. If not, the entity should capitalize those costs only if the costs relate directly to a contract, relate to future performance, and are expected to be recovered under a contract. An example of such costs may be certain mobilization, design, or testing costs. These costs would then be amortized as control of the goods or services to which the asset relates is transferred to the customer. The amortization period may extend beyond the length of the contract when the economic benefit will be received over a longer period. An example might include set-up costs related to contracts likely to be renewed.

3.15.1.7 Recent amendments and clarifications

Since issuing the new standard in 2014, in addition to deferring the effective date, the boards issued several amendments as a result of feedback from stakeholders and discussions by the Transition Resource Group (TRG). The TRG is a working group established by the FASB and IASB to debate and provide feedback on potential implementation issues related to the new revenue standard.

The boards were aligned on the need to address stakeholder feedback on licenses, performance obligations, and certain practical expedients upon transition, but did not agree on the same approach. The IASB issued more limited clarifications while the FASB issued more extensive amendments. The FASB also made changes in other areas (for example, the guidance on collectability and noncash consideration) and added new policy elections related to the presentation of shipping and handling services and sales taxes collected from customers.

In December 2016, FASB also issued ASU No. 2016-20 on Technical corrections and improvements to ASC 606. The amendments in the Update affect narrow aspects of ASC 606.

FASB also issued Accounting Standard Update No. 2017-10 on Service Concession Arrangement (ASC 853) to address the diversity in practice in how an entity determines the customer of the operation services for transactions within the Scope of ASC 853. The main provisions of this Update are illustrated by the following example: A public-sector entity grantor (government) enters into an arrangement with an operating entity under which the operating entity will provide operation services (which include operation and general maintenance of the infrastructure) for a toll road that will be used by third-party users (drivers). The amendments in this Update clarify that the grantor (government), rather than the third-party drivers, is the customer of the operation services in all cases for service concession arrangements within the scope of ASC 853. Determining the customer in a service concession arrangement within the scope of IFRIC 12 depends on the nature of the consideration received by the operating entity (that is, a financial asset, an intangible asset, or both). Therefore, the amendment that the grantor is the customer of the operation services in all cases may result in additional differences in application, in certain circumstances, between ASC 853 and IFRIC 12. For an entity that has not adopted ASC 606 before the issuance of this Update, the effective date and transition requirements for the amendments in this Update generally are the same as the effective date and transition requirements for ASC 606. For an entity, that has adopted ASC 606 before the issue of this Update, the amendment shall be effective for fiscal years beginning after 15 December 2017 for public business entity and fiscal years beginning after 15 December 2018 for all other entities.

3.15.1.8 Summary observations

The above commentary is not all-inclusive. The effect of the new revenue recognition guidance will be extensive, and all industries could be affected. Some will see pervasive changes as the new model will replace all existing US GAAP and IFRS revenue recognition guidance, including a significant portion of the industry-specific guidance included in US GAAP.

For further details on the new revenue standard, refer to PwC's accounting and financial reporting guide, Revenue from contracts with customers—2016 global edition.

4. Expense recognition—share-based payments

4.1. Expense recognition—share-based payments

Although the US GAAP and IFRS/Ind AS guidance in this area is similar at a conceptual level, significant differences exist at the detailed application level.

The broader scope of share-based payments guidance under IFRS/Ind AS leads to differences associated with awards made to nonemployees, impacting both the measurement date and total value of expense to be recognized.

Differences within the frameworks may result in differing grant dates and/or different classifications of an award as a component of equity or as a liability. Once an award is classified as a liability, it needs to be remeasured to fair value at each period through earnings, which introduces earnings volatility while also impacting balance sheet metrics and ratios. Certain types of awards (e.g., puttable awards and awards with vesting conditions outside of service, performance, or market conditions) are likely to have different equity-versus-liability classification conclusions under the frameworks.

In addition, companies that issue awards with graded vesting (e.g., awards that vest ratably over time, such as 25 percent per year over a four-year period) may encounter accelerated faster expense recognition and potentially a different total value to be expensed (for a given award) under IFRS/Ind AS than under US GAAP. The impact in this area could lead some companies to consider redesigning the structure of their share-based payment plans. By changing the vesting pattern to cliff vesting (from graded vesting), companies can avoid a front-loading of share-based compensation expense, which may be desirable to some organizations.

The deferred income tax accounting requirements for share-based payments under IFRS/Ind AS vary significantly from US GAAP. Companies can expect to experience greater period-to-period variability in their effective tax rate due to share-based payment awards under IFRS/Ind AS. The extent of variability is linked to the movement of the issuing company's stock price. For example, as a company's stock price increases, a greater income statement tax benefit will occur, to a point, under IFRS/Ind AS. Once a benefit has been recorded, subsequent decreases to a company's stock price may increase income tax expense within certain limits.

Under Indian GAAP, until October 2014, the accounting for share-based payments was governed by two pronouncements, viz., the Guidance Note on Accounting for Employee Share-based payments issued by the ICAI and SEBI (ESOS & ESPS) Guidelines, 1999, as amended from time to time (hereinafter referred to as "ESOS Guidelines").

Whilst the ESOS guidelines were applicable only to listed entities , ICAI's guidance note was applicable to both listed and non-listed entities. It was acknowledged by SEBI that it would be appropriate to re-issue the ESOS Guidelines incorporating amendments as considered necessary, in the form of Regulations. Consequently, the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (the "Regulations") were issued. The Regulations are effective from 24 October 2014 and provides a time period of one year (with certain exceptions) from the date of its notification for compliance with new requirements. With this new Regulations the accounting treatment prescribed under the guidance note issued by the ICAI is also applicable to listed companies, since new Regulations do not prescribe any separate accounting. An area of difference between Indian GAAP and IFRS/Ind AS is permissibility of the intrinsic value method as an alternative for expense recognition under Indian GAAP. This is allowed under US GAAP in very limited circumstances.

On 30 March 2016, the FASB issued Accounting Standards Update (ASU) 2016-09 *Improvements to Employee Share-Based Payment Accounting*, which makes a number of changes meant to simplify and improve the accounting for share-based payments. The guidance is effective for public business entities for annual periods beginning after 15 December 2016 and for all other entities a year later, but early adoption is permitted. Once adopted, the differences due to variability between the estimated deferred taxes recognized based on compensation cost recognized for book purposes under USGAAP and deferred taxes recognized based on stock price movements in each reporting period under IFRS will continue and additional differences will be created as a result of the provision that will require all excess tax benefits and tax deficiencies to be recognized in the income statement. Under IFRS/Ind AS, excess tax benefits will continue to have a portion recognized in equity.

Technical references

US GAAP

ASC 480, ASC 505-50, ASC 718, SAB Topic 14

IFRS

IFRS 2

Ind AS

Ind AS 102

Indian GAAP

Guidance Note on Accounting for Employee Share-based payments

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

4.2. Scope

Under IFRS/Ind AS, companies apply a single standard to all share-based payment arrangements, regardless of whether the counterparty is an employee or a nonemployee. Under US GAAP, there is a separate standard for nonemployee awards. Under Indian GAAP, there is no equivalent accounting standard on share-based payments. However, the ICAI has issued a Guidance Note on Accounting for Employee Share-Based Payments.

The definition of an employee under IFRS/Ind AS is broader than the US GAAP definition, as a result some awards are categorized as nonemployee instruments under US GAAP and will be treated as employee awards under IFRS/Ind AS. The measurement date and expense will be different for awards that are categorized as nonemployee instruments under US GAAP but employee awards under IFRS/Ind AS.

IFRS	***US GAAP***	***Ind AS***	***Indian GAAP***
IFRS 2 *Share-based Payments*, includes accounting for all employee and nonemployee arrangements. Furthermore, under IFRS, the definition	ASC 718 *Compensation-Stock Compensation*, applies to awards granted to employees and through Employee Stock Ownership Plans.	Similar to IFRS.	There is no equivalent accounting standard. However, the ICAI has issued a Guidance Note on Accounting for Employee Share-Based Payments. The guidance note

IFRS	US GAAP	Ind AS	Indian GAAP
of an employee is broader than the US GAAP definition. IFRS focuses on the nature of the services provided and treats awards to employees and others providing employee-type services similarly. Awards for goods from vendors or nonemployee-type services are treated differently.	ASC 505-50 *Equity* applies to grants to nonemployees. The guidance focuses on the legal definition of an employee with certain specific exceptions.		does not define the term 'employee', except for stating that the term 'employee' includes a director of the enterprise, whether whole time or not. This guidance note only deals with share based compensation to employees. There is no specific guidance for share based compensation to nonemployees. However, there is guidance on equity-settled share-based payments relating to acquisition of intangible assets. AS 26 *Intangible Assets* requires such assets to be recorded at its fair value, or the fair value of the shares or other securities issued, whichever is more clearly evident. Further, under AS 10 (Revised) *Property Plant and Equipment*, the acquisition of an item of PPE acquired by way of exchange which has commercial substance is recorded at fair value. Similarly, under AS 13 *Accounting for Investments*, if an investment is acquired, or partly acquired, by the issue of shares or other securities, the cost of acquisition is the fair value of the securities issued.

4.3. Measurement of awards granted to employees by nonpublic companies

IFRS/Ind AS does not permit alternatives in choosing a measurement method.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not include such alternatives given under US GAAP for nonpublic companies and requires the use of the fair-value method in all circumstances.	***Equity-classified:*** The guidance allows nonpublic companies to measure stock-based compensation awards by using the fair value method (preferred) or the calculated-value method. Calculated-value method is used in case a nonpublic entity is not able to reasonably estimate the fair value of its equity share options and similar instruments because it is not practicable for it to estimate the expected volatility of its share price. In such a situation, the entity shall account for its equity share options and similar instruments based on a value calculated using the historical volatility of an appropriate industry sector index instead of the expected volatility of the entity's share price (the calculated value). ***Liability-classified:*** The guidance allows nonpublic companies to make an accounting policy decision on how to measure stock-based compensation awards that are classified as liabilities. Such companies may use the fair value method, calculated-value method, or intrinsic-value method.	Similar to IFRS.	The guidance note does not include such alternatives for nonpublic companies and requires the use of fair value method or the intrinsic value method. Application of fair value method is preferred but is not mandatory. However, the entity using the intrinsic value method is required to disclose the impact on the net results and EPS—both basic and diluted—for the accounting period, had the fair value method been used in the financial statements.

4.4. Measurement of awards granted to nonemployees

Both the measurement date and the measurement methodology may vary for awards granted to nonemployees.

IFRS	US GAAP	Ind AS	Indian GAAP
Transactions with parties other than employees (or those providing employee-type services) should be measured at the date(s) on which the goods are received or the date(s) on which the services are rendered. The IFRS guidance does not include a performance commitment concept existing under US GAAP. Nonemployee transactions are generally measured at the fair value of the goods or services received, since it is presumed that it will be possible to reliably measure the fair value of the consideration received. If an entity is not able to reliably measure the fair value of the goods or services received (i.e. if the presumption is overcome), the fair value of the award should be measured indirectly by reference to the fair value of the equity instrument granted as consideration. When the presumption is not overcome, an entity is also required to account for any unidentifiable goods or services received or to be received. This would be the case if the fair value of the equity instruments granted exceeds the fair value of the identifiable goods or services received and to be received.	ASC 505-50 states that the fair value of an equity instrument issued to a nonemployee should be measured as of the date at which either (1) a commitment for performance by the counterparty has been reached, or (2) the counterparty's performance is complete. Nonemployee transactions should be measured based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.	Similar to IFRS.	The guidance note does not include any specific guidance for share based compensation to nonemployees. However, there is guidance on equity-settled transactions relating to acquisition of fixed assets/intangible assets and investments under AS 10 (Revised), AS 13 and AS 26 that require such assets acquired to be measured at fair value.

4.5. *Classification of certain instruments as liabilities or equity*

Although ASC 718 and IFRS 2/Ind AS 102 *Share-based Payments* contain a similar principle for classification of stock-based compensation awards, certain awards will be classified differently under the frameworks. In some instances, awards will be classified as equity under US GAAP and a liability under IFRS/Ind AS, while in other instances awards will be classified as a liability under US GAAP and equity under IFRS/Ind AS.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
IFRS 2 follows a similar principle of equity/liability classification as ASC 718. However, while IAS 32 *Financial Instruments: Presentation* has similar guidance to ASC 480 *Distinguishing Liabilities from Equity*, arrangements subject to IFRS 2 are out of the scope of IAS 32. Therefore, equity/liability classification for share-based awards is determined wholly on whether the awards are ultimately settled in equity or cash, respectively. Puttable shares are always classified as liabilities, even if the put cannot be exercised for an extended period of time. Share-settled awards are classified as equity awards even if there is variability in the number of shares due to a fixed monetary value to be achieved.	ASC 718 contains guidance on determining whether to classify an award as equity or a liability. ASC 718 also references the guidance in ASC 480, *Distinguishing Liabilities from Equity*, when assessing classification of an award. In certain situations, puttable shares may be classified as equity awards, as long as the recipient bears the risks and rewards normally associated with equity share ownership for a reasonable period of time (defined as 6 months). Liability classification is required when an award is based on a fixed monetary amount settled in a variable number of shares.	Similar to IFRS.	Classification of equity or liability depends upon settlement of the share-based payment plans. Cash settled plans are classified as liability whereas equity settled plans are classified as equity.

4.6. Awards with conditions other than service, performance, or market conditions

Certain awards classified as liabilities under US GAAP may be classified as equity under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
If an award of equity instruments contains conditions other than service or performance (which can include market) vesting conditions, it can still be classified as an equity-settled award. Such conditions may be nonvesting conditions. For example, non-vesting conditions include the requirement to hold shares after they vest or to invest in a savings contract. Although such requirements occur during the vesting period, they are often wholly within the control of the employee; and the conditions are not related to duties specified in an employee's employment contract. Nonvesting conditions are taken into account when determining the grant date fair value of the award.	If an award contains conditions other than service, performance, or market conditions (referred to as "other" conditions), it is classified as a liability award.	Similar to IFRS.	Similar to IFRS, except that there is no specific guidance on non-vesting conditions

4.7. Awards with a performance target met after the requisite service period is completed

Under IFRS/Ind AS, this is a non-vesting condition that is reflected in the measurement of the grant date fair value.

IFRS	US GAAP	Ind AS	Indian GAAP
A performance target that may be met after the requisite service period is a non-vesting condition and is reflected in the measurement of the grant date fair value of an award.	A performance target that may be met after the requisite service period is complete is a performance vesting condition, and cost should be recognized only if the performance condition is probable of being achieved.	Similar to IFRS.	No specific guidance.

4.8. Service-inception date, grant date, and requisite service

Because of the differences in the definitions, there may be differences in the grant date and the period over which compensation cost is recognized.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not include the same detailed definitions as under US GAAP. The difference in the grant date definition is that IFRS does not require the employee to begin to be affected by the risks and rewards of equity ownership to have a grant date. Furthermore, the IFRS definition of the start of the service period does not have the same explicit requirements as the US GAAP definition of service inception date, which could result in earlier recognition of compensation cost under IFRS when the grant date is delayed.	The guidance provides specific definitions of service-inception date, grant date, and requisite service, which, when applied, will determine the beginning and end of the period over which compensation cost will be recognized. Additionally, the grant date definition includes a requirement that the employee begins to be affected by the risks and rewards of equity ownership at that date.	Similar to IFRS.	The grant date definition is similar to IFRS. There is no specific guidance on service inception date under Indian GAAP, however, similar to IFRS, expense is recognized over the period services are received.

4.9. Attribution—awards with service conditions and graded-vesting features

The alternatives included under US GAAP provide for differences in both the measurement and attribution of compensation costs when compared with the requirements under IFRS/Ind AS for awards with graded vesting (i.e., tranches).

IFRS	US GAAP	Ind AS	Indian GAAP
Companies are not permitted to choose how the valuation or attribution method is applied to awards with graded-vesting features. Companies should treat each instalment of the award as a separate grant. This means that each instalment would be separately measured and attributed to expense over the related vesting period, which would accelerate the expense recognition.	Companies are permitted to make an accounting policy election regarding the attribution method for awards with service-only conditions and graded-vesting features. The choice in attribution method (straight-line or accelerated tranche by tranche) is not linked to the valuation method that the company uses. For awards with graded vesting and performance or market conditions, the accelerated graded-vesting attribution approach is required.	Similar to IFRS.	In principle, similar to US GAAP. An entity can elect to use straight-line method provided that the amount of compensation cost recognized at any date at least equalled the fair value of the vested portion of the award at that date.

4.10. Certain aspects of modification accounting

Differences between US GAAP and IFRS/Ind AS for improbable to probable modifications may result in differences in the compensation costs that are recognized.

IFRS	US GAAP	Ind AS	Indian GAAP
If the vesting conditions are modified in a manner that is beneficial to the employee, the number of awards that are expected to vest from zero to a new amount, and the award's full original grant-date fair value would be recognized for the awards over the remainder of the service period. That result is the same as if the modified vesting condition had been in effect on the grant date.	An improbable to probable "Type III" modification can result in recognition of compensation cost that is more or less than the fair value of the award on the original grant date. When a modification makes it probable that a vesting condition will be achieved, and the company does not expect the original vesting conditions to be achieved, a new measurement date is established. The grant-date fair value	Similar to IFRS.	Similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
	of the award would not be a floor for the amount of compensation cost recognized.		

4.11. Accounting for forfeitures

Attribution of compensation costs may differ for entities that elect a policy under US GAAP to account for forfeitures when they occur. Entities will be able to make this election upon adoption of ASU 2016-09, which is effective beginning 2017 for calendar year-end public business entities and 2018 for all other calendar year-end entities, but may be early adopted.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not allow a similar policy election as US GAAP; forfeitures must be estimated.	ASU 2016-09 provides companies with an option to make an entity-wide accounting policy election to account for award forfeitures as they occur instead of estimating expected forfeitures as compensation cost is recognized.	Similar to IFRS.	Similar to IFRS.

4.12. Cash-settled awards with a performance condition

For a cash-settled award where the performance condition is not probable, liability and expense recognition may occur earlier under IFRS/Ind AS. However, upon adoption of the amendment to IFRS 2, described in SD 4.20.1, US GAAP and IFRS/Ind AS accounting will be consistent for these awards other than the difference in the definition of “probable”.

IFRS	US GAAP	Ind AS	Indian GAAP
For cash settled awards, even where the performance condition is not probable (i.e., greater than zero but less than 50 percent probability), a liability may be recognized under IFRS based on the fair value of the instrument (considering the likelihood of earning the award).	For cash-settled awards with a performance condition, where the performance condition is not probable, there may be no liability recognized under US GAAP.	Similar to IFRS.	There is no specific guidance, except that as per the guidance note, the entity should recognize and measure the services received and the liability incurred at the fair value of the liability.

IFRS	US GAAP	Ind AS	Indian GAAP
The IASB issued *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)* in June 2016. As part of the amendments, the IASB clarified the measurement model for cash-settled awards with non-market performance condition to indicate that the measurement model should be consistent with the measurement of an equity-settled award. Accordingly, the value should only be recognized if the achievement of a non-market performance condition is considered probable, and the value should not incorporate the likelihood of achieving the performance condition. Refer SD 4.20.1.1.			The fair value is defined as the amount for which cash settled awards could be exchanged between knowledgeable, willing parties in an arm's length transaction.

4.13. Derived service period

For an award containing a market condition that is fully vested and deep out of the money at grant date, expense recognition may occur earlier under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not define a derived service period for fully vested, deep-out-of-the-money awards. Therefore, the related expense for such an award would be recognized in full at the grant date because the award is fully vested at that date.	US GAAP contains the concept of a derived service period. Where an award is fully vested and deep out of the money at the grant date but allows employees only a limited amount of time to exercise their awards in the event of termination, US GAAP presumes that employees must provide some period of service to earn value from the award. Because there is no explicit service period stated in the award, a derived	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
	service period must be determined by reference to a valuation technique. The expense for the award would be recognized over the derived service period and reversed if the employee does not complete the requisite service period.		

4.14. Tax withholding arrangements—impact on classification

There could be a difference in award classification as a result of tax withholding arrangements.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS historically did not contain a similar exception as in US GAAP. When an employee can net settle a tax withholding liability in cash, the award is bifurcated between a cash-settled portion and an equity-settled portion. The portion of the award relating to the estimated tax payment is treated as a cash-settled award and marked to market each period until settlement of the actual tax liability. The remaining portion is treated as an equity settled award. The IASB amended IFRS 2 to add an exception similar to current US GAAP. Upon adoption, the difference between current US GAAP and IFRS for withholding up to the statutory minimum will be eliminated. However, there will still be a difference if the minimum is exceeded, as only the excess number of equity instruments withheld would be separated and accounted for as a cash-settled share-based payment under IFRS. Refer to SD 4.20.1.2.	An award containing a net settled tax withholding clause could be equity-classified so long as the arrangement limits tax withholding to the company's minimum statutory rate. If tax withholding is permitted at some higher rate, then the whole award would be classified as a liability. Upon adoption of ASU 2016-09, an award containing a net settled tax withholding clause could be equity-classified as long as the arrangement limits tax withholding to the maximum individual statutory tax rate in a given jurisdiction. If tax withholding is permitted at some higher rate, then the whole award would be classified as a liability.	Similar to IFRS	No specific guidance.

4.15. *Accounting for income tax effects*

Companies reporting under IFRS/Ind AS generally will have greater volatility in their deferred tax accounts over the life of the awards due to the related adjustments for stock price movements in each reporting period.

Companies reporting under US GAAP could have greater volatility upon exercise arising from the variation between the estimated deferred taxes recognized and the actual tax deductions received.

There are also differences between IFRS/Ind AS and US GAAP in the presentation of the cash flows associated with an award's tax benefits that will be eliminated upon adoption of ASU 2016-09.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
The measurement of the deferred tax asset in each period is based on an estimate of the future tax deduction, if any, for the award measured at the end of each reporting period (based on the current stock price if the tax deduction is based on the future stock price). When the expected tax benefits from equity awards exceed the recorded cumulative recognized expense multiplied by the tax rate, the tax benefit up to the amount of the tax effect of the cumulative book compensation expense is recorded in the income statement; the excess is recorded in equity. When the expected tax benefit is less than the tax effect of the cumulative amount of recognized expense, the entire tax benefit is recorded in the income statement. IFRS 2 does not include the concept of a pool of windfall tax benefits to offset shortfalls. In addition, all tax benefits or shortfalls upon settlement of an award generally are reported as operating cash flows	The US GAAP model for accounting for income taxes requires companies to record deferred taxes as compensation cost is recognized, as long as a tax deduction is allowed for that particular type of instrument. The measurement of the deferred tax asset is based on the amount of compensation cost recognized for book purposes. Changes in the stock price do not impact the deferred tax asset or result in any adjustments prior to settlement or expiration. Although they do not impact deferred tax assets, future changes in the stock price will nonetheless affect the actual future tax deduction (if any). Excess tax benefits ("windfalls") upon settlement of an award are recorded in equity. "Shortfalls" are recorded as a reduction of equity to the extent the company has accumulated windfalls in its pool of windfall tax benefits. If the company does not have accumulated windfalls, shortfalls are recorded to income tax expense.	Similar to IFRS.	No specific guidance, however, deferred tax on timing differences, if any, shall be recognized in statement of profit or loss basis guidance under AS 22 *Accounting for Taxes on Income*.

IFRS	US GAAP	Ind AS	Indian GAAP
	In addition, the excess tax benefits upon settlement of an award would be reported as cash inflows from financing activities. Upon adoption of ASU 2016-09, all excess tax benefits and tax deficiencies will be recognized within income tax expense. In addition, all of the tax effects of share-based payment transactions will be reflected in operating cash flows.		

4.16. Recognition of social charges (e.g., payroll taxes)

The timing of recognition of social charges generally will be earlier under IFRS/Ind AS than US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Social charges, such as payroll taxes levied on the employer in connection with stock-based compensation plans, are expensed in the income statement when the related share-based compensation expense is recognized. The guidance in IFRS for cash-settled share-based payments would be followed in recognizing an expense for such charges.	A liability for employee payroll taxes on employee stock-based compensation should be recognized on the date of the event triggering the measurement and payment of the tax (generally the exercise date for a nonqualified option or the vesting date for a restricted stock award).	Similar to IFRS.	No specific guidance.

4.17. Valuation—guidance on expected volatility and expected term

Companies that report under US GAAP may place greater reliance on implied short-term volatility to estimate volatility. Companies that report under IFRS/Ind AS do not have the option of using the "simplified method" of calculating expected term provided by SAB Topic 14 and ASU 2016-09. As a result, there could be differences in estimated fair values.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not include comparable guidance as US GAAP.	SAB Topic 14 includes guidance on expected volatility and expected term, which includes (1) guidelines for reliance on implied volatility and (2) the "simplified method" for calculating the expected term for qualifying awards. Upon adoption of ASU 2016-09, nonpublic entities may use a broader practical expedient for determining the expected term based on the vesting conditions of the award. If an award includes only a service condition, a nonpublic entity could estimate the expected term as the mid-point between the service period and the contractual term of the award. Alternatively, for an award that includes both a service and performance condition, a nonpublic entity would be required to first assess whether the performance condition is probable to occur. If probable, the entity could estimate the expected term as the mid-point between the requisite service period (either explicit or implicit) and the contractual term of the award. If the performance condition is not probable to occur, the entity could use the contractual term as an estimate of the expected term if the service period is implicit or midpoint between the end of the requisite service period and the contractual term of award if the service period is explicit.	Similar to IFRS.	No specific guidance.

4.18. Employee stock purchase plans (ESPP)

ESPPs generally will be deemed compensatory more often under IFRS/Ind AS/Indian GAAP than under US GAAP.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
ESPPs are always compensatory and treated like any other equity settled share-based payment arrangement. IFRS does not allow any safe-harbour discount for ESPPs.	ESPPs are compensatory if terms of the plan: • Either (1) are more favourable than those available to all shareholders, or (2) include a discount from the market price that exceeds the percentage of stock issuance costs avoided (discount of 5 percent or less is a safe harbour); • Do not allow all eligible employees to participate on an equitable basis; or • Include any option features (e.g., look-backs). In practice, most ESPPs are compensatory; however, plans that do not meet any of the above criteria are non-compensatory.	Similar to IFRS.	Similar to IFRS.

4.19. Group share-based payment transactions

Under US GAAP, push-down accounting of the share-based payment expense recognized at the parent level generally would apply. Under IFRS/Ind AS, the reporting entity's obligation will determine the appropriate accounting. There is a limited guidance available for such transactions under Indian GAAP. This could result in significant differences in accounting between the various frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
General:			
For the separate financial statements of the subsidiary, equity or liability classification is determined based on the nature of the obligation each entity has in settling the awards, even if the award is settled in parent equity. The accounting for a group cash-settled share-based payment transaction in the separate financial statements of the entity receiving the related goods or services when that entity has no obligation to settle the transaction would be as an equity-settled share-based payment. The group entity settling the transaction would account for the share-based payment as cash-settled. The accounting for a group equity-settled share-based payment transaction is dependent on which entity has the obligation to settle the award. For the entity that settles the obligation, a requirement to deliver anything other than its own equity instruments (equity instruments of a subsidiary would be "own equity" but equity instruments of a parent would not) would result in cash-settled (liability) treatment. Therefore, a subsidiary that is obligated to issue its parent's equity would treat the arrangement as a liability, even though in	Generally, push-down accounting of the expense recognized at the parent level would apply to the separate financial statements of the subsidiary. For liability-classified awards settled by the parent company, the mark to market expense impact of these awards should be pushed down to the subsidiary's books each period, generally as a capital contribution from the parent. However, liability accounting at the subsidiary may be appropriate, depending on the facts and circumstances.	Similar to IFRS.	Limited guidance is available for such transactions. The guidance note covers within its scope transfer of shares or stock options of an entity by its shareholders to its employees. The guidance note also applies to transfers of shares or stock options of the parent or any group company to the employees of the company. A group is a parent and all its subsidiaries. There may be diversity in practice in this area of recognizing compensation cost by an entity whose employees receive awards from the parent or other group entities when that entity does not have any settlement obligation (however disclosures are made pursuant to the guidance note).

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
the consolidated financial statements the arrangement would be accounted for as an equity-settled share-based payment. Conversely, if the parent is obligated to issue the shares directly to employees of the subsidiary, then the arrangement should be accounted for as equity-settled in both the consolidated financial statements and the separate standalone financial statements of the subsidiary.			
ESOP trust: Where an entity has set up a trust to administer a share-based payment scheme that is not within IAS 19 *Employee Benefits* scope, such trusts are consolidated if the definition of control as per IFRS 10 *Consolidated Financial statements* is met.	Under US GAAP, in most cases, the trusts created to fund share-based payments will be consolidated by the sponsoring employer or be considered economic interest holder of the employer. Generally the trust is evaluated to determine whether it is a variable interest entity and whether the sponsoring employer is a primary beneficiary under ASC Topic 810 *Consolidation*.	Similar to IFRS	AS 21 *Consolidated Financial Statements* requires consolidation of only those controlled entities from which economic benefits are obtained and, accordingly, consolidation of entities, such as employee share-based compensation trust, is not required as the objective of control over such entities is not to obtain economic benefits from their activities. However, where it is concluded that economic benefits are obtained through trust, the trust so established may require to be consolidated.
Accounting for interest in a trust: IFRS 2 does not contain guidance on the accounting for an entity's interest in a trust in its separate financial statements. The appropriate accounting depends on whether:	Refer SD 12.13 for guidance on separate financial statements of parent.	Similar to IFRS.	The guidance note specifies that since the trust administers the plan on behalf of the enterprise, it is recommended that irrespective of the arrangement for issuance of the shares under the employee share-based

IFRS	US GAAP	Ind AS	Indian GAAP
• The entity has a beneficial interest in the trust's residual assets. If so, the entity would recognize an investment in the trust. • The employees own the beneficial interest in the residual assets. If they do (and there is no formal loan agreement), the entity would record a debit in equity. • A formal loan arrangement exists between the entity and the trust. The funding could be treated as a loan to the trust. Entities should be aware that this loan could become impaired.			payment plan, the entity should recognize in its separate financial statements the expense on account of services received from the employees in accordance with the recommendations contained in this guidance note.

4.20. Recent/proposed guidance

4.20.1. IASB amendments

The IASB issued *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)* in June 2016. These amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted, and if elected, should be disclosed. The amendments impact the following:

- Measurement of cash-settled share-based payment transactions that include a non-market performance condition
- Classification of share-based payments settled net of tax withholdings
- Modifications of share-based payment transaction from cash-settled to equity-settled

Similar amendments have been notified by the MCA to Ind AS 102, which will be effective from years beginning 1 April 2017.

4.20.1.1. Measurement of cash-settled share-based payment transactions that include a non-market performance condition

The IASB clarified the measurement model for cash-settled awards that include a non-market performance condition to indicate that the measurement model should be consistent with the measurement of an equity-settled award (i.e., the value should only be recognized if the achievement of a non-market performance condition is considered probable, and the value should not incorporate the likelihood of achieving the performance condition).

Once the amendments are adopted, we believe US GAAP, IFRS and Ind AS accounting will be consistent for these awards.

4.20.1.2. Classification of share-based payments settled net of tax withholdings

The IASB amended IFRS 2 to add guidance that specifies that in a share-based payment transaction where the entity settles the share-based payment arrangement by withholding a specified portion of the equity instruments to meet its minimum statutory tax withholding requirements, the award would be classified as equity-settled in its entirety, if the entire award would otherwise be classified as equity-settled without the net settlement feature.

Once adopted, the amendment would eliminate the difference between current US GAAP and IFRS/Ind AS for withholding up to the statutory minimum. However, there would still be a difference if the minimum is exceeded in which case the excess should be treated as a cash-settled award under IFRS/Ind AS. This is basis FASB recent amendment to its guidance in respect of tax withholdings.

4.20.1.3. Modifications of a share-based payment transaction from cash-settled to equity-settled

The IASB amended IFRS 2 to address a modification of a share-based payment transaction that changes its classification from cash-settled to equity-settled, as follows:

- The new equity-settled award should be measured by reference to the modification-date fair value of the equity-settled award, because the modification-date should be viewed as the grant date of the new award;
- The liability recorded for the original cash-settled award should be derecognized upon the modification and the equity-settled replacement award should be recognized to the extent that service has been rendered up to the modification date; and
- The difference between the carrying amount of the liability and the amount recognized in equity as of the modification date should be recorded in profit or loss immediately in order to show that the liability has been remeasured to its fair value at the modification date.

Once the amendment is adopted, we believe US GAAP and IFRS/Ind AS accounting will be consistent for these types of modifications.

4.20.2. FASB project

Accounting Standards Update No. 2017-09—Compensation-Stock Compensation (ASC 718): Scope of Modification Accounting

The FASB issued the amendment to provide clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in ASC 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in ASC 718. An entity should account for the effects of a modification unless all the following are met:

1. The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification.

2. The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified.

3. The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after 15 December 2017.

Proposed Accounting Standards Update–Compensation- Stock Compensation (ASC 718): Improvements to Nonemployee Share-Based Payment Accounting

The FASB is proposing this Update as part of its Simplification Initiative. The objective of the Simplification Initiative is to maintain or improve the usefulness of the information provided to the users of financial statements while reducing cost and complexity in financial reporting.

The areas for simplification in this proposed Update involve several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation-Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. Some of the areas for simplification apply only to nonpublic entities. The accounting for nonemployee share-based payment transactions was identified as an area for simplification through (1) outreach for the Simplification Initiative, (2) ongoing dialogue with the Private Company Council about making improvements to the accounting for share-based payments, and (3) the August 2014 Post-Implementation Review Report on FASB Statement No. 123 (revised 2004), Share-Based Payment.

The amendments in this proposed Update would expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity would apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The proposed amendments would stipulate that share-based payments to nonemployees within the scope of Topic 718 would need to be for goods or services purchased by the grantor for use or consumption in its own operations and not effectively issued to raise capital.

Comments were due on the proposed Accounting Standards update by 5 June 2017.

5. Expense recognition—employee benefits

5.1. Expense recognition—employee benefits

There are a number of significant differences between US GAAP and IFRS/Ind AS in the area of accounting for pension and other postretirement and postemployment benefits. Some differences will result in less earnings volatility, while others will result in greater earnings volatility. The net effect depends on the individual facts and circumstances for a given employer. Further, differences could have a significant impact on presentation, operating metrics, and key ratios.

While there are few differences with respect to the measurement of defined benefit plans, there are key differences with regards to cost recognition and presentation. Under IFRS/Ind AS, the effects of remeasurements (which include actuarial gains/losses) are recognized immediately in other comprehensive income (OCI) and are not subsequently recycled through the income statement. Under US GAAP, these gains/losses are recognized in the income statement either immediately or in the future. Whereas under Indian GAAP, a company is required to take an immediate credit/ charge of actuarial gains/losses in the income statement in the year in which they arise. Further, under Indian GAAP, there are certain exemptions to SMCs with respect to recognition and measurement of employee benefits.

Under IFRS/Ind AS, all prior service costs (positive or negative) are recognized in profit or loss when the employee benefit plan is amended and are not allowed to be spread over any future service period, which may create volatility in profit or loss. This is different from US GAAP, under which prior service cost is recognized in OCI at the date the plan amendment is adopted and then amortized into income over the participants' remaining years of service, service to full eligibility date, or life expectancy, depending on the facts and circumstances. Under Indian GAAP, unvested past service costs as a result of plan amendments are recognized on a straight-line basis over the remaining vesting period, whereas vested past service costs are recognized immediately in the income statement.

In addition, US GAAP and Indian GAAP require an independent calculation of interest cost (based on the application of a discount rate to the projected benefit obligation) and expected return on assets (based on the application of an expected rate of return on assets to the calculated asset value), while IFRS/Ind AS applies the discount rate to the net benefit obligation to calculate a single net interest cost or income.

Under IFRS/Ind AS, there is no requirement to present the various components of pension cost as a net amount. As such, companies have flexibility to present components of net benefit cost within different line items on the income statement. Components recognized in determining net income (i.e., service and finance costs, but not actuarial gains and losses) may be presented as (1) a single net amount (similar to US GAAP and Indian GAAP) or (2) those components may be separately displayed.

Differences between US GAAP and IFRS/Ind AS also can result in different classifications of a plan as a defined benefit or a defined contribution plan. It is possible that a benefit arrangement that is classified as a defined benefit plan under US GAAP may be classified as a defined contribution plan under IFRS/Ind AS and vice versa. Classification differences would result in changes to the expense recognition model as well as to the balance sheet presentation. The classification of a plan under Indian GAAP is expected to be similar to IFRS/Ind AS.

Note that the FASB and the IASB use the term postemployment differently. The IASB uses the term postemployment to include pension, postretirement, and other postemployment benefits, whereas the FASB uses the term postretirement benefits (OPEB) to include postretirement benefits other than pensions (such as retiree medical) and the term postemployment benefits to include benefits before retirement (such as disability or termination benefits).

For simplicity, discussion of benefit cost in the remainder of this chapter refers to recognition in income statement. However, a portion of the benefit cost may be capitalized into inventory, fixed assets, or other balance sheet accounts when associated with employees whose compensation costs are capitalized.

Technical references

US GAAP

ASC 420, ASC 710, ASC 712, ASC 715, ASC 820

IFRS

IAS 19, IAS 37, IFRS 13, IFRIC 14

Ind AS

Ind AS 19, Ind AS 37, Ind AS 113

Indian GAAP

AS 15, AS 29

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

5.2. Expense recognition—gains/losses

Under IFRS/Ind AS, remeasurement effects of net defined benefit liability (asset) are recognized immediately in other comprehensive income and are not subsequently recorded within profit or loss, while US GAAP permits delayed recognition of gains and losses, with ultimate recognition in profit or loss. Under Indian GAAP, gains and losses are recognized immediately in the statement of profit and loss.

Note: Gains and losses as referenced under US GAAP include (1) the differences between actual and expected return on assets and (2) changes in the measurement of the benefit obligation. Remeasurements under IFRS/Ind AS, as referenced, include (1) actuarial gains and losses, (2) the difference between actual return on assets and the amount included in the calculation of net interest cost, and (3) changes in the effect of the asset ceiling. The term 'remeasurements' is not specifically defined under Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Remeasurements are recognized immediately in OCI. There is no option to recognize gains/losses in profit or loss. In addition, the "corridor and spreading" option—which allows delayed recognition of gains and losses is prohibited.	The guidance permits companies to either (1) record gains/losses in the period incurred within the statement of operations or (2) defer gains/losses through the use of the corridor approach (or any systematic method that results in faster	Similar to IFRS.	The term 'remeasurements' is not specifically defined under Indian GAAP. All gains and losses (including actuarial gains and losses) are recognized immediately in the statement of profit and loss as they arise.

IFRS	US GAAP	Ind AS	Indian GAAP
Once recognized in OCI, gains/losses are not subsequently recorded within or reclassified to profit or loss. The standard no longer requires that the amounts recognized in OCI be immediately taken to retained earnings; they can also remain in a specific reserve or 'other' reserves within equity.	recognition than the corridor approach). Whether gains/losses are recognized immediately or amortized in a systematic fashion, they are ultimately recorded within the statement of operations as components of net periodic benefit cost.		

5.3. Expense recognition—prior service costs and credits

IFRS/Ind AS requires immediate recognition in income for the effects of plan amendments that create an increase (or decrease) to the benefit obligation (i.e., prior service cost).

IFRS/Ind AS requirements are significantly different from US GAAP, which requires prior service costs, including costs related to vested benefits, to be initially recognized in OCI and then amortized through net income over future periods.

Under Indian GAAP, vested past service cost are recognized immediately and the unvested past service costs as a result of plan amendments are recognized on a straight-line basis over the average remaining vesting period.

IFRS	US GAAP	Ind AS	Indian GAAP
Recognition of all past service costs is required at the earlier of when a plan amendment occurs or when the entity recognizes related restructuring costs (in the event of a curtailment). Unvested past service cost may not be spread over a future service period. Curtailments that reduce benefits are no longer disclosed separately, but are considered as part of the past service costs.	Prior service cost (whether for vested or unvested benefits) should be recognized in other comprehensive income at the date of the adoption of the plan amendment and then amortized into income over one of the following: • The participants' remaining years of service (for pension plans, except where all or almost all plan participants are inactive) • The participants' remaining years of service to full	Similar to IFRS.	Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, past service cost is recognized immediately. Past service cost may either be positive or negative.

IFRS	US GAAP	Ind AS	Indian GAAP
	eligibility date (for other postretirement benefit plans, except where all or almost all plan participants are inactive) • The participants' life expectancy (for plans that have all or almost all inactive participants) Negative prior service cost should be recognized as a prior service credit in other comprehensive income and used first to reduce any remaining positive prior service cost included in accumulated other comprehensive income. Any remaining prior service credits should then be amortized over the same periods as described above.		

5.4. Expense recognition—expected return on plan assets

Under IFRS/Ind AS, companies calculate a net interest cost (income) by applying the discount rate to the net defined benefit liability (asset). US GAAP uses an expected rate of return on plan assets (and a separate calculation of interest cost on the benefit obligation) and permits companies to use a calculated value of plan assets (reflecting changes in fair value over a period of up to five years) in determining the expected return on plan assets and in accounting for gains and losses. Indian GAAP also requires an independent calculation of interest cost and expected return on plan assets.

IFRS	US GAAP	Ind AS	Indian GAAP
Net interest cost or income is calculated by applying the discount rate (as described below) to the defined benefit liability or asset of the plan. The defined benefit asset or liability is the surplus or deficit (i.e., the net amount of the defined benefit obligation less plan assets) which	Expected return is based on an expected rate of return on plan assets. Plan assets should be measured at fair value for balance sheet recognition and for disclosure purposes. However, for purposes of determining the expected return on	Similar to IFRS.	The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation. Plan assets are measured at fair value.

IFRS	US GAAP	Ind AS	Indian GAAP
is recognized on the balance sheet after considering the asset ceiling test. Plan assets should always be measured at fair value.	plan assets and the related accounting for gains and losses, plan assets can be measured by using either fair value or a calculated value that recognizes changes in fair value over a period of not more than five years.		

5.5. Expense recognition—termination benefits

IFRS	US GAAP	Ind AS	Indian GAAP
Under IFRS, an entity recognizes a liability and expense for termination benefits at the earlier of the following dates: • when the entity can no longer withdraw the offer of those benefits; and • when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.	Nonretirement postemployment benefits offered as special termination benefits to employees electing voluntary termination shall be recognized as a liability and a loss when the employees irrevocably accept the offer and the amount can be reasonably estimated. An employer that offers, for a short period of time, special termination benefits to employees, shall not recognize a loss at the date the offer is made based on the estimated acceptance rate. Contractual termination benefits shall be recognized as a liability and a loss when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated. One-time involuntary termination benefits. Recorded when the conditions specified in ASC 420 have been met, including management	Similar to IFRS.	An enterprise should recognize termination benefits as a liability and an expense when, and only when: • the enterprise has a present obligation as a result of a past event; • it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation.

IFRS	US GAAP	Ind AS	Indian GAAP
	commitment to a plan and communication to employees. A company should immediately recognize the costs if future services are not required, or ratably over the required future service period if future services are required. Other post-employment benefits provided in accordance with a mutually understood benefit arrangement between the employer and the former employee shall be recognized when it is considered probable that the benefit will be paid and the amount can be reasonably estimated. A mutually understood benefit arrangement could be achieved through either a written plan or through a consistent past practice.		

5.6. Income statement classification

Under IFRS/Ind AS, companies have the option to present different components of net benefit cost within different line items on the income statement.

This could result in companies recording interest cost within financing.

IFRS	US GAAP	Ind AS	Indian GAAP
Employers have flexibility to either (1) present all components recognized in determining net income (i.e., service and net interest cost but not gains and losses) as a single net amount (similar to US GAAP) or (2) present those components separately within the income statement.	All components of net benefit cost must be aggregated and presented as a net amount in the income statement. Although it is appropriate to allocate a portion of net benefit cost to different line items (such as cost of goods sold or general and administrative	Similar to IFRS.	Similar to US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
	expenses, based on which line items other employee costs are included), disaggregating the components of net benefit cost is not permitted under current US GAAP. Refer SD 5.19.3 for ASU 2017-07 *Compensation-Retirement Benefits* which amends the presentation of the net benefit cost effective for annual periods beginning after 15 December 2017 with early adoption permitted.		

5.7. Measurement date and frequency

IFRS/Ind AS requires interim remeasurements in more circumstances than US GAAP and does not provide for a practical expedient to use a measurement date other than the end of the fiscal year or interim period.

IFRS	US GAAP	Ind AS	Indian GAAP
Employers typically remeasure the benefit obligation and plan assets at each interim period to determine the balance sheet and OCI component, but that will not lead to a change in service cost or interest cost (unless there was a plan amendment, curtailment, or settlement). IFRS does not provide for a practical expedient to use a measurement date other than the end of the fiscal year or interim period.	The measurement of plan assets and benefit obligations is required as of the employer's fiscal year-end balance sheet date, unless the plan is sponsored by a consolidated subsidiary or equity method investee with a different fiscal period. Interim remeasurements generally occur only if there is a significant event, such as a plan amendment, curtailment, or settlement. US GAAP permits a company to elect an accounting policy to use the calendar month-end closest to the fiscal year-end for measuring plan assets and obligations. The funded status would be adjusted for contributions and other significant	Similar to IFRS.	AS 15 *Employee Benefits* states that the detailed actuarial valuation of the present value of defined benefit obligations may be made at intervals not exceeding three years. However, with a view that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date, the most recent valuation is reviewed at the balance sheet date and updated to reflect any material transactions and other material changes in circumstances (including changes in interest

IFRS	US GAAP	Ind AS	Indian GAAP
	events that occur between the alternative measurement date and the fiscal year-end. A similar practical expedient can also be used for interim remeasurements for significant events that occur on dates other than calendar month-end dates.		rates) between the date of valuation and the balance sheet date. The fair value of any plan assets is determined at each balance sheet date.

5.8. Substantive commitment to provide pension or other postretirement benefits

Differences in the manner in which a substantive commitment to increase future pension or other postretirement benefits is determined may result in an increased benefit obligation under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
In certain circumstances, a history of regular increases may indicate a present commitment to make future plan amendments. In such cases, a constructive obligation (to increase benefits) is the basis for determining the obligation.	The determination of whether a substantive commitment exists to provide pension benefits beyond the written terms of a given plan's formula requires careful consideration. Although actions taken by an employer can demonstrate the existence of a substantive commitment, a history of retroactive plan amendments is not sufficient on its own. However, in postretirement benefit plans other than pensions, the substantive plan should be the basis for determining the obligation. This may consider an employer's past practice or communication of intended changes, for example in the area of setting caps on cost-sharing levels.	Similar to IFRS.	Though the concept of constructive obligation does not exist under Indian GAAP, AS 15 does include guidance stating that in case of defined contribution plan, an entity's obligation to contribute to the fund can arise from its informal practices where it has a history of increasing benefits for former employees to keep pace with inflation even when there is no legal obligation to do so. Similarly, the scope paragraph states that the Standard applies to employee benefits provided by those informal practices that give rise to an obligation. Informal practices give rise to an obligation where the entity has

IFRS	US GAAP	Ind AS	Indian GAAP
			no realistic alternative but to pay employee benefits. An example of such an obligation is where a change in the enterprise's informal practices would cause unacceptable damage to its relationship with employees.

5.9. Defined benefit versus defined contribution plan classification

Certain plans currently accounted for as defined benefit plans under US GAAP may be accounted for as defined contribution plans under IFRS/Ind AS and Indian GAAP and vice versa. Classification differences would result in differences to expense recognition as well as to balance sheet presentation.

IFRS	US GAAP	Ind AS	Indian GAAP
An arrangement qualifies as a defined contribution plan if an employer's legal or constructive obligation is limited to the amount it contributes to a separate entity (generally, a fund or an insurance company). There is no requirement for individual participant accounts. For multiemployer plans, the accounting treatment used is based on the substance of the terms of the plan. If the plan is a defined benefit plan in substance, it should be accounted for as such, and the participating employer should record its proportionate share of all relevant amounts in the plan. However, defined benefit accounting may not be required if the company cannot obtain sufficient information.	A defined contribution plan is any arrangement that provides benefits in return for services rendered, establishes an individual account for each participant, and is based on contributions by the employer or employee to the individual's account and the related investment experience. Multiemployer plans are treated similar to defined contribution plans. A pension plan to which two or more unrelated employers contribute is generally considered to be a multiemployer plan. A common characteristic of a multiemployer plan is that there is commingling of assets contributed by the participating employers.	Similar to IFRS.	Similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
Multi-employer plans: Subsidiaries that participate in parent-sponsored plans are not multiemployer plans. The accounting by the subsidiary will depend on the specific facts and circumstances.	Subsidiaries whose employees participate in a plan sponsored by a parent company also follow multiemployer plan accounting in their separate stand-alone financial statements.	Similar to IFRS.	Similar to IFRS.

5.10. Curtailments

A number of differences exist in relation to how curtailments are defined, how both curtailment gains and losses are calculated (in light of the differences in the underlying accounting for gains/losses and prior service cost), and when such gains should be recorded. Losses are typically recorded in the same period, when the loss is probable.

There are additional differences in the timing of the recognition of gains or losses related to plan amendments, curtailments, and termination benefits that occur in connection with a restructuring.

IFRS	US GAAP	Ind AS	Indian GAAP
The definition of a curtailment is limited to "a significant reduction by the entity in the number of employees covered by a plan." Curtailment gains and losses should be recorded when the curtailment occurs. IFRS requires the gain or loss related to plan amendments, curtailments, and termination benefits that occur in connection with a restructuring to be recognized when the related restructuring cost is recognized, if that is earlier than the normal IAS 19 recognition date.	A curtailment is defined as an event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future service. Curtailment gains are recognized when realized (i.e., once the terminations have occurred or the plan amendment is adopted). Further, a net curtailment loss is recorded when it is probable that a curtailment will occur and the amount of the curtailment loss is reasonably estimable.	Similar to IFRS.	While curtailment is not specifically defined under Indian GAAP, it occurs when an enterprise • has a present obligation, arising from the requirement of a statute/regulator or otherwise, to make a material reduction in the number of employees covered by a plan; or • amends the terms of a defined benefit plan such that a material element of future service by current employees will no longer

IFRS	US GAAP	Ind AS	Indian GAAP
	The guidance requires certain offsets of unamortized gains/losses in a curtailment but does not permit pro rata recognition of the remaining unamortized gains/losses.		qualify for benefits, or will qualify only for reduced benefits. A curtailment may arise from an isolated event, such as the closing of a plant, discontinuance of an operation or termination or suspension of a plan. Curtailment gains and losses should be recorded when the curtailment occurs. Curtailments are often linked with a restructuring. Therefore, an enterprise accounts for a curtailment at the same time as for a related restructuring.

5.11. Settlements

Because of differences in the definition of a settlement and an accounting policy choice that is available under US GAAP but not under IFRS/Ind AS and Indian GAAP, the frequency of accounting for transactions as a settlement may differ between US GAAP and other frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
A settlement gain or loss is recognized when the settlement occurs. If the settlements are due to lump sum elections by employees as part of the normal operating procedures of the plan, settlement accounting does not apply.	A settlement gain or loss normally is recognized in earnings when the settlement occurs. Lump sum payments are considered a form of settlement. However, an employer may elect an accounting policy whereby settlement gain or loss recognition is not required if the cost of all settlements within a plan year does not exceed the sum of the service and interest cost components of net benefit cost for that period.	Similar to IFRS.	While settlement is not specifically defined in AS 15, it does not exclude "payment of benefits to, or on behalf of, employees that is set out in the terms of the plan and included in the actuarial assumptions", which is clearly excluded under IFRS/Ind AS. Under Indian GAAP, a settlement occurs when an entity enters into a transaction that eliminates all

IFRS	US GAAP	Ind AS	Indian GAAP
			further obligations for part or all of the benefits provided under a defined benefit plan, for example, when a lump-sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits. A settlement gain or loss is recognized when the settlement occurs.

Different definitions of partial settlements may lead to more settlements being recognized under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
A partial settlement occurs if a transaction eliminates all further legal or constructive obligations for part of the benefits provided under a defined benefit plan.	A partial settlement of any one participant's obligation is generally not allowed. If a portion of the obligation for vested benefits to plan participants is satisfied and the employer remains liable for the balance of those participants' vested benefits, the amount that is satisfied is not considered settled.	Similar to IFRS.	Refer guidance above.

Varying settlement calculation methodologies can result in differing amounts being recognized in income and other comprehensive income.

IFRS	US GAAP	Ind AS	Indian GAAP
Under IFRS, a settlement gain or loss generally reflects the difference between the settlement price and the actuarial valuation of the obligation that has been settled.	Under US GAAP, a settlement gain/loss reflects the pro-rata recognition of previously unamortized gains or losses.	Similar to IFRS.	The gain or loss on a curtailment or settlement comprises: (a) any resulting change in the present value of the defined benefit obligation; (b) any resulting change in the fair value of the plan assets; (c) any related past service cost that had not

IFRS	US GAAP	Ind AS	Indian GAAP
			previously been recognized. Before determining the effect of a curtailment or settlement, the obligation (and the related plan assets, if any) should be remeasured using current actuarial assumptions (including current market interest rates and other current market prices).

5.12. *Asset ceiling*

Under IFRS/Ind AS and Indian GAAP, there is a limitation on the value of the net pension asset that can be recorded on the balance sheet. Territory-specific regulations may determine limits on refunds or reductions in future contributions that may impact the asset ceiling test.

IFRS	US GAAP	Ind AS	Indian GAAP
An asset ceiling test limits the amount of the net pension asset that can be recognized to the lower of (1) the amount of the net pension asset or (2) the present value of any economic benefits available in the form of refunds or reductions in future contributions to the plan. IFRIC 14 *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies that prepayments are required to be recognized as assets in certain circumstances. The guidance also governs the treatment and disclosure of amounts, if any, in excess of the asset ceiling. In addition, the limitation on the asset often will create an additional liability because contributions may be required that would lead to or increase an irrecoverable surplus.	There is no limitation on the size of the net pension asset that can be recorded on the balance sheet.	Similar to IFRS.	Asset is limited to the lower of: (1) The net asset resulting from applying the standard; or (2) The present value of any available refunds from the plan, or reduction in future contributions to the plan. However, there is no specific guidance similar to IFRIC 14 on determining the limit on a defined benefit asset, minimum funding requirements and their interaction while estimating the present value of any available refunds from the plan, or reduction in future contributions to the plan.

5.13. Measurement of defined benefit obligation when both employers and employees contribute

The accounting for plans where an employer's exposure may be limited by employee contributions may differ. The benefit obligation may be smaller under IFRS/Ind AS than US GAAP.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
The measurement of plan obligations where risks associated with the benefit are shared between employers and employees should reflect the substance of the arrangements where the employer's exposure is limited or where the employer can increase contributions from employees to help meet a deficit. IFRS allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided rather than spreading them over the employees' working lives. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits; either in accordance with the formula in the pension plan, or, where the plan provides a materially higher level of benefit for service in later years, on a straight line basis.	The measurement of plan obligations generally does not reflect a reduction when the employer's exposure is limited or when the employer can increase contributions from employees from current levels to help meet a deficit. Under US GAAP, employee contributions typically reduce service cost in the period of contribution.	Similar to IFRS.	No specific guidance.

5.14. Plan asset valuation

Although all frameworks require plan assets to be measured at fair value, US GAAP reduces fair value for the cost to sell and IFRS/Ind AS/Indian GAAP does not.

IFRS	US GAAP	Ind AS	Indian GAAP
Plan assets should be measured at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under IFRS, the fair value of insurance policies should be estimated using, for example, a discounted cash flow model with a discount rate that reflects the associated risk and the expected maturity date or expected disposal date of the assets. Qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan are measured at the present value of the related obligations. Under IFRS, the use of the cash surrender value is generally inappropriate.	Plan assets should be measured at fair value less cost to sell. Under US GAAP, contracts with insurance companies (other than purchases of annuity contracts) should be accounted for as investments and measured at fair value. In some cases, the contract value may be the best available evidence of fair value unless the contract has a determinable cash surrender value or conversion value, which would provide better evidence of the fair value.	Similar to IFRS.	Similar to IFRS.

5.15. Discount rates

Differences in the selection criteria for discount rates could lead companies to establish different discount rates under IFRS/Ind AS, US GAAP and Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
The discount rate should be determined by reference to market yields on high-quality corporate bonds in the same currency as the benefits to be paid with durations that are similar to those of the benefit obligation.	The discount rate is based on the rate at which the benefit obligation could be effectively settled. Companies may look to the rate of return on high-quality, fixed-income investments with similar durations to those of the benefit obligation to establish the discount rate. The SEC has stated that the term "high quality" means that a bond has received one of the two highest ratings given by a recognized ratings agency (e.g., Aa or higher by Moody's).	The present value of the defined benefit obligation denominated in Indian rupee (INR) is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.	The rate used to discount post-employment benefit obligations (both funded and unfunded) should be determined by reference to market yields at the balance sheet date on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.
Where a deep market of high-quality corporate bonds does not exist, companies are required to look to the yield on government bonds when selecting the discount rate. A synthetically constructed bond yield designed to mimic a high-quality corporate bond may not be used to determine the discount rate.	The guidance does not specifically address circumstances in which a deep market in high-quality corporate bonds does not exist (such as in certain foreign jurisdictions). However, in practice, a hypothetical high-quality corporate bond yield is determined based on a spread added to representative government bond yields.	Similar to IFRS.	Not applicable.

5.16. Accounting for termination indemnities

US GAAP allows for more options in accounting for termination indemnity programs.

IFRS	US GAAP	Ind AS	Indian GAAP
Defined benefit accounting is required for termination indemnities.	When accounting for termination indemnities, there are two acceptable alternatives to account for the obligation: (1) full defined benefit plan accounting or (2) if higher, mark-to-market accounting (i.e., basing the liability on the amount that the company would pay out if the employee left the company as of the balance sheet date).	Similar to IFRS.	Similar to IFRS.

5.17. Deferred compensation arrangements—employment benefits

The accounting for these arrangements, which include individual senior executive employment arrangements, varies under the frameworks. IFRS/Ind AS and Indian GAAP provides less flexibility than US GAAP with respect to the expense attribution and measurement methodology.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not distinguish between individual senior executive employment arrangements and a "plan" in the way that US GAAP does. Whether a postemployment benefit is provided for one employee or all employees, the accounting is the same under IFRS. Deferred compensation accounting relates to benefits that are normally paid while in service but more than 12 months after the end of the accounting period in which they are earned. The liability associated with deferred compensation contracts classified as other long-term benefits under IAS 19 is	Individual deferred compensation arrangements that are not considered, in the aggregate, to be a "plan" do not follow the pension accounting standard. Deferred compensation liabilities are measured at the present value of the benefits expected to be provided in exchange for an employee's service to date. If expected benefits are attributed to more than one individual year of service, the costs should be accrued in a systematic and rational manner over the relevant years of service in which the	Similar to IFRS.	Similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
measured by the projected-unit-credit method (equivalent to postemployment-defined benefits). All prior service costs and gains and losses are recognized immediately in profit or loss.	employee earns the right to the benefit (to the full eligibility date). A number of acceptable attribution models are used in practice, including the sinking-fund model and the straight-line model. Gains and losses are recognized immediately in the income statement.		

5.18. Accounting for taxes

The timing of recognition for taxes related to benefit plans differs.

IFRS	US GAAP	Ind AS	Indian GAAP
Taxes related to benefit plans should be included either in the return on assets or the calculation of the benefit obligation, depending on their nature. For example, taxes payable by the plan on contributions are included in actuarial assumptions for the calculation of the benefit obligation.	A contribution tax should be recognized as a component of net benefit cost in the period in which the contribution is made.	Similar to IFRS.	Taxes payable by the plan itself and costs of administering the plan are deducted from the return on plan assets.

5.19. Recent/proposed guidance

5.19.1. IASB exposure draft and research project

The IASB issued an exposure draft in June 2015 to address issues discussed with the Interpretations Committee. The proposal addresses the following issues:

- Remeasurements at a significant event
- Availability of refunds from a defined benefit plan managed by an independent trustee

The IASB also has a research project on its agenda to explore the accounting for hybrid plans.

5.19.1.1. Remeasurements at a significant event

The IASB proposed clarifying the accounting related to the remeasurement of the net defined benefit liability (asset) in the event of a plan amendment, curtailment, or settlement such that the calculations of current service cost and net interest cost in the post-event period should be remeasured consistent with the net defined benefit liability. This would include using updated assumptions and the remeasured defined benefit liability when remeasuring the current service cost and net interest cost.

If the proposed amendment is adopted, we believe US GAAP and IFRS accounting will be consistent.

5.19.1.2. Availability of refunds from a defined benefit plan managed by an independent trustee

The IASB proposed clarifying whether a trustee's power can affect a company's unconditional right to a refund and restrict the recognition of an asset. It clarified that amounts of a surplus that a company recognizes as an asset on the basis of a future refund should not include amounts that another party can unilaterally use for other purposes. It also distinguishes between the power to make investment decisions and the power to wind up a plan or the power to use a surplus to enhance benefits. Also, when determining the availability of a refund or reduction in future contributions, a company should consider statutory requirements, contractual agreements, and any constructive obligation. The proposal further clarified that upon a remeasurement for a significant event, the asset ceiling would need to be reassessed and any adjustment to the asset ceiling would be recognized in other comprehensive income.

If the proposed amendment is adopted, the current US GAAP and IFRS difference with regard to the asset ceiling described in SD 5.12 will remain.

5.19.2. FASB Accounting Standards Update 2017-06, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting (a consensus of the Emerging Issues Task Force)

In February 2017, the FASB issued final guidance intended to reduce diversity and improve the usefulness of information provided by employee benefit plans that hold interests in master trusts. Under the new guidance, a plan's interests in master trust balances and activities need to be presented on the face of the plan's financial statements. Balances in the statement of net assets and activities in the statement of changes in net assets should be shown net, as a single line item for each interest in a master trust.

The new guidance also requires the following disclosures:

- The master trust's investments by general type and the dollar amount of the plan's interest in each type of investment
- The master trust's other assets and liabilities on a gross basis and the dollar amount of the plan's interest in each balance

Upon adoption of the new guidance, plans with a divided interest in a master trust will no longer need to disclose the plan's overall percentage interest in the trust. Health and welfare plans will no longer need to disclose 401(h) investment account information, but will need to reference the defined benefit plan that discloses such information.

The revised guidance is effective for fiscal years beginning after 15 December 2018 and needs to be applied retrospectively. Early adoption is permitted.

5.19.3. FASB Accounting Standards Update 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB issued final guidance on the presentation of net periodic pension and postretirement benefit cost (net benefit cost). Presently, net benefit cost is reported as an employee cost within the operating income (or capitalized into assets where appropriate). The amendment requires the bifurcation of net benefit cost. The service cost component will be presented with other employee compensation cost in operating income (or capitalized into assets). The other components will be reported separately outside of operations, and will not be eligible for capitalization.

Under the new amendment, entities that sponsor defined benefit plans will present net benefit cost as follows:

- present service cost in the same line item or items as other current employee compensation costs and present the remaining components of net benefit cost in one or more separate line items outside of income from operations (if that subtotal is presented); and
- limit the components of net benefit cost eligible to be capitalized (for example, as a cost of inventory or self-constructed assets) to service cost.

The guidance is effective for public business entities for annual reporting periods beginning after 15 December 2017, and interim periods within that reporting period. For all other entities (including all NPOs), it is effective for annual periods beginning after 15 December 2018, and interim periods within annual periods beginning after 15 December 2019. Early adoption will be permitted.

6. Assets—non-financial assets

6.1. Assets—non-financial assets

The guidance under US GAAP and IFRS/Ind AS as it relates to nonfinancial assets (e.g., intangibles; property, plant, and equipment, including leased assets; inventory; and investment property) contains some significant differences with potentially far-reaching implications. These differences primarily relate to differences in impairment indicators, asset unit of account, impairment measurement and subsequent recoveries of previously impaired assets. Overall, differences for long-lived assets held for use could result in earlier impairment recognition under IFRS/Ind AS and Indian GAAP as compared to US GAAP.

In the area of inventory, IFRS/Ind AS and Indian GAAP prohibits the use of the last in, first out (LIFO) costing methodology, which is an allowable option under US GAAP. For US-based operations, differences in costing methodologies could have a significant impact on reported operating results as well as on current income taxes payable, given the Internal Revenue Service (IRS) book/tax LIFO conformity rules.

IFRS/Ind AS and Indian GAAP provides criteria for lease classification that are similar to US GAAP criteria. However, the IFRS/Ind AS and Indian GAAP criteria do not override the basic principle that classification is based on whether the lease transfers substantially all of the risks and rewards of ownership to the lessee. This could result in varying lease classifications for similar leases under the two frameworks. Other key differences involve areas such as sale-leaseback accounting, build-to-suit leases, leveraged leases, and real estate transactions.

As further discussed in SD 6.28, Recent/proposed guidance, the FASB and IASB have issued their new lease standards in early 2016. The changes are expected to impact almost all entities and significantly changes lease accounting for lessees.

Technical references

US GAAP

ASC 205, ASC 250, ASC 330, ASC 360-10, ASC 360-20, ASC 410-20, ASC 410-20-25, ASC 835-20, ASC 840, ASC 840-40, ASC 908-30, ASC 976

IFRS

IAS 2, IAS 16, IAS 17, IAS 23, IAS 36, IAS 37, IAS 38, IAS 40, IAS 41, IFRS 5, IFRS 13, IFRS 16, IFRIC 4, IFRIC 17, SIC 15

Ind AS

Ind AS 2, Ind AS 10, Ind AS 16, Ind AS 17, Ind AS 23, Ind AS 36, Ind AS 37, Ind AS 38, Ind AS 40, Ind AS 41, Ind AS 105, Ind AS 113

Indian GAAP

AS 2, AS 10 (Revised), AS 13, AS 16, AS 19, AS 24, AS 26, AS 28, AS 29

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

Long-lived assets

6.2. Impairment of long-lived assets held for use—general

The IFRS/Ind AS and Indian GAAP based impairment model might lead to the recognition of impairments of long-lived assets held for use earlier than would be required under US GAAP.

There are also differences related to such matters as what qualifies as an impairment indicator and how recoveries in previously impaired assets get treated.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS uses a one-step impairment test. The carrying amount of an asset is compared with the recoverable amount. The recoverable amount is the higher of (1) the asset's fair value less costs of disposal or (2) the asset's value in use. In practice, individual assets do not usually meet the definition of a CGU. As a result, assets are rarely tested for impairment individually but are tested within a group of assets. Fair value less costs of disposal represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less costs of disposal. Value in use represents entity-specific or CGU-specific future pretax cash flows discounted to present value by using a pretax, market-determined rate that reflects the current assessment of the time value of money and the risks specific to the asset or CGU for which the cash flow estimates have not been adjusted.	US GAAP requires a two-step impairment test and measurement model as follows: **Step 1**—The carrying amount is first compared with the undiscounted cash flows. If the carrying amount is lower than the undiscounted cash flows, no impairment loss is recognized, although it might be necessary to review depreciation (or amortization) estimates and methods for the related asset. **Step 2**—If the carrying amount is higher than the undiscounted cash flows, an impairment loss is measured as the difference between the carrying amount and fair value. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (an exit price). Fair value should be based on the assumptions of market participants and not those of the reporting entity.	Similar to IFRS.	Similar to IFRS, except that the recoverable amount is the higher of (1) the asset's net selling price or (2) the asset's value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Further, SMCs are allowed to measure the 'value in use' on the basis of reasonable estimate thereof instead of computing the value in use by present value technique. Consequently, if a SMC chooses to measure the 'value in use' by not using the present value technique, the relevant provisions of AS 28, such as discount rate etc., would not be applicable to such a SMC.

IFRS	US GAAP	Ind AS	Indian GAAP
Impairment indicators: Changes in market interest rates can potentially trigger impairment and, hence, are impairment indicators.	Changes in market interest rates are not considered impairment indicators.	Similar to IFRS.	Similar to IFRS.
Reversal of impairments: If certain criteria are met, the reversal of impairments, other than those of goodwill, is permitted.	The reversal of impairments is prohibited.	Similar to IFRS.	Similar to IFRS except that impairment loss for goodwill can also be reversed provided • it was caused by a specific external event of an exceptional nature that is not expected to recur; and • subsequent external events have occurred that reverse the effect of that event.
Noncurrent assets carried at fair value: For noncurrent, nonfinancial assets (excluding investment properties and biological assets) carried at fair value instead of depreciated cost, impairment losses related to the revaluation are recorded in other comprehensive income to the extent of prior upward revaluations, with any further losses being reflected in the income statement.	US GAAP generally utilizes historical cost and prohibits revaluations except for certain categories of financial instruments, which are carried at fair value.	Similar to IFRS.	Similar to IFRS, except that under Indian GAAP, there is no concept of other comprehensive income thereby the revaluation adjustments in respect of property, plant and equipment are recorded as revaluation surplus as part of owners' interests. Refer SD 6.4 for further details.

6.2.1. Impairment of long-lived assets—scope

IFRS	US GAAP	Ind AS	Indian GAAP
Separate financial statements IAS 36 *Impairment of Assets* applies to interests in subsidiaries, associates and joint ventures that are accounted for at cost in accordance with IAS 27 *Separate Financial Statements* in the separate financial statements.	Refer SD 12.13 for guidance on separate financial statement of parent.	Similar to IFRS.	AS 13 applies when there is a decline other than temporary, in the value of long-term investments.
Consolidated financial statements As per IAS 28 *Investments in Associates and Joint Ventures*, IAS 36 applies to investments in associates and joint ventures that are equity accounted in the consolidated financial statements.	A loss in value of an equity method investment that is other than a temporary decline shall be recognized as per Topic 323.	Similar to IFRS.	Under Indian GAAP, investments in associates are accounted for using equity method. AS 23 *Accounting for Investments in Associates in Consolidated Financial Statements* requires the carrying value of investment in associate to be reduced to recognize a decline that is other than temporary.

6.2.2. Impairment of long-lived assets—cash flow estimates

As noted above, impairment testing under US GAAP starts with undiscounted cash flows, whereas the starting point under IFRS/Ind AS and Indian GAAP is discounted cash flows. Aside from that difference, IFRS/Ind AS and Indian GAAP is more prescriptive with respect to how the cash flows themselves are identified for purposes of calculating value in use.

IFRS	US GAAP	Ind AS	Indian GAAP
Cash flow estimates used to calculate value in use under IFRS should include:	Future cash flow estimates used in an impairment analysis should include:	Similar to IFRS.	Similar to IFRS.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
• Cash inflows from the continuing use of the asset or the activities of the CGU • Cash outflows necessarily incurred to generate the cash inflows from continuing use of the asset or CGU (including cash outflows to prepare the asset for use) and that are directly attributable to the asset or CGU • Cash flows expected to be received (or paid) for the disposal of assets or CGUs at the end of their useful lives • Cash outflows to maintain the operating capacity of existing assets, including, for example, cash flows for day-to-day servicing Cash flow projections used to measure value in use should be based on reasonable and supportable assumptions of economic conditions that will exist over the asset's remaining useful life. Cash flows expected to arise from future restructurings or from improving or enhancing the asset's performance should be excluded. Cash flows are from the perspective of the entity itself. Projections based on management's budgets/forecasts shall cover a maximum period of five years, unless a longer period can be justified. Estimates of cash flow projections beyond the period covered by the most recent budgets/forecasts should extrapolate the projections based on the	• All cash inflows expected from the use of the long-lived asset (asset group) over its remaining useful life, based on its existing service potential • Any cash outflows necessary to obtain those cash inflows, including future expenditures to maintain (but not improve) the long-lived asset (asset group) • The cash outflows should include costs attributable to the asset group based on the nature of the expense rather than who incurs it (i.e., an expense related to the asset group incurred at the corporate level) • Cash flows associated with the eventual disposition, including selling costs, of the long-lived asset (asset group) US GAAP specifies that the remaining useful life of a group of assets over which cash flows may be considered should be based on the remaining useful life of the "primary" asset of the group. Cash flows are from the perspective of the entity itself. Expected future cash flows should represent management's best estimate and should be based on reasonable and supportable assumptions consistent with other assumptions made in the		

IFRS	US GAAP	Ind AS	Indian GAAP
budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate shall not exceed the long-term average growth rate for the products, industries, or country in which the entity operates, or for the market in which the asset is used unless a higher rate can be justified.	preparation of the financial statements and other information used by the entity for comparable periods.		

6.2.3. *Impairment of long-lived assets—asset groupings*

Determination of asset groupings is a matter of judgment and could result in differences between IFRS/Ind AS, Indian GAAP and US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Determination of CGU: A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. It can be a single asset. If an active market (as defined by IFRS 13 *Fair Value Measurement*) exists for the output produced by an asset or group of assets, that asset or group should be identified as a CGU, even if some or all of the output is used internally.	For purposes of recognition and measurement of an impairment loss, a long-lived asset or asset group should represent the lowest level for which an entity can separately identify cash flows that are largely independent of the cash flows of other assets and liabilities.	Similar to IFRS.	Similar to IFRS.
Corporate assets: In case, there is an indication of impairment for a group of assets (e.g. corporate assets) which do not generate cash inflows independently of other assets or groups of assets and their carrying amount cannot be fully attributed to the cash-generating unit	In limited circumstances, a long-lived asset (e.g., corporate asset) might not have identifiable cash flows that are largely independent of the cash flows of other assets and liabilities and of other asset groups. In those circumstances, the asset group for	Similar to IFRS.	Similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
under review, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of this cash-generating unit or group of cash-generating units.	that long-lived asset shall include all assets and liabilities of the entity.		

6.3. Impairment of long-lived assets held for sale—general

US GAAP and IFRS/Ind AS criteria are similar in determining when long-lived assets qualify for held-for-sale classification. Under US GAAP and IFRS/Ind AS, long-lived assets held for sale should be measured at the lower of their carrying amount or fair value less cost to sell. However, differences could exist in what is included in the disposal group between US GAAP and IFRS/Ind AS. Under Indian GAAP, there is no concept of disposal group.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requires an entity to present separately any cumulative income or expense recognized in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.	US GAAP requires a disposal group to include items associated with accumulated other comprehensive income. This includes any cumulative translation adjustment, which is considered part of the carrying amount of the disposal group [ASC 830-30-45-13 *Foreign Currency Matters*].	Similar to IFRS.	Under Indian GAAP, there is no concept of disposal group. AS 10 (Revised) provides that items of PPE retired from active use and held for disposal should be stated at the lower of their carrying amount and net realizable value. Any write-down should be recognized immediately in the statement of profit and loss. An intangible asset that is retired from active use and held for disposal is carried at its carrying amount at the date when the asset is retired from active use as per AS 26. Such asset is tested for impairment at least at each financial year end. Under Indian GAAP, the concept of other comprehensive income does not exist.

6.4. Carrying basis

The ability to revalue assets (to fair value) under IFRS/Ind AS and Indian GAAP might create significant differences in the carrying value of assets as compared with US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Historical cost is the primary basis of accounting. However, IFRS permits the revaluation to fair value of class of intangible assets; property, plant, and equipment; and investment property and	US GAAP generally utilizes historical cost and prohibits revaluations except for certain categories of	Similar to IFRS, with the exception that investment properties cannot be subsequently remeasured to fair	Similar to IFRS for property, plant and equipment, except that under Indian GAAP, there is no

IFRS	US GAAP	Ind AS	Indian GAAP
inventories in certain industries (e.g., commodity broker/dealer). IFRS also requires that biological assets (not including bearer plans) be reported at fair value. An increase in revaluation is recognized in other comprehensive income (generally under the heading revaluation surplus) except to the extent that such increase offsets a previous decrease recognized in profit or loss. A decrease in revaluation is recognized in profit or loss except to the extent that such decrease offsets a previously recognized increase in other comprehensive income. IFRS does not specify a definite frequency for revaluation. The revaluation depends on the asset. When the fair value materially differs from the carrying amount, a revaluation is to be done. For assets whose fair value changes insignificantly, frequent/annual revaluations are not necessary. For such assets, IFRS prescribes that a revaluation could be done once in three to five years.	financial instruments, which are carried at fair value.	value in accordance with the fair value model.	concept of other comprehensive income. Therefore, an increase in revaluation is recognized directly to owner's interests (under the heading revaluation surplus) except to the extent that such increase reverses a previous decrease recognized in the statement of profit or loss. A decrease in revaluation is recognized in the statement of profit or loss except to the extent that such decrease offsets a previously recognized increase directly in the owner's interest. Investment properties are carried at cost less accumulated depreciation and impairment. Inventories are carried at cost or net realizable value whichever is lower. There is no specific guidance for biological assets except for bearer plants which are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by management. Revaluation of intangibles and inventories is not permitted.

Long-lived assets—intangible assets[1]

6.5. Intangible assets—deferred payment terms

IFRS	US GAAP	Ind AS	Indian GAAP
The cost of an item of intangible asset is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the current cash price and the total payment is recognized as interest expense over the period of credit unless such interest is capitalized in accordance with IAS 23 *Borrowing Costs*.	ASC Topic 835 *Interest* provides guidance on imputation of interest which is broadly similar to IFRS. Under this Topic, a note exchanged for property, goods, or service represents the following two elements, which may or may not be stipulated in the note: a) The principal amount, equivalent to the bargained exchange price of the property, goods, or service as established between the supplier and the purchaser; b) an interest factor to compensate the supplier over the life of the note for the use of funds that would have been received in a cash transaction at the time of the exchange. In circumstances where interest is not stated, the stated amount is unreasonable, or the stated face amount of the note is materially different from the current cash sales price for the same or similar items or from the fair value of the note at the date of the transaction, the note, the sales price, and the cost of the property, goods, or service exchanged for the note shall be recorded at the fair value of the property, goods, or service or at an amount that reasonably approximates the fair value of the	Similar to IFRS.	AS-26 requires an intangible asset to be measured initially at cost. There is no specific guidance for intangible assets to suggest such costs to be based on the current cash price where payments are deferred.

1 *Excluding goodwill, which is addressed in SD 13, Business Combinations.*

IFRS	US GAAP	Ind AS	Indian GAAP
	note, whichever is the more clearly determinable. That amount may or may not be the same as its face amount, and any resulting discount or premium shall be accounted for as an element of interest over the life of the note. However, the guidance under this topic does not apply to the following; • Receivables and payables arising from transactions with customers /suppliers in the normal course of business that are due in customary trade terms not exceeding approximately one year; • Amounts that do not require repayment in the future; • Amounts intended to provide security for one party to an agreement; • The customary cash lending activities and demand/ savings deposit activities of financial institutions; • Transactions where interest rates are affected by the tax attributes or legal restrictions prescribed by a governmental agency; • Transactions between parent and subsidiary entities and between subsidiaries of a common parent; and		

IFRS	US GAAP	Ind AS	Indian GAAP
	• The application of the present value measurement (valuation) technique to estimates of contractual or other obligations assumed in connection with sales of property, goods, or service, for example, a warranty for product performance.		

6.6. Internally developed intangibles

US GAAP prohibits, with limited exceptions, the capitalization of development costs. Development costs are capitalized under IFRS/Ind AS and Indian GAAP if certain criteria are met.

Further differences might exist in such areas as software development costs, where US GAAP provides specific detailed guidance depending on whether the software is for internal use or for sale. The principles surrounding capitalization under IFRS/Ind AS and Indian GAAP, by comparison, are the same, whether the internally generated intangible is being developed for internal use or for sale.

IFRS	US GAAP	Ind AS	Indian GAAP
Costs associated with the creation of intangible assets are classified into research phase costs and development phase costs. Costs in the research phase are always expensed. Costs in the development phase are capitalized, if all of the following six criteria are demonstrated: • The technical feasibility of completing the intangible asset; • The intention to complete the intangible asset; • The ability to use or sell the intangible asset;	In general, both research costs and development costs are expensed as incurred, making the recognition of internally generated intangible assets rare. However, separate, specific rules apply in certain areas. For example, there is distinct guidance governing the treatment of costs associated with the development of software for sale to third parties. Separate guidance governs the treatment of costs associated with the development of software for internal use, including fees paid in a cloud computing arrangement.	Similar to IFRS.	Similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
• How the intangible asset will generate probable future economic benefits (the entity should demonstrate the existence of a market or, if for internal use, the usefulness of the intangible asset); • The availability of adequate resources to complete the development and to use or sell it; and • The ability to measure reliably the expenditure attributable to the intangible asset during its development. Expenditures on internally generated brands, mastheads, publishing titles, customer lists, and items similar in substance cannot be distinguished from the cost of developing the business as a whole. Therefore, such items are not recognized as intangible assets. Development costs initially recognized as expenses cannot be capitalized in a subsequent period.	The guidance for the two types of software varies in a number of significant ways. There are, for example, different thresholds for when capitalization commences, and there are also different parameters for what types of costs are permitted to be capitalized.		

6.7. Acquired research and development assets

Under US GAAP, capitalization depends on both the type of acquisition (asset acquisition or business combination) as well as whether the asset has an alternative future use.

Under IFRS/Ind AS, acquired research and development assets are capitalized if it is probable that they will have future economic benefits.

IFRS	US GAAP	Ind AS	Indian GAAP
The price paid reflects expectations about the probability that the future economic benefits of the asset will flow to the entity. The probability recognition criterion is always assumed to be met for separately acquired intangible assets (including acquired research and development assets).	Research and development intangible assets acquired in an asset acquisition are capitalized only if they have an alternative future use. For an asset to have alternative future use, it must be reasonably expected (greater than a 50% chance) that an entity will achieve economic benefit from such alternative use and further development is not needed at the acquisition date to use the asset.	Similar to IFRS.	No specific guidance.

6.8. Indefinite-lived intangible assets—level of assessment for impairment testing

Under US GAAP, the assessment for impairment testing is performed at the asset level. Under IFRS/Ind AS, the assessment may be performed at a higher level (i.e., the CGU level). The varying assessment levels can result in different conclusions as to whether an impairment exists.

IFRS	US GAAP	Ind AS	Indian GAAP
As most indefinite-lived intangible assets (e.g., brand name) do not generate cash flows independently of other assets, it might not be possible to calculate the value in use for such an asset on a standalone basis. Therefore, it is necessary to determine the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or	Separately recorded indefinite-lived intangible assets, whether acquired or internally developed, shall be combined into a single unit of accounting for purposes of testing impairment if they are operated as a single asset and, as such, are essentially inseparable from one another.	Similar to IFRS.	The useful life of an intangible asset may be very long but it is always finite. Under Indian GAAP, there is rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.

IFRS	US GAAP	Ind AS	Indian GAAP
groups of assets, (known as a CGU), in order to perform the test.	Indefinite-lived intangible assets may be combined only with other indefinite-lived intangible assets; they may not be tested in combination with goodwill or with a finite-lived asset. US GAAP literature provides a number of indicators that an entity should consider in making a determination of whether to combine intangible assets.		The presumption is based on the fact that the estimates of the useful life of an intangible asset generally become less reliable as the length of the useful life increases. Intangible assets amortized over period exceeding ten years are tested for impairment annually, even if there are no impairment indicators.

6.8.1. Indefinite-lived intangible assets—impairment testing

Under US GAAP, an entity can choose to first assess qualitative factors in determining if further impairment testing is necessary. This option does not exist Under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
IAS 36, requires an entity to test an indefinite-lived intangible asset for impairment annually. It also requires an impairment test in between annual tests whenever there is an indication of impairment. IAS 36 allows an entity to carry forward the most recent detailed calculation of an asset's recoverable amount when performing its current period impairment test, provided the following criteria are met: (i) the asset is assessed for impairment as a single asset (that is it generates cash flows independently of other assets and is not reviewed for impairment as part of a CGU), (ii) the most recent impairment test resulted in an amount that exceeded the asset's	ASC 350, *Intangibles-Goodwill and Other*, requires an indefinite-lived intangible asset to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. An entity may first assess qualitative factors to determine if a quantitative impairment test is necessary. Further testing is only required if the entity determines, based on the qualitative assessment, that it is more likely than not that a indefinite-lived intangible asset's fair value is less than its carrying amount. Otherwise, no further impairment testing is required.	Similar to IFRS.	As discussed above, under Indian GAAP, the useful life of an intangible asset is finite. AS 28 *Impairment of Assets* requires an enterprise to assess at each balance sheet date whether there is any indication that an intangible asset may be impaired. If any such indication exists, the enterprise should estimate the recoverable amount of the intangible asset. Refer also SD 6.8 for intangible assets which are required to be tested for impairment annually even when there are no indications of impairment.

IFRS	US GAAP	Ind AS	Indian GAAP
carrying amount by a substantial margin; and (iii) an analysis of events that have occurred and changes in circumstances since the last review indicate that the likelihood that the asset's current recoverable amount would be less than its carrying amount is remote.	An entity can choose to perform the qualitative assessment on none, some, or all of its indefinite lived intangible assets. An entity can bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to the quantitative impairment test and then choose to perform the qualitative assessment in any subsequent period.		

6.8.2. *Indefinite-lived intangible assets—impairment charge measurement*

Even when there is an impairment under the frameworks, the amount of the impairment charge may differ.

IFRS	US GAAP	Ind AS	Indian GAAP
Indefinite-lived intangible asset impairments are calculated by comparing the recoverable amount to the carrying amount (see above for determination of level of assessment). The recoverable amount is the higher of fair value less costs of disposal or value in use. The value in use calculation uses the present value of future cash flows.	Impairments of indefinite-lived intangible assets are measured by comparing fair value to carrying amount.	Similar to IFRS.	Not applicable. Under Indian GAAP, all intangible assets are considered to have a finite useful life.

6.9. *Impairments of software costs to be sold, leased, or otherwise marketed*

Impairment measurement model and timing of recognition of impairment are different under US GAAP and IFRS/Ind AS and Indian GAAP.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Under IFRS, intangible assets not yet available for use are tested annually for impairment because they are not being amortized. Once such assets are brought into use, amortization commences and the assets are tested for impairment when there is an impairment indicator. The impairment is calculated by comparing the recoverable amount (the higher of either (1) fair value less costs of disposal or (2) value in use) to the carrying amount. The value in use calculation uses the present value of future cash flows.	When assessing potential impairment, at least at each balance sheet date, the unamortized capitalized costs for each product must be compared with the net realizable value of the software product. The amount by which the unamortized capitalized costs of a software product exceed the net realizable value of that asset shall be written off. The net realizable value is the estimated future gross revenue from that product reduced by the estimated future costs of completing and disposing of that product. The net realizable value calculation does not utilize discounted cash flows.	Similar to IFRS.	Similar to IFRS.

6.10. *Intangible assets—useful life and amortization*

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Useful life:			
An entity shall assess whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded by the entity as having an indefinite useful life when, based on an analysis of all of the	Similar to IFRS.	Similar to IFRS.	There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. However, AS 26 states that in some cases, there may be persuasive evidence that the

IFRS	US GAAP	Ind AS	Indian GAAP
relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.			useful life of an intangible asset will be as specific period longer than ten years. In these cases, the presumption that the useful life generally does not exceed ten years can be rebutted and the entity should: • amortize the intangible asset over the best estimate of its useful life; • estimate the recoverable amount of the intangible asset at least annually in order to identify any impairment loss; and • disclose the reasons why the presumption is rebutted and the factor(s) that played a significant role in determining the useful life of the asset
Revenue-based amortization method: IAS 38 *Intangible Assets* includes a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate except under the following limited circumstances: • where the intangible asset is expressed as a measure of revenue; • when it can be demonstrated that revenue and the consumption of	An intangible asset that has a finite life should be amortized over its estimated useful life to the entity. The method of amortizing an intangible asset should reflect the pattern in which the asset's economic benefits are consumed or otherwise used up. If such a pattern cannot reliably be determined, then a straight-line amortization method should be used.	Similar to IFRS, except that on transition to Ind AS, companies that were following the policy of revenue-based amortization of intangible assets arising from service concession arrangements related to toll roads recognized in the financial statements in the period immediately before the beginning of the first Ind AS financial reporting period may continue with that policy.	The amortization method used should reflect the pattern in which the asset's economic benefits are consumed by the enterprise. If that pattern cannot be determined reliably, the straight-line method should be used. A variety of amortization methods can be used to allocate the depreciable amount of an asset on a systematic basis over

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
the economic benefits of the intangible asset are highly correlated.			its useful life. These methods include the straight-line method, the diminishing balance method and the unit of production method. The method used for an asset is selected based on the expected pattern of consumption of economic benefits and is consistently applied from period to period, unless there is a change in the expected pattern of consumption of economic benefits to be derived from that asset. There will rarely, if ever, be persuasive evidence to support an amortization method for intangible assets that results in a lower amount of accumulated amortization than under the straight-line method. Unlike IFRS/Ind AS, AS 26 does not specifically deal with revenue-based amortization, except that in case of intangible assets (Toll Roads) created under 'Build, Operate and Transfer', 'Build, Own, Operate and Transfer' or any other form of public private partnership route in case of road projects, Schedule II to the Companies Act, 2013 (as amended) allows use of revenue based amortization.

6.11. Advertising costs

Under IFRS/Ind AS and Indian GAAP, advertising costs may need to be expensed sooner.

IFRS	US GAAP	Ind AS	Indian GAAP
Costs of advertising are expensed as incurred. The guidance does not provide for deferrals until the first time the advertising takes place, nor is there an exception related to the capitalization of direct response advertising costs or programs. Prepayment for advertising may be recorded as an asset only when payment for the goods or services is made in advance of the entity's having the right to access the goods or receive the services. The cost of materials, such as sales brochures and catalogues, is recognized as an expense when the entity has the right to access those goods.	The costs of other than direct response advertising should be either expensed as incurred or deferred and then expensed the first time the advertising takes place. This is an accounting policy decision and should be applied consistently to similar types of advertising activities. Certain direct response advertising costs are eligible for capitalization if, among other requirements, probable future economic benefits exist. Direct response advertising costs that have been capitalized are then amortized over the period of future benefits (subject to impairment considerations). Aside from direct response advertising-related costs, sales materials such as brochures and catalogues may be accounted for as prepaid supplies until they no longer are owned or expected to be used, in which case their cost would be a cost of advertising.	Similar to IFRS.	No specific guidance, however entities generally follow the practice of recognizing goods or services received for future advertising as an asset until the advertising takes place.

Long-lived assets—property, plant and equipment

6.12. Depreciation

Under IFRS/Ind AS and Indian GAAP, differences in asset componentization guidance might result in the need to track and account for property, plant, and equipment at a more disaggregated level.

IFRS	US GAAP	Ind AS	Indian GAAP
Componentization: IFRS requires that separate significant components of property, plant, and equipment with different useful lives be recorded and depreciated separately.	US GAAP generally does not require the component approach for depreciation.	Similar to IFRS. Additionally, the componentization requirements of Schedule II to the Companies Act, 2013 would also apply to entities preparing financial statements in accordance with Ind AS.	Similar to Ind AS.
Review of useful lives: The guidance includes a requirement to review residual values and useful lives at each balance sheet date.	While it would generally be expected that the appropriateness of significant assumptions within the financial statements would be reassessed each reporting period, there is no explicit requirement for an annual review of residual values.	Similar to IFRS.	Schedule II to the Companies Act, 2013, prescribes indicative useful lives and residual value for various items of PPE. If a company adopts a useful life/residual value different from that specified in Schedule II, the financial statements should disclose such difference and provide justification in this respect supported by technical advice.

6.13. Overhaul costs

US GAAP may result in earlier expense recognition when portions of a larger asset group are replaced.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS requires capitalization of the costs of a major overhaul representing a replacement of an identified component. Consistent with the componentization model, the guidance requires that the carrying amount of parts or components that are replaced be derecognized.	US GAAP permits alternative accounting methods for recognizing the costs of a major overhaul. Costs representing a replacement of an identified component can be (1) expensed as incurred, (2) accounted for as a separate component asset, or (3) capitalized and amortized over the period benefited by the overhaul.	Similar to IFRS.	Similar to IFRS.

6.14. Asset retirement obligations

Initial measurement might vary because US GAAP specifies a fair value measure and IFRS/Ind AS and Indian GAAP does not. IFRS/Ind AS and Indian GAAP results in greater variability, as obligations in subsequent periods get adjusted and accreted based on current market-based discount rates.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS requires that management's best estimate of the costs of dismantling and removing the item or restoring the site on which it is located be recorded when an obligation exists. The estimate is to be based on a present obligation (legal or constructive) that arises as a result of the acquisition, construction, or development of a fixed asset. If it is not clear whether a present obligation exists, the entity may evaluate the evidence under a more-likely-than-not threshold. This threshold is evaluated in relation to the likelihood of settling the obligation.	Asset retirement obligations (AROs) are recorded at fair value and are based upon the legal obligation that arises as a result of the acquisition, construction, or development of a long-lived asset. The use of a credit-adjusted, risk-free rate is required for discounting purposes when an expected present value technique is used for estimating the fair value of the liability.	Similar to IFRS.	Similar to IFRS, except that constructive obligations are not considered for recognizing provisions under AS 29 *Provisions, Contingent liabilities and Contingent assets* (refer SD 9.2).

IFRS	US GAAP	Ind AS	Indian GAAP
The guidance uses a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. Changes in the measurement of an existing decommissioning, restoration, or similar liability that result from changes in the estimated timing or amount of the cash outflows or other resources, or a change in the discount rate, adjust the carrying value of the related asset under the cost model. Adjustments may result in an increase of the carrying amount of an asset beyond its recoverable amount. An impairment loss would result in such circumstances. Adjustments may not reduce the carrying amount of an asset to a negative value. Once the carrying value reaches zero, further reductions are recorded in profit and loss. The periodic unwinding of the discount is recognized in profit or loss as a finance cost as it occurs.	The guidance also requires an entity to measure changes in the liability for an ARO due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The interest rate used for measuring that change would be the credit-adjusted, risk-free rate that existed when the liability, or portion thereof, was initially measured. In addition, changes to the undiscounted cash flows are recognized as an increase or a decrease in both the liability for an ARO and the related asset retirement cost. Upward revisions are discounted by using the current credit-adjusted, risk-free rate. Downward revisions are discounted by using the credit-adjusted, risk-free rate that existed when the original liability was recognized. If an entity cannot identify the prior period to which the downward revision relates, it may use a weighted-average, credit-adjusted, risk-free rate to discount the downward revision to estimated future cash flows.		

6.15. Borrowing costs

Borrowing costs under IFRS/Ind AS and Indian GAAP are broader and can include more components than interest costs under US GAAP.

US GAAP allows for more judgment in the determination of the capitalization rate, which could lead to differences in the amount of costs capitalized.

IFRS/Ind AS and Indian GAAP does not permit the capitalization of borrowing costs in relation to equity method investments, whereas US GAAP may allow capitalization in certain circumstances.

IFRS	US GAAP	Ind AS	Indian GAAP
An entity can choose, but is not required, to capitalize borrowing costs directly attributable to the acquisition, construction or production of: • a qualifying asset measured at fair value (for example, a biological asset); or • inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis. Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are required to be capitalized as part of the cost of that asset. The guidance acknowledges that determining the amount of borrowing costs directly attributable to an otherwise qualifying asset might require professional judgment. Having said that, the guidance first requires the consideration of any specific borrowings and then requires consideration of all general borrowings outstanding during the period. In broad terms, a qualifying asset is one that necessarily takes a substantial period	Interest shall not be capitalized for inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis. Capitalization of interest costs is required while a qualifying asset is being prepared for its intended use. The guidance does not require that all borrowings be included in the determination of a weighted-average capitalization rate. Instead, the requirement is to capitalize a reasonable measure of cost for financing the asset's acquisition in terms of the interest cost incurred that otherwise could have been avoided. Eligible borrowing costs do not include exchange rate differences from foreign currency borrowings. Also, generally, interest earned on invested borrowed funds cannot offset interest costs incurred during the period. An investment accounted for by using the equity method meets the criteria for a qualifying asset while	Similar to IFRS. However, Ind AS provides specific guidance on determination of exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The manner of arriving at the exchange difference stated above shall be as follows: • the adjustment should be of an amount which is equivalent to the extent to which the exchange loss does not exceed the difference between the cost of borrowing in functional currency when compared to the cost of borrowing in a foreign currency. • where there is an unrealized exchange loss which is treated as an adjustment to interest and subsequently there is a realized or unrealized gain in respect of the settlement or translation	Unlike IFRS/Ind AS, AS 16 *Borrowing Costs* does not have any scope exclusions for biological assets or inventories produced/manufactured in large quantities on a repetitive basis. Other aspects are similar to Ind AS. However, differences could arise because of the use of the effective interest method to calculate borrowing costs under IFRS/Ind AS, which Indian GAAP does not specify. AS 16, defines the term 'qualifying asset' as "an asset that necessarily takes a substantial period of time to get ready for its intended use or sale". There is a rebuttable presumption that a period of twelve months is considered as "substantial" period of time for determining whether the asset is a qualifying the asset. Investments accounted for under the equity method would not meet the criteria for a qualifying asset.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
of time to get ready for its intended use or sale. An asset that normally takes more than a year to be ready for use will usually be a qualifying asset. Investments accounted for under the equity method would not meet the criteria for a qualifying asset. Eligible borrowing costs include applicable exchange rate differences from foreign currency borrowings. Borrowing costs shall be reduced by any income on temporary investments of the borrowings. When an entity applies IAS 29 *Financial Reporting in Hyperinflationary Economies*, it recognizes as an expense the part of borrowing costs that compensates for inflation during the same period.	the investee has activities in progress necessary to commence its planned principal operations, provided that the investee's activities include the use of funds to acquire qualifying assets for its operations.	of the same borrowing, the gain to the extent of the loss previously recognized as an adjustment should also be recognized as an adjustment to interest.	There is no guidance on financial reporting in hyperinflationary economies.
Rate used for capitalization: Under IFRS, when an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, borrowing costs are capitalized using the weighted average borrowing rate. 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; in other circumstances, it is appropriate for each subsidiary to use a weighted average of the borrowing costs applicable to its own borrowings.	Under US GAAP, in identifying the borrowings to be included in the weighted average rate, the objective is a reasonable measure of the cost of financing acquisition of the asset in terms of the interest cost incurred that otherwise could have been avoided. Accordingly, judgment will be required to make a selection of borrowings that best accomplishes that objective e.g., depending on the facts and circumstances, it may be appropriate to include all borrowings of the parent entity and its	Similar to IFRS.	Under Indian GAAP, borrowing costs are capitalized using the weighted average borrowing rate applicable to the legal entities within the group, and not using the rate applicable to the group in entirety. There is no requirement to disclose the capitalization rate used to determine the amount of borrowing costs eligible for capitalization.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
An entity shall also disclose the capitalization rate used to determine the amount of borrowing costs eligible for capitalization.	consolidated subsidiaries or to include only the borrowings of the corporate entity constructing the qualifying asset.		

Leases

6.16. Lease scope

IFRS/Ind AS is broader in scope and may be applied to certain leases of intangible assets.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
The scope of IFRS lease guidance (IAS 17) is not restricted to property, plant, and equipment. Accordingly, it may be applied more broadly (for example, to some intangible assets and inventory). However, the standard cannot be applied to leases of biological assets, licensing agreements, or leases to explore for or use minerals, oil, natural gas, and similar non-regenerative resources.	The guidance for leases (ASC 840, *Leases*) applies only to property, plant, and equipment. Although the guidance is restricted to tangible assets, entities can analogize to the lease guidance for leases of software. Specifically, ASC 985-20 *Software* addresses the accounting by lessors for leases of computer equipment and software. ASC 350-40-25-16 specifies that a company acquiring software under a licensing or leasing agreement should account for the transaction by analogy to ASC 840.	Similar to IFRS.	Similar to IFRS, except that lease arrangements to use land are scoped out. Generally, long-term lease of land (e.g. 99 years of lease) is classified as property, plant and equipment. Further, there is no specific guidance on lease of biological assets. AS 19 *Leases* does not provide any specific guidance to determine whether an arrangement in substance conveys right to use an asset (IFRIC 4 *Determining whether an arrangement contains a lease*), and therefore lease accounting is normally applied to transactions which are structured as lease. There are certain exemptions to SMCs with respect to disclosure requirements applicable to lessee and lessors.

6.17. Lease classification—general

Leases might be classified differently under IFRS/Ind AS and Indian GAAP than under US GAAP. Different classification can have a profound effect on how a lease is reflected within the financial statements.

IFRS	US GAAP	Ind AS	Indian GAAP
The guidance under IAS 17 focuses on the overall substance of the transaction. Lease classification as an operating lease or a finance lease (i.e., the equivalent of a capital lease under US GAAP) depends on whether the lease transfers substantially all of the risks and rewards of ownership to the lessee. Although similar lease classification criteria identified in US GAAP are considered in the classification of a lease under IFRS, there are no quantitative breakpoints or bright lines to apply (e.g., 90 percent). IFRS also lacks guidance similar to ASC 840-10-25-14 with respect to default remedies. Under IFRS there are additional indicators/potential indicators that may result in a lease being classified as a finance lease. For example, a lease of special-purpose assets that only the lessee can use without major modification generally would be classified as a finance lease. This would also be the case for any lease that does not subject the lessor to significant risk with respect to the residual value of the leased property. There are no incremental criteria for a lessor to consider in classifying a lease under IFRS.	The guidance under ASC 840 contains four specific criteria for determining whether a lease should be classified as an operating lease or a capital lease by a lessee. The criteria for capital lease classification broadly address the following matters: • Ownership transfer of the property to the lessee • Bargain purchase option • Lease term in relation to economic life of the asset • Present value of minimum lease payments in relation to fair value of the leased asset The criteria contain certain specific quantified thresholds such as whether the lease term equals or exceeds 75% of the economic life of the leases asset ("75% test") or the present value of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property ("90% test"). Events of default must be evaluated pursuant to ASC 840-10-25-14 to assess whether remedies payable upon default are minimum lease	Similar to IFRS.	Similar to IFRS.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
	payments for purposes of applying the 90% test. The guidance indicates that the maximum amount of potential payments under all non-performance events of default must be included in the lease classification 90% test unless each of the following 4 criteria are met: (i) the covenant is customary, (ii) predefined criteria relating solely to the lessee and its operations have been established for the determination of the event of default, (iii) the occurrence of the event of default is objectively determinable; and (iv) it is reasonable to assume at lease inception that an event of default will not occur. For a lessor to classify a lease as a direct financing or sales-type lease under the guidance, the following two additional criteria must be met: • reasonably predictable collectability of minimum lease payments; and • an absence of important uncertainties surrounding the amount of unreimbursable costs yet to be incurred by lessor under the lease.		

6.18. Sale-leaseback arrangements

Differences in the frameworks might lead to differences in the timing of gain recognition in sale-leaseback transactions. Where differences exist, IFRS/Ind AS and Indian GAAP might lead to earlier gain recognition.

IFRS	US GAAP	Ind AS	Indian GAAP
When a sale-leaseback transaction results in a lease classified as an operating lease, the full gain on the sale normally would be recognized immediately if the sale was executed at the fair value of the asset. It is not necessary for the leaseback to be minor. If the sale price is below fair value, any profit or loss should be recognized immediately, except that if there is a loss compensated by below-market rentals during the lease term the loss should be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value should be deferred and amortized over the period for which the asset is expected to be used. When a sale-leaseback transaction results in a finance lease, the gain is amortized over the lease term, irrespective of whether the lessee will reacquire the leased property. Where subsequent rentals are determined other than on an arm's length basis, it is possible that the sales proceeds will be less than the fair value of the asset. In this regard, any apparent loss should be treated in the same way as any gain by being deferred and amortized over the lease term.	The gain on a sale-leaseback transaction generally is deferred and amortized over the lease term. Immediate recognition of the full gain is normally appropriate only when the leaseback is considered minor, as defined. If the leaseback is more than minor but less than substantially all of the asset life, a gain is only recognized immediately to the extent that the gain exceeds (a) the present value of the minimum lease payments if the leaseback is classified as an operating leases; (b) the recorded amount of the leased asset if the leaseback is classified as a capital lease. If the lessee provides a residual value guarantee, the gain corresponding to the gross amount of the guarantee is deferred until the end of the lease; such amount is not amortized during the lease term. A loss on a sale-leaseback must be recognized immediately by the seller-lessee to the extent that undepreciated cost (net book value) exceeds fair value. When a sale-leaseback transaction involves the leaseback of the entire property sold and the leaseback is a capital lease, then under ASC 840-	Similar to IFRS.	Similar to IFRS. However, when a sale and leaseback transaction results in a finance lease, any excess or deficiency of sales proceeds over the carrying amount should be deferred and amortized over the lease term in proportion to the depreciation of the leased asset.

IFRS	US GAAP	Ind AS	Indian GAAP
There are no real estate-specific rules equivalent to the US guidance. Accordingly, almost all sale-leaseback transactions result in sale-leaseback accounting. The property sold would be removed from the balance sheet, and if the leaseback is classified as an operating lease, the property would not come back onto the seller-lessee's balance sheet.	40-25-4, the substance of the transaction is a financing and the profit should be deferred until the sale is recognized. There are onerous rules for determining when sale-leaseback accounting is appropriate for transactions involving real estate (including integral equipment). If the rules are not met, the sale leaseback will be accounted for as a financing. As such, the real estate will remain on the seller-lessee's balance sheet, and the sales proceeds will be reflected as debt. Thereafter, the property will continue to depreciate, and the rent payments will be re-characterized as debt service.		

6.19. Leases involving land and buildings

More frequent bifurcation under IFRS/Ind AS might result in differences in the classification of and accounting for leases involving land and buildings. In addition, accounting for land leases under IFRS/Ind AS might result in more frequent recordings of finance leases. There is no specific guidance on lease of land and building under Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Under IAS 17, land and building elements must be considered separately, unless the land element is not material. This means that nearly all leases involving land and buildings should be bifurcated into two components, with separate classification considerations and accounting for each component. The lease of the land element should be classified based on a consideration of all	Under ASC 840, land and building elements generally are accounted for as a single unit of account, unless the land represents 25 percent or more of the total fair value of the leased property. When considering the classification of land that is considered its own unit of account, ASC 840 would require the lease to be classified as an	Similar to IFRS except for lessee's interest in both land and buildings classified as an investment property. Under IFRS, separate measurement of the land and buildings elements is not required when the lessee's interest in both land and buildings is classified as an investment property and the fair	There is no specific guidance on lease of land and building as single component. Lease arrangements to use lands are specifically excluded from the scope of lease accounting.

IFRS	US GAAP	Ind AS	Indian GAAP
of the risks and rewards indicators that apply to leases of other assets. Accordingly, a land lease would be classified as a finance lease if the lease term were long enough to cause the present value of the minimum lease payments to be at least substantially all of the fair value of the land. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life.	operating lease unless either the transfer-of-ownership criterion or the bargain-purchase-option criterion is met. In those cases the lessee should account for the land lease as a capital lease.	value model is adopted. However, this option is not available under Ind AS, since the fair value model for investment property itself is not permitted under Ind AS.	

6.20. Lease—others

6.20.1. Initial recognition

IFRS	US GAAP	Ind AS	Indian GAAP
Lease classification is made at the inception of the lease, however initial recognition takes place at the commencement of the lease term. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.	Similar to IFRS.	Similar to IFRS.	Similar to IFRS, lease classification is made at the inception of the lease. However, AS 19 requires initial recognition at the inception of the lease.

6.20.2. Initial direct costs of lessors

IFRS	US GAAP	Ind AS	Indian GAAP
Finance lease other than those involving manufacturer or dealer lessors:			
Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term.	The lessor shall amortize the unearned income and initial direct costs on a direct financing lease to income over the lease term to produce a constant periodic rate of return on the net investment in the lease.	Similar to IFRS.	Initial direct costs are incurred to produce finance income and are either recognized immediately in the statement of profit and loss or allocated against the finance income over the lease term.
Operating lease:			
Initial direct costs incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.	Initial direct costs shall be deferred by the lessor. Deferred initial direct costs shall be allocated by the lessor over the lease term in proportion to the recognition of rental income.	Similar to IFRS.	Initial direct costs incurred specifically to earn revenues from an operating lease 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.

6.20.3. Lease rental under operating leases

IFRS	US GAAP	Ind AS	Indian GAAP
Lease rentals under operating leases should be recognized on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit.	Similar to IFRS.	Similar to IFRS, except where the escalation of lease rentals is in line with the expected general inflation so as to compensate the lessor for expected inflationary cost, in which case it is recognized as incurred (i.e. not to be straight-lined).	Similar to IFRS.

6.20.4. Treatment of renewal/extension options

The exercise of renewal/extension options within leases might result in a new lease classification under US GAAP, but not under IFRS/Ind AS and Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
If the period covered by the renewal option was not considered to be part of the initial lease term but the option is ultimately exercised based on the contractually stated terms of the lease, the original lease classification under the guidance continues into the extended term of the lease; it is not revisited.	The renewal or extension of a lease beyond the original lease term, including those based on existing provisions of the lease arrangement, normally triggers accounting for the arrangement as a new lease.	Similar to IFRS.	No specific guidance.

6.20.5. Leveraged lease accounting

Leveraged lease accounting is not available under IFRS/Ind AS and Indian GAAP, potentially resulting in delayed income recognition and gross balance sheet presentation.

IFRS	US GAAP	Ind AS	Indian GAAP
The guidance does not permit leveraged lease accounting. Leases that would qualify as leveraged leases under US GAAP typically would be classified as finance leases under IFRS. Any nonrecourse debt would be reflected gross on the balance sheet.	The lessor can classify leases that would otherwise be classified as direct-financing leases as leveraged leases if certain additional criteria are met. Financial lessors sometimes prefer leveraged lease accounting because it often results in faster income recognition. It also permits the lessor to net the related nonrecourse debt against the leveraged lease investment on the balance sheet.	Similar to IFRS.	Similar to IFRS.

6.20.6. Leases of real estate

Immediate income recognition by lessors on leases of real estate is more likely under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not have specific requirements similar to US GAAP with respect to the classification of a lease of real estate. Accordingly, a lessor of real estate (e.g., a dealer) will recognize income immediately if a lease is classified as a finance lease (i.e., if it transfers substantially all the risks and rewards of ownership to the lessee).	Under the guidance, income recognition for an outright sale of real estate is appropriate only if certain requirements are met. By extension, such requirements also apply to a lease of real estate. Accordingly, a lessor is not permitted to classify a lease of real estate as a sales-type lease unless ownership of the underlying property automatically transfers to the lessee at the end of the lease term, in which case the lessor must apply the guidance appropriate for an outright sale.	The Guidance Note on Accounting for Real Estate Transactions (Ind AS) covers all forms of transactions in real estate for example, sale of plots of land (including lease of land under finance lease under Ind AS 17). Developer shall recognize revenue for real estate given on finance lease if the conditions specified in Ind AS 18 for sale of goods are met.	Similar to Ind AS.

6.20.7. Lessee involvement in the construction of an asset

Additional consideration is required under US GAAP when the lessee is involved with the construction of an asset that will be leased to the lessee when construction of the asset is completed.

IFRS	US GAAP	Ind AS	Indian GAAP
No specific guidance relating to lessee involvement in the construction of an asset exists under IFRS.	Lessee involvement in the construction of an asset to be leased upon construction completion is subject to specific detailed guidance to determine whether the lessee should be considered the owner of the asset during construction. If the lessee has substantially all of the construction period risks, as determined by specific criterion included in ASC 840-40-55, the lessee must account for construction	Similar to IFRS.	Similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
	in progress as if it were the legal owner and recognize landlord financed construction costs as debt. Once construction is complete, the arrangement is evaluated as a sale-leaseback. ASC 840 provides guidance with respect to accounting for a "construction project" and can be applied not only to new construction but also to the renovation or re-development of an existing asset.		

6.20.8. Lease incentives

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS requires that lease incentives in an operating lease shall be recognized by both the lessor and the lessee over the lease term as follows: • The lessor recognizes the aggregate cost of incentives as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished • The lessee recognizes the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.	Similar to IFRS.	Similar to IFRS.	No specific guidance.

Other

6.21. Distributions of nonmonetary assets to owners

Spin-off transactions under IFRS/Ind AS can result in gain recognition as nonmonetary assets are distributed at fair value. Under US GAAP, nonmonetary assets are distributed at their recorded amount, and no gains are recognized.

IFRS	US GAAP	Ind AS	Indian GAAP
Accounting for the distribution of nonmonetary assets to owners of an entity should be based on the fair value of the nonmonetary assets to be distributed. A dividend payable is measured at the fair value of the nonmonetary assets to be distributed. Upon settlement of a dividend payable, an entity will recognize any differences between the carrying amount of the assets to be distributed and the carrying amount of the dividend payable in profit or loss (this does not apply to common control situations).	Accounting for the distribution of nonmonetary assets to owners of an enterprise should be based on the recorded amount (after reduction, if appropriate, for an indicated impairment of value) of the nonmonetary assets distributed. Upon distribution, those amounts are reflected as a reduction of owner's equity.	Similar to IFRS.	No specific guidance.

6.22. Inventory costing

Companies that utilize the LIFO costing methodology under US GAAP might experience significantly different operating results as well as cash flows under IFRS/Ind AS and Indian GAAP. Furthermore, regardless of the inventory costing model utilized, under IFRS/Ind AS and Indian GAAP, companies might experience greater earnings volatility in relation to recoveries in values previously written down.

IFRS	US GAAP	Ind AS	Indian GAAP
A number of costing methodologies such as FIFO or weighted-average costing are permitted. The use of LIFO, however, is precluded.	A variety of inventory costing methodologies such as LIFO, FIFO, and/or weighted-average cost are permitted. For companies using LIFO for US income tax purposes, the book/tax conformity rules also require the use of LIFO for book accounting/ reporting purposes.	Similar to IFRS.	Similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
Reversals of inventory write-downs (limited to the amount of the original write-down) are required for subsequent recoveries.	Reversals of write-downs are prohibited.	Similar to IFRS.	No specific guidance.

6.23. Inventory measurement

The measurement of inventory might vary when cost is greater than market (US GAAP) or net realizable value (IFRS/Ind AS and Indian GAAP).

IFRS	US GAAP	Ind AS	Indian GAAP
Inventory is measured at the lower of cost and net realizable value. Net realizable value is estimated selling price less costs of completion and sale.	As per ASU 2015-11 *Simplifying the Measurement of Inventory*, which is effective for entities in fiscal years beginning after 15 December 2016, inventory that is measured using any method other than last-in, first-out (LIFO) or the retail inventory method is measured at the lower of cost or net realizable value. Net realizable value is estimated selling price less costs of completion and sale. Inventory that is measured using LIFO or retail inventory method is measured at lower of cost or market. Market is the current replacement cost; however, the replacement cost cannot be greater than the net realizable value or less than net realizable value reduced by a normal sales margin.	Similar to IFRS.	Similar to IFRS.

6.24. Inventory—cost formulae

IFRS	US GAAP	Ind AS	Indian GAAP
IAS 2 *Inventories* requires that an entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified.	US GAAP does not include guidance similar to IFRS, though ASC 330 *Inventory* mentions that selection of the method should be made on the basis of the individual circumstances, and financial statements will be more useful if uniform methods of inventory pricing are adopted by all entities within a given industry and shall be consistently applied in order that the results reported may be fairly allocated between years.	Similar to IFRS.	AS 2 *Valuation of Inventories* requires that the formula used should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.

6.25. Inventory acquired on deferred settlement terms

IFRS	US GAAP	Ind AS	Indian GAAP
An entity may purchase inventories on deferred settlement terms. When the arrangement effectively contains a financing element, that element, for example the difference between the purchase price for normal credit terms and the amount paid, is recognized as interest expense over the period of the financing.	Similar to IFRS, however Topic 835 on imputation of interest costs does not apply to payables arising from transactions with suppliers in the normal course of business that are due in customary trade terms not exceeding approximately one year. Accordingly, there may arise differences in practice with IFRS.	Similar to IFRS.	There is no specific requirement to separate financing element.

6.26. Biological assets—fair value versus historical cost

Companies whose operations include management of the transformation of living animals or plants into items for sale, agricultural produce, or additional biological assets have the potential for fundamental changes to their basis of accounting (because IFRS/Ind AS requires fair value-based measurement).

IFRS	US GAAP	Ind AS	Indian GAAP
Under IAS 41 *Agriculture*, biological assets are measured at fair value less costs to sell for initial recognition and at each subsequent reporting date, except when the measurement of fair value is unreliable. All changes in fair value are recognized in the income statement in the period in which they arise. Bearer plants are accounted for in the same way in IAS 16, *Property, Plant and Equipment*. Whereas the produce growing on bearer plants is within the scope of IAS 41 and accounted at fair value.	Biological assets are generally measured at historical cost. These assets are tested for impairment in the same manner as other long-lived assets.	Similar to IFRS.	No specific guidance on biological assets as there is no equivalent accounting standard. However, AS 10 (Revised) includes accounting for biological assets that meet the definition of 'bearer plants'. A 'bearer plant' is defined as a plant used in the production or supply of agricultural produce, is expected to bear produce for more than one period and is not likely to be sold as agricultural produce, except for incidental scrap sales. Other biological assets are scoped out. However, any property, plant and equipment used to develop the biological assets is within the scope of AS 10 (Revised). Further, AS 2 also scopes out producers' inventories of livestock, agricultural and forest products to the extent that they are measured at net realizable value in accordance with well-established practices in those industries.

6.27. Investment property

Alternative methods or options of accounting for investment property under IFRS could result in significantly different asset carrying values (fair value) and earnings.

IFRS	US GAAP	Ind AS	Indian GAAP
Definition:			
Investment property is separately defined as property (land and/or buildings) held in order to earn rentals and/or for capital appreciation. The definition does not include owner-occupied property, property held for sale in the ordinary course of business, or property being constructed or developed for such sale. Properties under construction or development for future use as investment properties are within the scope of investment properties. The acquisition of an investment property may either be an acquisition of an asset or a group of assets or a business combination within the scope of IFRS 3 *Business Combinations*.	There is no specific definition of investment property.	Similar to IFRS.	An investment property is an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.
Initial and subsequent measurement:			
Investment property is initially measured at cost (transaction costs are included). Thereafter, it may be accounted for on a historical-cost basis or on a fair value basis as an accounting policy choice.[2] When fair value is applied, the gain or loss arising from a change in the fair value is recognized in the income	The historical-cost model is used for most real estate companies and operating companies holding investment-type property. Investor entities—such as many investment companies, insurance companies' separate accounts, bank-sponsored real estate trusts, and employee benefit plans	Similar to IFRS, except that only cost model can be used to measure investment property. Fair value model is not permitted. However, disclosure pertaining to fair value is required to be given.	Investment property would be classified as long-term investment with initial measurement, similar to IFRS. Investment property is accounted under the cost model as prescribed under AS 10 (Revised). It is carried at cost less accumulated depreciation and

2 An entity that chooses the cost model would need to disclose the fair value of its investment property.

IFRS	US GAAP	Ind AS	Indian GAAP
statement, in which case the carrying value is not depreciated. The election to account for investment property at fair value may also be applied to leased property. Consequently, it is possible for a lessee to classify a property interest held under an operating lease as an investment property. If it does so, the property interest is accounted for as if it is a finance lease and, additionally, the fair value model is to be used for such asset recognized.	that invest in real estate—carry their investments at fair value. The fair value alternative for leased property does not exist.	The fair value alternative for leased property does not exist under Ind AS.	any accumulated impairment losses.

6.28. Recent/proposed guidance

6.28.1. Leases—Joint Project of the FASB and IASB

The FASB and IASB issued their respective standards in the first quarter of 2016. The FASB issued ASC 842 *Leases* in February 2016 and the IASB issued IFRS 16 *Leases* in January 2016. The issuance of the standards are the culmination of multiple years of deliberating a leasing model with the primary objective of bringing all leases onto the balance sheet for lessees. It was initially intended to be a converged standard, however, the Boards ultimately diverged and there are some differences.

Summarized below is an overview of the model highlighting the key differences between the standards.

6.28.1.1. Scope

The lease standards provide for certain scope exceptions from the entirety of the guidance. The exceptions to the scope of the lease standards that apply to both US GAAP and IFRS include:

- Leases to explore for or use minerals, oil, natural gas, and similar non-regenerative resources;
- Leases of biological assets;
- Service concession arrangements; and
- Certain types of intangible assets.

There are additional exceptions from the scope of ASC 842 that do not exist in IFRS 16. ASC 842 has a scope exception that excludes all types of intangible assets, leases of inventory, and leases of assets under construction from its scope. Under IFRS 16, a lessee may, but is not required to, apply lease accounting to leases of rights held under licensing agreements within the scope of IAS 38 for such items as motion picture films, video recordings, manuscripts, patents, and copyrights.

Once it has been determined that a contract is within the scope of the standards, an arrangement would include an embedded lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A customer has the right to control the use of an identified asset if it has both (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset. This analysis is performed at the inception of the arrangement and is only reassessed if there is a contract modification.

The standards allow lessees to make a policy election by class of underlying asset for leases that are short-term in nature (i.e., a lease term less than 12 months) under which lessees would not be required to recognize a right-of-use asset and lease liability. Lease expense would be recognized on straight-line basis in the income statement. Any variable payments would be recognized as they occur.

IFRS 16 provides an additional policy election for lessees on a lease-by-lease basis to exclude assets with a “low” value from the initial recognition requirements and account for the lease similar to short-term leases discussed above.

6.28.1.2. Separating components of a contract and contract combinations

There are no significant differences between the standards with regard to identifying or combining contract components. Contracts often contain multiple obligations of the supplier, which might include a combination of lease and non-lease components. For example, the lease of an industrial space might contain provisions related to the lease of land as well as the existing buildings and equipment, or a contract for a car lease may include maintenance.

When such multi-element arrangements exist, the standards require each separate lease and non-lease component to be accounted for separately. A separate lease or non-lease component exists if (a) the lessee can benefit from the separate right, good, or service separate from other lease components and (b) the component is neither highly dependent nor highly interrelated with other components in the arrangement. There are no differences in the standards in the application of this guidance.

Once the separate lease and non-lease components have been identified, the consideration in the contract should be allocated to the separate components. The standards define what will be included in the contract consideration, which will be allocated based on relative stand-alone prices for lessees, and for lessors will be based on ASC 606 and IFRS 15 allocation methodologies.

The standards provide an accounting policy election under which a lessee is not required to separate non-lease components from the lease components and can account for the arrangement as a single lease component. This policy election can be made by class of underlying asset.

6.28.1.3. Lessee accounting

Classification

The most significant difference between the standards is that under ASC 842, a lessee can have either a finance or operating lease, determined using classification criteria similar to that used for capital leases in existing lease guidance. In contrast, all leases are finance leases in IFRS 16 for lessees.

The classification criteria for lessees under ASC 842 is as follows. If any of the following criteria are met, the lease is a finance lease.

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion will not be used for lease classification purposes.
- The present value of the sum of lease payments and any residual value guaranteed by the lessee that is not already reflected in lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

Balance sheet

There are no significant differences between the standards with regard to how leases are to be recorded on the balance sheet. For lessees, all leases within the scope of the standards, regardless of classification, will be recorded on the balance sheet as a right-of-use asset and lease liability at lease commencement. The initial right-of-use asset and lease liability will be measured based on the present value of the lease payments (as defined in the standards) using the interest rate implicit in the lease (unless the rate cannot be readily determined, in which case the incremental borrowing rate of the lessee will be used).

Under IFRS, if an entity has elected to apply the fair value model under IAS 40 *Investment Property*, the lessee shall also apply that model to the right-of-use assets that meet the definition of investment property. Additionally, if the right-of-use assets relate to a class of property, plant, and equipment measured using the revaluation model under IAS 16, that right-of-use asset may also be measured using the revaluation model, if elected.

Income statement

With regard to the impact on the income statement, the significant difference between the standards is driven by the fact that ASC 842 will still have operating leases. Under ASC 842, there will be a different pattern of recognition for leases classified as operating leases in which the amortization of the right-of-use asset and interest expense related to the lease liability will be recorded together as lease expense to produce a straight-line recognition effect in the income statement.

The income statement will look similar between the standards for leases classified as finance leases. The income statement recognition for finance leases of lessees will consist of an amortization of the right-of-use asset and interest expense related to the lease liability.

Under IFRS, if an entity has elected to apply the fair value model under IAS 40, the lessee shall also apply that model to the right-of-use assets that meet the definition of investment property. The change in fair value will be recognized in the income statement.

6.28.1.4. Lessor accounting

Classification

The lessor classification of leases is substantially the same between the standards. However, similar to the existing standards, IFRS 16 does not require the collection of the lease payments to be probable for a lease to be classified as a finance lease. The classification of the lease is performed at inception under IFRS 16 and at commencement under ASC 842. The criteria that is applied is the same criteria discussed in SD 6.17 for the application of IFRS (IAS 17) today.

The specialized accounting for leveraged leases was not carried forward into either of the new standards. There is, however, transition relief in ASC 842 to continue to account for leveraged leases entered into before adoption of the new standard. Additionally, the specific rules around lessor classification of real-estate were not carried forward in ASC 842.

Balance sheet

There are no significant differences in the balance sheet impacts under the standards. A leased asset is removed from the balance sheet if the lease is classified as a finance lease. It is replaced with a lease receivable (comprised of the lease payments and any guaranteed residual value) and the unguaranteed residual value of the asset. If the lease is an operating lease, the lessor will leave the asset on the balance sheet.

Income statement

The most significant difference between the standards relates to profit recognition at commencement for a finance lease. To recognize profit at commencement of a finance lease, ASC 842 requires a transfer of control of the asset. This is not a requirement under IFRS 16. Interest income will be recognized on the lease receivable in a finance lease under the standards.

The standards require a straight-line income recognition pattern for operating leases.

6.28.1.5. Lease re-assessments and modifications

The consideration of contract modifications and lease re-assessments are generally the same under the standards. However, IFRS 16 will require a lease re-assessment if a change in the lease payments occurs as a result of a change in an index or rate. This would not be a reassessment event under ASC 842.

6.28.1.6. Sublease transactions

The accounting for sublease transactions is substantially the same between the standards. However, when classifying a sublease, the asset analysed under ASC 842 is the underlying asset subject to the original or "head" lease. IFRS 16 requires an analysis of the right-of-use asset related to the original head lease for purposes of classification.

6.28.1.7. Sale and leaseback transactions

The accounting for sale-lease back transactions are symmetrical between a buyer-lessor and a seller-lessee. In a sale-lease back transaction, the transaction will receive sale lease back accounting if the sale criteria are met according to ASC 606 or IFRS 15 as appropriate. For a seller-lessee, if a sale is not recognized, the arrangement will be treated as a financing. If a sale can be recognized, the transaction will be measured based on the fair value of the asset transferred. Any proceeds from the sale that are either above or below the fair value of the asset will be treated as a financing or prepaid rent. If a sale can be recognized, the asset will be removed and replaced with a right-of-use asset and lease liability.

Under ASC 842, the gain recognized at the sale date will be measured as the difference between the adjusted sale proceeds (total proceeds less any financing component) and the book value of the asset transferred. Under IFRS 16, the seller-lessee measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right of use retained. The gain (or loss) that the seller-lessee recognizes is limited to the proportion of the total gain (or loss) that relates to the rights transferred to the buyer-lessor.

ASC 842 has retained the concept of build-to-suit accounting for the lessee but has shifted the criteria to be focused more on control rather than risks and rewards during the construction period. IFRS 16 does not have the concept of build-to-suit accounting for lessees during construction.

6.28.1.8. Presentation and disclosure

For lessees, the presentation of the right-of-use assets and lease liabilities are similar under the standards in that amounts should be presented separate from other assets and liabilities on the balance sheet or in the notes to the financial statements. ASC 842 prohibits assets and liabilities related to operating leases from being presented in the same balance sheet line item as assets and liabilities related to finance leases.

For the income statement, IFRS 16 requires separate presentation of interest expense and the depreciation of the right-of-use asset. ASC 842 does not have specific guidance on the presentation of these amounts in the income statement. The presentation of amounts on the cash flow statement are similar between the standards.

The disclosure requirements under the standards are similar, however, there are some differences. Refer to each standard for their respective disclosure requirements.

6.28.1.9. Transition

For IFRS 16, the standard is effective for annual periods beginning on or after 1 January 2019. For ASC 842, the standard is effective for fiscal years beginning after 15 December 2018, including interim periods within those fiscal years. Early application is permitted under both standards, however, IFRS 16 cannot be adopted prior to the application of IFRS 15. ASC 842 can be adopted any time after the issuance of the standard.

There are differences in the transition methods between the standards in that IFRS 16 will have full retrospective application but will allow for a "simplified approach" in which the comparative periods will not be restated and the cumulative effect of applying the new standard will be recorded as an adjustment to the opening balance of retained earnings. ASC 842 provides for a modified retrospective application with the option to elect a package of practical expedients.

6.28.2. IASB amendments to IAS 40, Investment Property

The IASB has issued an amendment to IAS 40, clarifying when assets are transferred to, or from, investment properties. The amendment clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. This change must be supported by evidence. The Board confirmed that a change in intention, in isolation, is not enough to support a transfer.

The Board provided two options for transition.

- Prospective application. Any impact from properties that are reclassified would be treated as an adjustment to opening retained earnings as at the date of initial application. There are also special disclosure requirement if this option is selected.
- Retrospective application. This option can only be selected without the use of hindsight.

The amendment will be effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The ICAI has also issued an exposure draft to amend Ind AS 40 *Investment Property* which is similar to the amendment made to IAS 40. The amendments will be effective for annual periods beginning on or after 1 April 2018, subject to MCA Notification.

6.28.3. IASB has issued an exposure draft of annual improvements 2015-2017, IAS 23, Borrowing Costs

In January 2017, the board issued an exposure draft to clarify the application of paragraph 14 of IAS 23. Paragraph 14 of IAS 23 specifies how to determine the amount of borrowing costs eligible for capitalization when an entity borrows funds generally and uses them to obtain a qualifying asset. The Board proposes to amend that paragraph to clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.

6.28.4. FASB Proposed Accounting Standards Update—Inventory (Topic 330): Disclosure Framework—Changes to the Disclosure Requirements for Inventory

The amendments in this proposed Update would modify the disclosure requirements for inventory. The following additional disclosures would be required by Topic 330 for all entities:

1. Inventory disaggregated by component (for example, raw materials, work-in-process, finished goods, and supplies)
2. Inventory disaggregated by measurement basis
3. Changes to the inventory balance that are not specifically related to the purchase, manufacture, or sale of inventory in the ordinary course of business
4. A qualitative description of the types of costs capitalized into inventory
5. The effect of last-in, first-out (LIFO) liquidations on income
6. The replacement cost for LIFO inventory.

Entities that report some or all of their inventory using the retail inventory method (RIM) also would be required to provide qualitative and quantitative information about the critical assumptions used in the calculation of inventory under the RIM. In addition, entities that are subject to disclosing segment information in Topic 280, Segment Reporting, would be required to disclose, in both annual and interim periods, inventory by reportable segment and by component for each reportable segment to the extent that information is regularly provided to the chief operating decision maker.

6.28.5. FASB Accounting Standards Update 2016-09: Technical Corrections and Improvements

The FASB issued an accounting standards update that to clarify the Accounting Standards Codification or correct unintended application of guidance that is not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The proposed update includes the following:

- The amendment to Subtopic 350-40, Intangibles-Goodwill and Other— Internal-Use Software, adds a reference to guidance to use when accounting for internal-use software licensed from third parties that is within the scope of Subtopic 350-40.

- The amendment to Subtopic 360-20, Property, Plant, and Equipment— Real Estate Sales, corrects the guidance to include the final decision of the EITF that loans insured under the Federal Housing Administration and the Veterans Administration do not have to be fully insured by those government-insured programs to recognize profit using the full accrual method.
- The amendment to Topic 820, Fair Value Measurement, clarifies the difference between a valuation approach and a valuation technique when applying the guidance in that Topic.
- The amendment to Subtopic 405-40, Liabilities-Obligations Resulting from Joint and Several Liability Arrangements, which clarifies that for an amount of an obligation under an arrangement to be considered fixed at the reporting date, the amount that must be fixed is not the amount that is the entity's portion of the obligation but, rather, is the obligation in its entirety.
- The amendment to Subtopic 860-20, Transfers and Servicing-Sales of Financial Assets, aligns implementation guidance in paragraph 860-20- 55-41 with its corresponding guidance in paragraph 860-20-25-11. That amendment clarifies the considerations that should be included in an analysis to determine whether a transferor once again has effective control over transferred financial assets.
- The amendment to Subtopic 860-50, Transfers and Servicing-Servicing Assets and Liabilities, adds guidance that existed in AICPA Statement of 5 Position 01-6, Accounting by Certain Entities (Including Entities with Trade Receivables) That Lend to or Finance the Activities of Others, on the accounting for the sale of servicing rights when the transferor retains loans that was omitted from the Accounting Standards Codification.

6.28.6. FASB Accounting Standards Update 2017-05, Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets

ASC 610-20 *Other Income* was issued as part of the new revenue standard. While the revenue standard primarily focuses on contracts with customers, ASC 610-20 was added to provide guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. The guidance issued by the FASB on 22 February 2017 clarifies when and how to apply ASC 610-20, in certain situations. The new guidance:

- Defines "in substance nonfinancial asset";
- Unifies guidance related to partial sales of nonfinancial assets;
- Eliminates rules specifically addressing sales of real estate;
- Removes exceptions to the financial asset derecognition model; and
- Clarifies the accounting for contributions of nonfinancial assets to joint ventures.

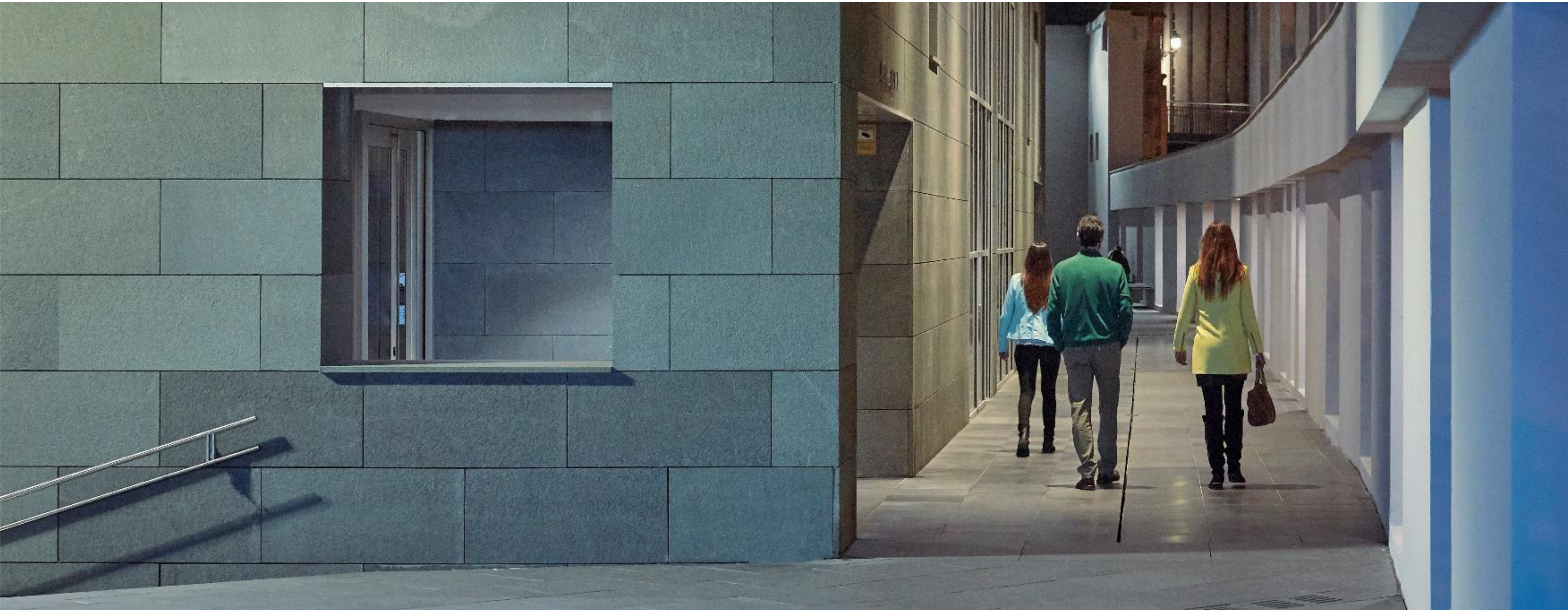
The new guidance clarifies that ASC 610-20 applies to the derecognition of nonfinancial assets and in substance nonfinancial assets unless other specific guidance applies. As a result, it will not apply to the derecognition of businesses, nonprofit activities, or financial assets (including equity method investments), or to revenue transactions (contracts with customers). The new guidance also clarifies that an in substance nonfinancial asset is an asset or group of assets for which substantially all of the fair value consists of nonfinancial assets and the group or subsidiary is not a business. In addition, transfers of nonfinancial assets to another entity in exchange for a non-controlling ownership interest in that entity will be accounted for under ASC 610-20, removing specific guidance on such partial exchanges from ASC 845 *Nonmonetary Transactions*.

As a result of the new guidance, the guidance specific to real estate sales in ASC 360-20 will be eliminated. As such, sales and partial sales of real estate assets will now be subject to the same derecognition model as all other nonfinancial assets.

The amendments to the nonfinancial asset guidance are effective at the same time an entity adopts the new revenue guidance. Therefore, for public business entities (PBEs) with calendar year ends, the standard is effective on 1 January 2018. All other entities have an additional year to adopt the guidance. Early adoption is permitted beginning 1 January 2017 for calendar year end companies.

IFRS does not include the concept of in substance nonfinancial assets in its guidance because the derecognition of a subsidiary, regardless of whether it is an asset or a business, is accounted for in accordance with IFRS 10.IAS 28 requires entities to recognize partial gain or loss on contribution of nonfinancial assets to equity method investees and joint ventures for an interest in that associate unless the transaction lacks commercial substance. Ind AS guidance is similar to IFRS in this regard.

7. Assets—financial assets



7.1. Assets—financial assets

The FASB and IASB have both been working on projects to address the recognition and measurement of financial instruments. While the Boards were jointly working together on some aspects of their projects, they are no longer converged. With the publication of IFRS 9 *Financial Instruments*, in July 2014, the IASB completed its project to replace the classification and measurement, impairment, and hedge accounting guidance. The FASB issued in January 2016 its new recognition and measurement guidance—Accounting Standards Update 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. On June 2016, the FASB issued its new impairment guidance – Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. Details on these and other developments are discussed in SD 7.17 Recent/proposed guidance. The remainder of this section focuses on the current US GAAP, IFRS, Ind AS and Indian GAAP guidance.

Under current US GAAP, various specialized pronouncements provide guidance for the classification of financial assets. IFRS currently (IAS 39 *Financial Instruments: Recognition and Measurement*) has only one standard for the classification of financial assets and requires that financial assets be classified in one of four categories: assets held for trading or designated at fair value, with changes in fair value reported in earnings; held-to-maturity investments; available-for-sale financial assets; and loans and receivables.

The specialized US guidance and the singular IFRS guidance in relation to classification can drive differences in measurement (because classification drives measurement under both IFRS and US GAAP).

Under US GAAP, the legal form of the financial asset drives classification. For example, debt instruments that are securities in legal form are typically carried at fair value under the available-for-sale category (unless they are held to maturity)—even if there is no active market to trade the securities. At the same time, a debt instrument that is not in the form of a security (for example, a corporate loan) is accounted for at amortized cost even though both instruments (i.e., the security and the loan) have similar economic characteristics. Under IFRS, the legal form does not drive classification of debt instruments; rather, the nature of the instrument (including whether there is an active market) is considered. As described in table below, additional differences include the calculation of amortized cost of financial assets that are carried at amortized cost, impairment models for available-for-sale debt securities and equities, the reversals of impairment losses, and some embedded derivatives that are not bifurcated.

The table also describes some fundamental differences in the way US GAAP and IFRS currently assess the potential derecognition of financial assets. These differences can have a significant impact on a variety of transactions such as asset securitizations. IFRS focuses on whether a qualifying transfer has taken place, whether risks and rewards have been transferred, and, in some cases, whether control over the asset(s) in question has been transferred. US GAAP focuses on whether an entity has surrendered effective control over a transferred asset; this assessment also requires the transferor to evaluate whether the financial asset has been "legally isolated," even in the event of the transferor's bankruptcy or receivership.

India has decided to early adopt IFRS 9 by notifying corresponding Ind AS 109 *Financial Instruments*. Ind AS 109 is fully aligned with IFRS 9. Refer recent/proposed guidance for key principles related to IFRS 9. The main differences between IAS 39 and IFRS 9 relate to the following aspects:

- Classification and measurement of financial assets;
- Derivatives embedded in financial assets; and
- Expected credit loss impairment model.

Under current Indian GAAP, AS 13 mainly deals with accounting of financial assets and AS 11 *The Effects of Changes in Foreign Exchange Rates* deals with accounting for foreign currency transactions in the nature of forward exchange contracts.

It is also to be noted that the ICAI has issued a Guidance Note on Accounting for Derivative Contracts in June 2015 as an interim measure to provide recommendatory guidance on accounting for derivative contracts and hedging activities that are not covered by AS 11 *The Effects of Changes in Foreign Exchange Rates* or other sector specific regulations. This guidance note is applicable from 1 April 2016 with earlier application encouraged.

Technical references

US GAAP

ASC 310, ASC 310-10-30, ASC 310-10-35, ASC 320, ASC 325, ASC 815, ASC 815-15-25-4 through 25-5, ASC 820, ASC 825, ASC 860

IFRS

IAS 39, IFRS 13

Ind AS

Ind AS 109, Ind AS 113

AS

AS 11, AS 13

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

7.2. Measurement and classification

IFRS	US GAAP	Ind AS	Indian GAAP
Subsequent recognition: Currently, as per IAS 39, financial assets are subsequently measured at either of the following categories • Held-to-maturity • Loans and receivables • Available for sale • Fair value through profit or loss. Held-to-maturity assets are carried at amortized cost and tested for impairment. Loans and receivables are measured at amortized cost. Available for sale	At acquisition, an entity shall classify debt and marketable equity securities into either of the following categories: • Trading securities • Available for sale securities • Held to maturity Trading securities are measured at fair value and unrealized holding gains and losses are recognized in income statement. Similar to IFRS, available for sale securities are	Ind AS 109 has two measurement categories: amortized cost and fair value. Movements in fair value are presented in either profit or loss or other comprehensive income (OCI) subject to certain criteria being met. To determine which measurement category a financial asset falls into, entities should firstly consider whether the financial asset is an	Investments are classified as long-term investments and current investments. The nature of an investment may be that of a debt, other than a short or long term loan or a trade debt, representing a monetary amount owing to the holder and usually bearing interest; alternatively, it may be a stake in the results and net assets of an enterprise such as an equity share. Most investments

IFRS	US GAAP	Ind AS	Indian GAAP
financial assets are measured at fair value through other comprehensive income and the residual category is measured at fair value through profit or loss.	measured at fair value and unrealized holding gains and losses are recognized in other comprehensive income. Held-to-maturity debt securities are carried at amortized cost. The classification of a loan generally depends on whether the loan meets the definition of a debt security under ASC 320. A creditor holding loans that are not debt securities will use one of three models to report the loans on its balance sheet: • Lower of cost or fair value for loans held for sale • Amortized cost less an allowance for credit losses for loans held for investment Fair value for loans for which the fair value option under ASC 825 *Financial Instruments* is elected.	investment in an equity instrument (as defined in Ind AS 32 *Financial Instruments: Presentation* by considering the perspective of the issuer) or a debt instrument. Ind AS 109 now provides three categories for classifying debt instruments—amortized cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). This classification of debt instruments is driven by the entity's business model for managing the financial assets and their contractual cash flow characteristics. Ind AS 109 specifically provides an option to irrevocable designate an investment in an equity instrument at fair value through other comprehensive income. Such gains or losses cannot be reclassified to profit or loss even on disposal of the instrument. Refer SD 7.17.1.5 for detailed explanation of the categories.	represent financial rights, but some are tangible, such as certain investments in land or buildings. A current investment is an investment that is by its nature readily realizable and is intended to be held for not more than one year from the date on which such investment is made. A long term investment is an investment other than a current investment. The carrying amount for current investments is the lower of cost and fair value. Long-term investments are carried at cost less provision for diminution to recognize a decline, other than temporary, in the value of the investments, if any. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued (which, in appropriate cases, may be indicated by the issue price as determined by statutory authorities). Similarly, if an investment is acquired in exchange, or part exchange, for another asset, the acquisition cost of the investment is determined by reference to the fair value of the asset given up. It may be appropriate to consider the fair value of the investment

IFRS	US GAAP	Ind AS	Indian GAAP
			acquired if it is more clearly evident. All other financial assets are recognized at transaction value.

7.3. Available-for-sale financial assets—fair value versus cost of unlisted equity instruments

More investments in unlisted equity securities are recorded at fair value under IFRS/Ind AS than under US GAAP and Indian GAAP. Further, the measurement model for equity securities under Ind AS 109, which is based on IFRS 9 is quite different from other frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
There are no industry-specific differences in the treatment of investments in equity instruments that do not have quoted market prices in an active market. Rather, all available-for-sale assets, including investments in unlisted equity instruments, are measured at fair value (with rare exceptions only for instances in which fair value cannot be reliably measured). Fair value is not reliably measurable when the range of reasonable fair value estimates is significant and the probability of the various estimates within the range cannot be reasonably assessed.	Unlisted equity investments generally are scoped out of ASC 320 and would be carried at cost, unless either impaired or the fair value option is elected. Certain exceptions requiring that investments in unlisted equity securities be carried at fair value do exist for specific industries (e.g., broker/dealers, investment companies, insurance companies, and defined benefit plans).	Investments in equity instruments will always be measured at fair value either at fair value through other comprehensive income or fair value through profit and loss. Ind AS 109 provides an option to irrevocably designate an investment in an equity instrument at fair value through other comprehensive income. Such gains or losses cannot be reclassified to profit or loss even on disposal of the instrument.	There is no concept of available-for-sale financial assets under Indian GAAP. For accounting of investments, refer SD 7.2 above.

IFRS	US GAAP	Ind AS	Indian GAAP
		Further, under Ind AS 109, there is no exemption to measure investments in unquoted equity instruments at cost when fair value is not reliably measurable, unlike current IFRS. In limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.	

7.4. Available-for-sale debt financial assets—foreign exchange gains/losses on debt instruments

The treatment of foreign exchange gains and losses on available-for-sale debt securities will create more income statement volatility under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
For available-for-sale debt instruments, the total change in fair value is bifurcated, with the portion associated with foreign exchange gains/losses on the amortized cost basis separately recognized in the income statement. The remaining portion of the total change in fair value (except for impairment losses) is recognized in OCI, net of tax effect.	The total change in fair value of available-for-sale debt securities—net of associated tax effects—is recorded within other comprehensive income (OCI). Any component of the overall change in fair market value that may be associated with foreign exchange gains and losses on an available-for-sale debt security is treated in a manner consistent with the	Ind AS 109 has two measurement categories: amortized cost and fair value. Movements in fair value are presented in either profit or loss or other comprehensive income (OCI) subject to certain criteria being met. To determine which measurement category a financial asset falls into, entities should firstly consider whether the financial asset is an	There is no concept of available-for-sale financial assets under Indian GAAP. For accounting of investments, refer SD 7.2.

IFRS	US GAAP	Ind AS	Indian GAAP
	remaining overall change in the instrument's fair value.	investment in an equity instrument (as defined in Ind AS 32 by considering the perspective of the issuer) or a debt instrument. Ind AS 109 now provides three categories for classifying debt instruments—amortized cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). This classification of debt instruments is driven by the entity's business model for managing the financial assets and their contractual cash flow characteristics. Refer SD 7.17.1.5 for detailed explanation of the categories. If the financial asset is measured at FVOCI, all movements in the fair value should be taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognized in profit and loss.	

7.5. Effective interest rates—expected versus contractual cash flows

Differences between the expected and contractual lives of financial assets carried at amortized cost have different implications under the IFRS/Ind AS and US GAAP frameworks.

The difference in where these accounting frameworks place their emphasis (contractual term for US GAAP and expected life for IFRS/Ind AS) can affect asset carrying values and the timing of income recognition.

IFRS	US GAAP	Ind AS	Indian GAAP
For financial assets that are carried at amortized cost, the calculation of the effective interest rate generally is based on the estimated cash flows (excluding future credit losses) over the expected life of the asset. Contractual cash flows over the full contractual term of the financial asset are used in the rare case when it is not possible to reliably estimate the cash flows or the expected life of a financial asset.	For financial assets that are carried at amortized cost, the calculation of the effective interest rate generally is based on contractual cash flows over the asset's contractual life. The expected life, under US GAAP, is typically used only for: • Loans if the entity holds a large number of similar loans and the prepayments can be reasonably estimated; • Certain structured notes; • Certain beneficial interests in securitized financial assets; and • Certain loans or debt securities acquired in a transfer.	Similar to IFRS.	No specific guidance on effective interest rates (EIR) method. Interest accrues, on the time proportion basis, determined by the amount outstanding and the applicable coupon rate.

7.5.1. Effective interest rates—changes in expectations

Differences in how changes in expectations (associated with financial assets carried at amortized cost) are treated can affect asset valuations and the timing of income statement recognition.

IFRS	US GAAP	Ind AS	Indian GAAP
If an entity revises its estimates of payments or receipts, the entity adjusts the carrying amount of the financial asset (or group of financial assets) to reflect both actual and revised estimated cash flows. Revisions of the expected life or of the estimated future cash flows may exist, for example, in connection with debt instruments that contain a put or call option that doesn't need to be bifurcated or whose coupon payments vary because of an embedded feature that does not meet the definition of a derivative because its underlying is a nonfinancial variable specific to a party to the contract (e.g., cash flows that are linked to earnings before interest, taxes, depreciation, and amortization; sales volume; or the earnings of one party to the contract). The entity recalculates the carrying amount by computing the present value of estimated future cash flows at the financial asset's original effective interest rate. The adjustment is recognized as income or expense in the income statement (i.e., by the cumulative-catch-up approach). Generally, floating rate instruments (e.g., LIBOR plus spread) issued at par are not subject to the cumulative-catch-up approach; rather, the effective interest rate is revised as market rates change.	Different models apply to the ways revised estimates are treated depending on the type of financial asset involved (e.g., prepayable loans, structured notes, beneficial interests, loans, or debt acquired in a transfer). Depending on the nature of the asset, changes may be reflected prospectively or retrospectively. None of the US GAAP models is the equivalent of the IFRS cumulative-catch-up-based approach.	Similar to IFRS.	No specific guidance. Generally, changes are accounted prospectively as they occur, unless otherwise determined as per contract.

7.6. Eligibility for fair value option

The IFRS/Ind AS eligibility criteria for use of the fair value option are more restrictive.

IFRS	US GAAP	Ind AS	Indian GAAP
With the exception of those financial assets outside the scope of IAS 39 (e.g., an investment in a consolidated subsidiary, employer's rights under employee benefit plans, some investments in associates and joint ventures) IFRS permits entities to elect the fair value option when; • a contract contains one or more embedded derivatives and the entire contract is not measured at fair value through profit or loss (unless the embedded derivative does not significantly modify the cash flows or it is clear with little or no analysis that separation of the embedded derivative(s) is prohibited), or • it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'), or • a group of financial instruments is managed and its performance is evaluated on a fair value basis in accordance with a risk management strategy. The fair value option may only be elected upon initial recognition of the financial asset.	With some limited exceptions for those financial assets addressed by other applicable guidance (e.g., an investment in a consolidated subsidiary, employer's rights under employee benefit plans), US GAAP permits entities to elect the fair value option for any recognized financial asset. The fair value option may only be elected upon initial recognition of the financial asset or upon some other specified election dates identified in ASC 825-10-25-4.	Similar to IFRS, except that a financial asset host that is within the scope of Ind AS 109 is not assessed for embedded derivatives, because the solely payments of principal and interest (SPPI) criterion is applied to the entire hybrid contract to determine the appropriate measurement category. Most hybrid contracts with financial asset hosts are likely to fail the 'solely payments of principal and interest' test and be measured at fair value in their entirety.	No such option available.

7.7. Fair value option for equity method investments

While both US GAAP and IFRS/Ind AS include a fair value option for equity method investments, the IFRS/Ind AS-based option has limits as to which entities can exercise it, whereas the US GAAP option is broad-based.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS permits venture capital organizations, mutual funds, and unit trusts (as well as similar entities, including investment-linked insurance funds) that have investments in associates (entities over which they have significant influence) to carry those investments at fair value, with changes in fair value reported in earnings (provided certain criteria are met) in lieu of applying equity method accounting.	The fair value option exists for US GAAP entities under ASC 825, wherein the option is unrestricted. Therefore, any investor's equity method investments are eligible for the fair value option.	Similar to IFRS.	No such option available.

7.8. Fair value of investments in investment company entities

Contrary to US GAAP, IFRS/Ind AS does not include a practical expedient for the measurement of fair value of certain investments.

IFRS	US GAAP	Ind AS	Indian GAAP
Under IFRS, since NAV is not defined or calculated in a consistent manner in different parts of the world, the IASB decided against issuing a practical expedient similar to US GAAP.	US GAAP provides a practical expedient for the measurement of fair value of certain investments that report a net asset value (NAV), to allow use of NAV as fair value.	Similar to IFRS.	No specific guidance.

7.9. Loans and receivables

Classification is not driven by legal form under IFRS/Ind AS, whereas legal form drives the classification of "debt securities" under US GAAP. The potential classification differences drive subsequent measurement differences under IFRS/Ind AS and US GAAP for the same debt instrument. Loans and receivables may be carried at different amounts under the US GAAP and IFRS/Ind AS.

IFRS	***US GAAP***	***Ind AS***	***Indian GAAP***
IFRS defines loans and receivables as nonderivative financial assets with fixed or determinable payments not quoted in an active market other than: • Those that the entity intends to sell immediately or in the near term, which are classified as held for trading and those that the entity upon initial recognition designates as at fair value through profit or loss • Those that the entity upon initial recognition designates as available for sale • Those for which the holder may not recover substantially all of its initial investment (other than because of credit deterioration) and that shall be classified as available for sale An interest acquired in a pool of assets that are not loans or receivables (i.e., an interest in a mutual fund or a similar fund) is not a loan or receivable. Instruments that meet the definition of loans and receivables (regardless of whether they are legal form securities) are carried at amortized cost in the loan and receivable category unless designated into	The classification and accounting treatment of nonderivative financial assets such as loans and receivables generally depends on whether the asset in question meets the definition of a debt security under ASC 320 *Investments—Debt and Equity Securities*. If the asset meets that definition, it is generally classified as trading, available for sale, or held to maturity. If classified as trading or available for sale, the debt security is carried at fair value. To meet the definition of a debt security under ASC 320, the asset is required to be of a type commonly available on securities exchanges or in markets, or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment. Loans and receivables that are not within the scope of ASC 320 fall within the scope of other guidance. As an example, mortgage loans are either: • Classified as loans held for investment, in which case they are measured at amortized cost	There is no such category as 'loans and receivables'. Refer to SD 7.2 above and SD 7.17.1.5 for detailed explanation of the various categories of financial assets (debt instruments).	Does not specifically define the term 'loans and receivables' and the classification of an instrument is more based on the legal form. Loans and receivables are accounted at cost, less provision for any doubtful debts.

IFRS	US GAAP	Ind AS	Indian GAAP
either the fair value through profit-or-loss category or the available-for-sale category. In either of the latter two cases, they are carried at fair value. IFRS does not have a category of loans and receivables that is carried at the lower of cost or market.	• Classified as loans held for sale, in which case they are measured at the lower of cost or fair value (market), or • Carried at fair value if the fair value option is elected.		

7.10. Reclassifications

Transfers of financial assets into or out of different categories are permitted in limited circumstances under IFRS/Ind AS and US GAAP frameworks. In general, reclassifications have the potential to be more common under IFRS. The ability to reclassify is impacted by initial classification, which can also vary (as discussed above).

IFRS	US GAAP	Ind AS	Indian GAAP
Financial assets may be reclassified between categories, albeit with conditions. More significantly, debt instruments may be reclassified from held for trading or available for sale into loans and receivables, if the debt instrument meets the definition of loans and receivables and the entity has the intent and ability to hold them for the foreseeable future. Also, a financial asset can be transferred from trading to available for sale in rare circumstances. Reclassification is prohibited for instruments where the fair value option is elected.	Changes in classification between trading, available-for-sale, and held-to-maturity categories occur only when justified by the facts and circumstances within the concepts of ASC 320. Given the nature of a trading security, transfers into or from the trading category should be rare, though they do occur.	Reclassification is only permitted where an entity changes its business model for managing financial assets. Changes to the business model are expected to be infrequent; the change is determined by the entity's senior management as a result of external or internal changes and must be significant to the entity's operations and should be evident to external parties. A change in an entity's business model will occur when an entity either begins or ceases to perform an activity that is significant to its operations	Transfer of investments from long-term to current category is made at lower of cost and carrying amount at the date of transfer; whereas transfer from current to long-term category is made at lower of cost and fair value at the date of transfer.

Impairments and subsequent loss

7.11. Impairment principles—available-for-sale debt securities

Regarding impairment triggers, IFRS focuses on events that affect the recovery of the cash flows from the asset regardless of the entity's intent. US GAAP looks to a two-step test based on intent or ability to hold and expected recovery of the cash flows. Regarding measurement of impairment loss upon a trigger, IFRS uses the cumulative fair value losses deferred in other comprehensive income. Under US GAAP, the impairment loss depends on the triggering event. Ind AS 109 introduces an altogether new model of expected credit losses for impairment of financial assets as explained below. This is a significant change from the current incurred loss impairment model in respect of financial assets under other frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as the result of one or more events that occurred after initial recognition of the asset (a loss event) and if that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably. In assessing the objective evidence of impairment, an entity considers the following factors: • Significant financial difficulty of the issuer • High probability of bankruptcy • Granting of a concession to the issuer • Disappearance of an active market because of financial difficulties • Breach of contract, such as default or delinquency in interest or principal • Observable data indicating there is a measurable decrease in the	An investment in certain debt securities classified as available for sale is assessed for impairment if the fair value is less than cost. An analysis is performed to determine whether the shortfall in fair value is temporary or other than temporary. In a determination of whether impairment is other than temporary, the following factors are assessed for available-for-sale securities: **Step 1—**Can management assert (1) it does not have the intent to sell and (2) it is more likely than not that it will not have to sell before recovery of cost? If no, then impairment is triggered. If yes, then move to Step 2. **Step 2—**Does management expect recovery of the entire cost basis of the security? If yes, then impairment is not triggered. If no, then impairment is triggered. Once it is determined that impairment is other than temporary, the impairment loss recognized in	The impairment model in Ind AS 109 is based on expected credit losses (ECL) and it applies equally to debt instruments measured at amortized cost or FVOCI. For financial assets that are measured at FVOCI, the loss allowance shall be recognized in OCI and shall not reduce the carrying amount of the financial asset in the balance sheet. Under the expected credit loss model, an entity will recognize an impairment loss at an amount equal to the 12-month expected credit loss (stage 1). If the credit risk on the financial instrument has increased significantly since initial recognition (even without objective evidence of impairment), it should recognize an impairment loss at an amount equal to the lifetime expected credit loss (stage 2). There is a rebuttable presumption that the credit risk on a financial asset has	There is no specific available-for-sale category under Indian GAAP. Indian GAAP requires the write-down of long-term investments to income statement when an entity considers a decline in value to be other than temporary. Indicators of the value of an investment are obtained by reference to its market value, the investee's assets and results and the expected cash flows from the investment. The type and extent of the investor's stake in the investee are also taken into account. Restrictions on distributions by the investee or on disposal by the investor may affect the value attributed to the investment. The reduction in carrying amount is reversed when there is a rise in the value of the investment, or if the reasons for the reduction no longer exist.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
estimated future cash flows since initial recognition The disappearance of an active market because an entity's securities are no longer publicly traded or the downgrade of an entity's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other information. At the same time, a decline in the fair value of a debt instrument below its amortized cost is not necessarily evidence of impairment. For example, a decline in the fair value of an investment in a corporate bond that results solely from an increase in market interest rates is not an impairment indicator and would not require an impairment evaluation under IFRS. An impairment analysis under IFRS focuses only on the triggering credit events that negatively affect the cash flows from the asset itself and does not consider the holder's intent. Once impairment of a debt instrument is determined to be triggered, the cumulative loss recognized in OCI due to changes in fair value is released into the income statement.	the income statement depends on the impairment trigger: • If impairment is triggered as a result of Step 1, the loss in equity due to changes in fair value is released into the income statement. • If impairment is triggered in Step 2, impairment loss is measured by calculating the present value of cash flows expected to be collected from the impaired security. The determination of such expected credit loss is not explicitly defined; one method could be to discount the best estimate of cash flows by the original effective interest rate. The difference between the fair value and the post-impairment amortized cost is recorded within OCI.	increased significantly since initial recognition when contractual payments are more than 30 days past due. An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. An external rating of "investment grade" is an example of financial instruments that may be considered as having low credit risk. Interest income is calculated using the effective interest method on the gross carrying amount of the asset. When there is objective evidence of impairment, lifetime expected credit losses are recognized and interest is calculated on the net carrying amount after impairment (stage 3). When determining whether lifetime expected losses should be recognized, an entity should consider the best information available, including actual and expected changes in external market indicators, internal factors, and borrower-specific information. Where more forward-looking information is not available, delinquency data	Current investments are carried at the lower of cost or fair value. Reduction to fair value and any reversals of such reductions are included in the profit and loss statement. Loans and receivables are carried at cost less provision for doubtful debts, if any.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
		can be used as a basis for the assessment. For trade receivables or any contractual right to receive cash or another financial asset that result from transactions within the scope of Ind AS 18 and Ind AS 11, the loss allowance should be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. As a practical expedient, a provision matrix can be used to estimate ECL for these financial instruments. For lease receivables resulting from transactions within the scope of Ind AS 17 *Leases*, an entity can choose as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses or apply the general model of ECL measurement. Such accounting policy is to be applied consistently but can be applied separately for operating leases and finance leases.	

7.12. Impairment principles—held-to-maturity debt instruments

Regarding impairment triggers, IFRS focuses on events that affect the recovery of the cash flows from the asset regardless of the entity's intent. US GAAP looks to a two-step test based on intent or ability to hold and expected recovery of the cash flows.

Regarding measurement of impairment loss upon a trigger, IFRS looks to the incurred loss amount. Under US GAAP, the impairment loss depends on the triggering event, whereas Ind AS 109 introduces a new expected credit losses model for impairment.

IFRS	US GAAP	Ind AS	Indian GAAP
Impairment is triggered for held-to-maturity (HTM) investments based on objective evidence of impairment described above for available-for-sale debt instruments. Once impairment is triggered, the loss is measured by discounting the estimated future cash flows by the original effective interest rate. As a practical expedient, impairment may be measured based on the instrument's observable fair value.	The two-step impairment test mentioned above is also applicable to certain investments classified as held to maturity. It would be expected that held-to-maturity investments would not trigger Step 1 (as tainting would result). Rather, evaluation of Step 2 may trigger impairment. Once triggered, impairment is measured with reference to expected credit losses as described for available-for-sale debt securities. The difference between the fair value and the post-impairment amortized cost is recorded within OCI and accreted from OCI to the carrying value of the debt security over its remaining life prospectively.	The impairment model in Ind AS 109 is based on expected credit losses and it applies equally to debt instruments measured at amortized cost or FVOCI. There is no longer HTM category, rather as mentioned above all financial assets in the nature of debt instruments will be classified as FVOCI, FVPL or amortized cost based on the underlying business model. For financial assets that are measured at amortized cost, the loss allowance shall be recognized in profit and loss account and shall reduce the carrying amount of the financial asset in the balance sheet.	There is no specific held-to-maturity category under Indian GAAP. For guidance on impairment, refer SD 7.11.

7.13. Impairment of available-for-sale equity instruments

Impairment on available-for-sale equity instruments may be triggered at different points in time under IFRS as compared with US GAAP. The impairment guidance under Ind AS 109 is now significantly different compared to other frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
Similar to debt investments, impairment of available-for-sale equity investments is triggered by objective evidence of impairment. In addition to examples of events discussed above, objective evidence of impairment of available-for-sale equity includes: • Significant or prolonged decline in fair value below cost, or • Significant adverse changes in technological, market, economic, or legal environment Each factor on its own could trigger impairment (i.e., the decline in fair value below cost does not need to be both significant and prolonged). Whether a decline in fair value below cost is considered significant must be assessed on an instrument-by-instrument basis and should be based on both qualitative and quantitative factors. What is a "prolonged" decline in fair value will also require judgement and a policy will need to be established. In general, a period of 12 months or greater below original cost is likely to be a "prolonged" decline. However, the assessment of "prolonged" should not be compared to the entire period that the investment has been or is expected to be held.	US GAAP looks to whether the decline in fair value below cost is other than temporary. The factors to consider include: • The length of the time and the extent to which the market value has been less than cost • The financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer, such as changes in technology that may impair the earnings potential of the investment or the discontinuance of a segment of the business that may affect the future earnings potential. The intent and ability of the holder to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value. The evaluation of the other-than temporary impairment trigger requires significant judgment in assessing the recoverability of the decline in fair value below cost. Generally, the longer and greater the decline, the more difficult it is to overcome the presumption that the available-for-sale equity is other than temporarily impaired.	The expected credit loss model does not apply to investments in equity instruments.	There is no specific available-for-sale equity instruments category under Indian GAAP. For guidance on impairment, refer SD 7.11.

7.14. Losses on available-for-sale equity securities subsequent to initial impairment recognition

In periods after the initial recognition of an impairment loss on available-for-sale equity securities, further income statement charges are more likely under IFRS than US GAAP. There are significant differences in accounting for this under the various frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
Impairment charges do not establish a new cost basis. As such, further reductions in value below the original impairment amount are recorded within the current-period income statement.	Impairment charges establish a new cost basis. As such, further reductions in value below the new cost basis may be considered temporary (when compared with the new cost basis).	Not applicable. Refer above for discussion on measurement of equity instruments.	For guidance on impairment, refer SD 7.11.

7.15. Impairments—measurement and reversal of losses

Under IFRS and Ind AS, impairment losses on debt instruments may be reversed through the income statement. Under US GAAP, reversals are permitted for debt instruments classified as loans; however, one-time reversal of impairment losses on debt securities is prohibited. Expected recoveries are reflected over time by adjusting the interest rate to accrue interest income. Under Indian GAAP, impairments or write-downs are reversed through the income statement.

IFRS	US GAAP	Ind AS	Indian GAAP
For financial assets carried at amortized cost, if in a subsequent period the amount of impairment loss decreases and the decrease can be objectively associated with an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the income statement. The reversal, however, does not exceed what the amortized cost would have been had the impairment not been recognized. For available-for-sale debt instruments, if in a subsequent period the fair value of the debt instrument increases and the increase can be objectively related to an	Impairments of loans held for investment measured under ASC 310-10-35 *Receivables* and ASC 450 *Contingencies* are permitted to be reversed; however, the carrying amount of the loan can at no time exceed the recorded investment in the loan. One-time reversals of impairment losses for debt securities classified as available-for-sale or held-to-maturity securities, however, are prohibited. Rather, any expected recoveries in future cash flows are reflected as a prospective yield adjustment.	An entity shall recognize in profit or loss, the amount of expected credit losses reversal that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with Ind AS 109. Considering the FVOCI or FVPL measurement model for equity investments, there is no separate impairment and therefore any reversal.	Reversal of impairment is permitted. The reduction in carrying amount of long-term investment is reversed when there is a rise in the value of the investment, or if the reasons for the reduction no longer exist. Similarly, any reversals of reductions in carrying value of current investments are included in the profit and loss statement.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
event occurring after the loss was recognized, the loss may be reversed through the income statement. Reversals of impairments on equity investments through profit or loss are prohibited.	Reversals of impairments on equity investments are prohibited.		

Financial asset derecognition

7.16. Derecognition

The determination of whether financial assets should be derecognized (e.g., in securitizations or factorings) is based on very different models under the IFRS/Ind AS and US GAAP. The guidance under Indian GAAP is limited.

Full derecognition under US GAAP is more common than under IFRS/Ind AS. However, the IFRS/Ind AS model includes continuing involvement accounting that has no equivalent under US GAAP. Under US GAAP, either the transferred asset is fully derecognized or the transfer is accounted for as a collateralized borrowing.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Many securitizations do not meet the strict pass-through criteria to recognize a transfer of the asset outside of the consolidated group and as a result fail the first condition for derecognition. If there is a qualifying transfer, an entity must determine the extent to which it retains the risks and rewards of ownership of the financial asset. IAS 39 requires the entity to evaluate the extent of the transfer of risks and rewards by comparing its exposure to the variability in the amounts and timing of the transferred financial assets' net cash flows, both before and after the transfer.	A transfer of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset in which the transferor surrenders control over those financial assets shall be accounted for as a sale if and only if all of the following conditions are met: • Isolation of transferred financial assets—assets have to be isolated from the transferor and beyond the reach of the transferor and its creditors,	Similar to IFRS.	There is limited guidance on derecognition of assets. In general, derecognition is based on transfer of risks and rewards. On disposal of an asset, the difference between the carrying amount and the disposal proceeds, net of expenses, is recognized in the profit and loss statement. Guidance Note on Accounting for Securitization (withdrawn)[3] requires derecognition of securitized assets if the originator loses control of the contractual

3 The guidance note was withdrawn in year 2008 from the date Accounting Standard 30, 31, 32 became recommendatory in nature, however, it is observed that in absence of any specific guidance, entities continue to follow the guidance mentioned in the said guidance Note.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
If the entity's exposure does not change substantially, derecognition would not be appropriate. Rather, a liability equal to the consideration received would be recorded (financing transaction). If, however, substantially all risks and rewards are transferred, the entity would derecognize the financial asset transferred and recognize separately any asset or liability created through any rights and obligations retained in the transfer (e.g., servicing assets). Many securitization transactions include some ongoing involvement by the transferor that causes the transferor to retain substantial risks and rewards, thereby failing the second condition for derecognition, even if the pass-through test is met. If the transferred asset is part of a larger financial asset (e.g., when an entity transfers interest cash flows that are part of a debt instrument) and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. When an asset transfer has been accomplished but the entity has neither retained nor transferred substantially all risks and rewards, an assessment as to control becomes necessary. The transferor assesses whether the transferee	even in bankruptcy or other receivership • Transferee's right to pledge or exchange the asset • Transferor does not maintain effective control over the transferred asset If a participating interest was sold, the transferor must allocate the previous carrying value of the entire financial asset between the participating interest sold and the portion retained.		rights that comprise the securitized asset. The originator loses such control if it surrenders the rights to benefits specified in the contract. The guidance note provides certain examples where the originator does not lose control of the asset; • the creditors of the originator are entitled to attach or otherwise deal with the securitized assets; • the Special Purpose Entity does not have the right (to the extent it was available to the originator) to pledge, sell, transfer or exchange for its own benefit the securitized asset; • the originator has the right to reassume control of the securitized asset except: – where it is entitled to do so by a call option and such call option can be justified commercially (e.g. exercise price is fair value of the asset); or – where it is entitled to do so by a clean-up call option. Whether the originator has lost control over the securitized asset

IFRS	US GAAP	Ind AS	Indian GAAP
has the practical ability to sell the financial asset transferred to a third party. The emphasis is on what the transferee can do in practice and whether it is able, unilaterally, to sell the transferred financial asset without imposing any restrictions on the transfer. If the transferee does not have the ability to sell the transferred financial asset, control is deemed to be retained by the transferor and the transferred financial asset may require a form of partial derecognition called continuing involvement. Under continuing involvement, the transferred financial asset continues to be recognized with an associated liability. When the entity has continuing involvement in the transferred financial asset, the entity must continue to recognize the transferred financial asset to the extent of its exposure to changes in the value of the transferred financial asset. Continuing involvement is measured as either the maximum amount of consideration received that the entity could be required to repay (in the case of guarantees) or the amount of the transferred financial asset that the entity may repurchase (in the case of a repurchase option).			should be determined on the basis of the facts and circumstances of the case by considering all the evidence available. The guidance note provides that in the following circumstances, it may be inappropriate to conclude that the originator has not lost control because: • of the fact that the originator continues to service the securitized asset. • an obligation is cast on the originator to repurchase the securitized asset at a predetermined price. Such an obligation is not an entitlement to reassume ownership available to the originator. Notwithstanding such an obligation the securitized asset would be beyond the control of the originator and therefore such obligation is accounted for separately.

7.17. Recent/proposed guidance

7.17.1. FASB and IASB financial instruments projects

Both the FASB's and IASB's projects on financial instruments were intended to address the recognition and measurement of financial instruments, including impairment and hedge accounting. Although once a joint project, the Boards have since proceeded down different paths. The IASB had been conducting its work in separate phases: (1) classification and measurement of financial assets, (2) classification and measurement of financial liabilities, (3) impairment, and (4) hedge accounting. The FASB initially elected to issue one comprehensive exposure draft on financial instruments.

In July 2014 the IASB finalized its project when it published the complete version of IFRS 9, which replaces most of the guidance in IAS 39. This includes guidance on the classification and measurement of financial assets that is based on an entity's business model for managing financial assets and their contractual cash flow characteristics. It also contains a new expected credit losses impairment model which replaces the current incurred loss impairment model. The new hedging guidance that was issued in November 2013 has also been included. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 (as mentioned above, Ind AS 109 which is equivalent of IFRS 9 has been early adopted in India).

In January 2016, the FASB issued Accounting Standards Update 2016-01 (Subtopic 825-10).The changes to the current US GAAP financial instruments model primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. See SD 7.17.1.4 for details of ASU 2016-01.

In June 2016, the FASB issued Accounting Standards Update 2016-13, which introduces new guidance on accounting for credit losses on instruments within its scope. See SD 7.17.1.2 for details of ASU 2016-13.

The FASB is continuing to deliberate issues on the hedging project and is expected to issue an exposure draft in 2017.

7.17.1.1. FASB and IASB impairment projects

The FASB and IASB had originally proposed differing impairment models that they developed separately.

Many constituents who commented on those proposals emphasized the need for the Boards to develop a converged impairment approach. In January 2011, the Boards issued a joint supplementary document, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities—Impairment*, to gather input on new impairment approaches.

In June 2011, the Boards decided to change course on their proposed model for the impairment of financial assets and discussed a new approach in which financial assets are divided into three categories (referred to as "buckets" by the Boards) for impairment purposes. The allocation to each category would be based on deterioration in credit quality and would ultimately determine the amount of the credit losses to be recognized.

In August 2012, the FASB concluded after considering constituent feedback that aspects of the "three bucket" impairment model were difficult to understand and presented operational challenges that could not be addressed through implementation guidance. As a result, the FASB decided not to move forward with an exposure draft on such an approach. The IASB decided to continue with the model. In July 2014, the IASB published the new and complete version of IFRS 9, which includes the new impairment requirements. In June 2016, the FASB published its new guidance on accounting for credit losses on financial assets.

7.17.1.2. FASB Accounting Standards Update 2016-13, Financial Instruments—Credit Losses (Topic 326)

On 16 June 2016, the FASB issued Accounting Standards Update 2016-13, which introduces new guidance for the accounting for credit losses on instruments within its scope.

The new guidance introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale (AFS) debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination.

General model

The FASB's model requires recognition of full lifetime expected credit losses upon initial recognition of the financial asset, whereas the IASB would only record full lifetime expected credit losses upon a significant deterioration in credit risk. Absent a significant deterioration in credit risk, the IASB model requires a provision for credit losses that result from default events that are possible within 12 months after the reporting date. Additional differences exist between the two models. For example, with regard to instruments measured at fair value through other comprehensive income, the period to consider when measuring expected credit losses for certain instruments and the accounting for purchased financial assets with credit deterioration.

Scope

The new FASB model, referred to as the current expected credit losses (CECL) model, will apply to: (1) financial assets subject to credit losses and measured at amortized cost and (2) certain off-balance sheet credit exposures. This includes loans, held-to-maturity debt securities, loan commitments, financial guarantees, and net investments in leases, as well as reinsurance and trade receivables.

Measurement of expected credit losses

Upon initial recognition of the exposure, the CECL model requires an entity to estimate the credit losses expected over the life of an exposure (or pool of exposures). The estimate of expected credit losses (ECL) should consider historical information, current information, and reasonable and supportable forecasts, including estimates of prepayments. Financial instruments with similar risk characteristics should be grouped together when estimating ECL. ASU 2016-13 does not prescribe a specific method to make the estimate so its application will require significant judgment. Generally, the initial estimate of the ECL and subsequent changes in the estimate will be reported in current earnings. The ECL will be recorded through an allowance for loan and lease losses (ALLL) in the statement of financial position. See below for different accounting that may apply for purchased financial assets with credit deterioration.

Available-for-sale debt securities

ASU 2016-13 amends the current US GAAP AFS security other-than-temporary impairment model for debt securities. The new model will require an estimate of ECL only when the fair value is below the amortized cost of the asset. The length of time the fair value of an AFS debt security has been below the amortized cost will no longer impact the determination of whether a credit loss exists. As such, it is no longer an other-than-temporary model. In addition, credit losses on AFS debt securities will now be limited to the difference between the security's amortized cost basis and its fair value. The AFS debt security model will also require the use of an allowance to record estimated credit losses (and subsequent recoveries). This is a significant change from the current model.

Purchased financial assets with credit deterioration

The purchased financial assets with credit deterioration (PCD) model applies to purchased financial assets (measured at amortized cost or AFS) that have experienced more than insignificant credit deterioration since origination. This represents a change from the scope of what are considered purchased credit-impaired assets under today's model. Different than the accounting for originated or purchased assets that do not qualify as PCD, the initial estimate of expected credit losses for a PCD would be recognized through an ALLL with an offset to the cost basis of the related financial asset at acquisition (i.e., there is no impact to net income at initial recognition). Subsequently, the accounting will follow the applicable CECL or AFS debt security impairment model with all adjustments of the ALLL recognized through earnings.

Disclosure

ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the ALLL. In addition, public business entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination (i.e., by vintage year). This disclosure will not be required for other reporting entities.

Effective date

The ASU will be effective for public business entities that are SEC filers in fiscal years beginning after 15 December 2019, including interim periods within those fiscal years. All other entities will have one additional year. Non-public business entities will not be required to apply the provisions to interim periods until fiscal years beginning after 15 December14 2021. Early application of the guidance will be permitted for all entities for fiscal years beginning after 15 December 2018, including interim periods within those fiscal years.

7.17.1.3. IFRS 9, Financial Instruments—Expected Credit Losses

The IASB issued in July 2014 the complete version of IFRS 9, which includes the new impairment model. The new guidance introduces an expected credit loss impairment model that replaces the incurred loss model used today. The IASB's model, now known as the "expected credit losses" model, has the following key elements.

General model

Under the IASB's model, an entity will recognize an impairment loss at an amount equal to the 12-month expected credit loss (stage 1). If the credit risk on the financial instrument has increased significantly since initial recognition (even without objective evidence of impairment), it should recognize an impairment loss at an amount equal to the lifetime expected credit loss (stage 2). Interest income is calculated using the effective interest method on the gross carrying amount of the asset. When there is objective evidence of impairment (that is, the asset is impaired under the current rules of IAS 39, lifetime expected credit losses are recognized and interest is calculated on the net carrying amount after impairment (stage 3).

The 12-month expected credit loss measurement represents all cash flows not expected to be received ("cash shortfalls") over the life of the financial instrument that result from those default events that are possible within 12 months after the reporting date. Lifetime expected credit loss represents cash shortfalls that result from all possible default events over the life of the financial instrument.

Scope

The new guidance applies to:

(a) debt instruments measured at amortized cost;

(b) debt instruments measured at fair value through other comprehensive income;

(c) all loan commitments not measured at fair value through profit or loss (FVPL);

(d) financial guarantee contracts within the scope of IFRS 9 that are not accounted for at FVPL; and

(e) lease receivables within the scope of IAS 17and trade receivables or contract assets within the scope of IFRS 15, that give rise to an unconditional right to consideration.

Calculation of the impairment

Expected credit losses are determined using an unbiased and probability-weighted approach and should reflect the time value of money. The calculation is not a best-case or worst-case estimate. Rather, it should incorporate at least the probability that a credit loss occurs and the probability that no credit loss occurs.

Assessment of significant increase in credit risk

When determining whether lifetime expected credit losses should be recognized, an entity should consider reasonable and supportable information that is available without undue cost or effort, including actual and expected changes in external market indicators, internal factors, and borrower-specific information. Where more forward-looking information is not available, delinquency data can be used as a basis for the assessment.

Under the IASB's model, there is a rebuttable presumption that lifetime expected losses should be provided for if contractual cash flows are 30 days past due. An entity has an option to recognize 12-month expected credit losses (i.e., not to apply the general model) for financial instruments that are equivalent to "investment grade".

Purchased or originated credit impaired assets

Impairment is determined based on full lifetime expected credit losses for assets where there is objective evidence of impairment on initial recognition. Lifetime expected credit losses are included in the estimated cash flows when calculating the asset's effective interest rate ("credit-adjusted effective interest rate"), rather than being recognized in profit or loss. Any later changes in lifetime expected credit losses will be recognized immediately in profit or loss.

Trade and lease receivables

For trade receivables or contract assets which contain a significant financing component in accordance with IFRS 15 and lease receivables, an entity has an accounting policy choice: either it can apply the simplified approach (that is, to measure the loss allowance at an amount equal to lifetime expected credit loss at initial recognition and throughout its life), or it can apply the general model. The use of a provision matrix is allowed, if appropriately adjusted to reflect current events and forecast future conditions. If the trade receivables or contract assets do not contain a significant financing component, lifetime expected credit losses will be recognized.

Ind AS impairment model

The same model applies under Ind AS 109 except that an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18. Under IFRS, for trade receivables or contract assets which contain a significant financing component in accordance with IFRS 15, an entity has an accounting policy choice: either it can apply the simplified approach (that is, to measure the loss allowance at an amount equal to lifetime expected credit loss at initial recognition and throughout its life), or it can apply the general model.

Disclosures

Extensive disclosures are required, including reconciliations of opening to closing amounts and disclosure of assumptions and inputs.

7.17.1.4. FASB Accounting Standard Update 2016-01, Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities

On January 2016, the FASB issued Accounting Standards Update 2016-01, Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities.

The new guidance will impact the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities not under the fair value option is largely unchanged.

Equity investments with readily determinable fair values

The ASU makes significant changes to the accounting for equity investments. All equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification (changes in fair value reported in other comprehensive income) for equity securities with readily determinable fair values.

Equity investments without readily determinable fair values

ASU 2016-01 generally eliminates the cost method for equity investments without readily determinable fair values. However, entities (other than those following specialized accounting models, such as investment companies and broker-dealers) will be able to elect to record equity investments without readily determinable fair values at cost, less impairment, adjusted for subsequent observable price changes. Entities that elect this measurement alternative will report changes in the carrying value of the equity investments in current earnings. The measurement alternative may be elected separately on an investment by investment basis for each equity investment without a readily determinable fair value.

ASU 2016-01 also includes a new impairment model for equity investments without readily determinable fair values. The new model is a single-step, unlike today's two-step approach. Under the single-step model, an entity is required to perform a qualitative assessment each reporting period to identify impairment. When a qualitative assessment indicates an impairment exists, the entity would estimate the fair value of the investment and recognize in current earnings an impairment loss equal to the difference between the fair value and the carrying amount of the equity investment.

Effective date

The classification and measurement guidance will be effective for public business entities in fiscal years beginning after 15 December 2017, including interim periods within those fiscal years. All other entities, including certain not-for-profit entities and employee benefit plans, will have an additional year, or may early adopt coincident with the public business entity effective date. Some provisions of the ASU can be early adopted.

Refer to SD 10.14 for details on financial liabilities under the fair value option, which is the key amendment in this ASU regarding financial liabilities.

7.17.1.5. IFRS 9, Financial Instruments—classification and measurement

Classification under IFRS 9 for investments in debt instruments is driven by the entity's business model for managing financial assets and their contractual cash flow characteristics. A debt instrument is measured at amortized cost if both of the following criteria are met:

- The asset is held to collect its contractual cash flows; and
- The asset's contractual cash flows represent 'solely payments of principal and interest' ("SPPI").

Financial assets included within this category are initially recognized at fair value and subsequently measured at amortized cost.

A debt instrument is measured at fair value through other comprehensive income ("FVOCI") if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVOCI category are initially recognized and subsequently measured at fair value. Movements in the carrying amount should be taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. Where the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

Under the new model, FVPL is the residual category. Financial assets should be classified as FVPL if they do not meet the criteria of FVOCI or amortized cost. Financial assets included within the FVPL category should be measured at fair value with all changes taken through profit or loss.

Regardless of the business model assessment, an entity can elect to classify a financial asset at FVPL if doing so reduces or eliminates a measurement or recognition inconsistency ('accounting mismatch').

The new standard requires that all equity investments be measured at fair value. IFRS 9 removes the cost exemption for unquoted equities and derivatives on unquoted equities but provides guidance on when cost may be an appropriate estimate of fair value. Fair value changes of equity investments are recognized in profit and loss unless management has elected the option to present in OCI unrealized and realized fair value gains and losses. However, this option does not apply to equity investments that are held for trading, puttable instruments, or contingent consideration. Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of fair value gains and losses to profit or loss; however, ordinary dividends from such investments will continue to be recognized in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, subject to endorsement in certain territories.

The same classification and measurement models under IFRS 9 also apply under Ind AS 109 to debt and equity instruments.

7.17.2. Proposed amendments to IFRS 9—Prepayment Features with Negative Compensation

The IASB has issued an exposure draft proposing limited amendments to IFRS 9. These amendments were designed to address the concerns of some interested parties about how IFRS 9 classifies particular prepayable financial assets. The Exposure Draft proposes a narrow exception to IFRS 9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. Specifically, the Exposure Draft proposes that such a financial asset would be eligible to be measured at amortized cost or at fair value through other comprehensive income, subject to the assessment of the business model in which it is held, if the following two conditions are met:

a) the prepayment amount is inconsistent with paragraph B4.1.11(b) of IFRS 9 only because the party that chooses to terminate the contract early (or otherwise causes the early termination to occur) may receive reasonable additional compensation for doing so; and

b) when the entity initially recognizes the financial asset, the fair value of the prepayment feature is insignificant.

The amendments would become effective on 1 January 2018, to coincide with the effective date of IFRS 9.

7.17.3. FASB Accounting Standards Update 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued Accounting Standards Update 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20); Premium Amortization on Purchased Callable Debt Securities*. The amendment requires that the premium on callable debt securities to be amortized to the earliest call date. The amortization period for callable debt securities purchased at a discount would not be impacted by the update. Before the update, premiums on callable debt securities was generally amortized over the contractual life of the security. Only in cases when an entity has a large number of similar securities was it allowed to consider estimates of principal prepayments.

When current market interest rates are below the coupon rate, callable debt securities often trade at a premium and market participants often assume exercise of the call feature at the earliest call date. The update would require entities to amortize the premium on purchased callable debt securities over the same period, which would better align interest income recognition with the manner in which market participants price these instruments. If the debt security is not called at the earliest call date, the holder of the debt security would be required to reset the effective yield on the debt security based on the payment terms required by the debt security.

For public business entities, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after 15 December 2018. For all other entities, the amendments are effective for fiscal years beginning after 15 December 2019, and interim periods within fiscal years beginning after 15 December 2020. Early adoption is permitted.

7.17.4. *FASB Proposed Accounting Standards Update: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities and IASB IFRS 9 Financial Instruments, Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39*

Refer to SD 11.26 for discussion of the guidance.

7.17.5. *FASB Proposed Accounting Standards Update, Debt (Topic-740): Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)*

The FASB has proposed an Accounting Standard Update to simplify the classification of debt in the balance sheet. The proposed update introduces a principle for determining whether a debt arrangement, or other instrument within the scope of this proposed update, should be classified as a noncurrent liability as of the balance sheet date. That principle is that an entity should classify an instrument as noncurrent if either of the following criteria is met as of the balance sheet date:

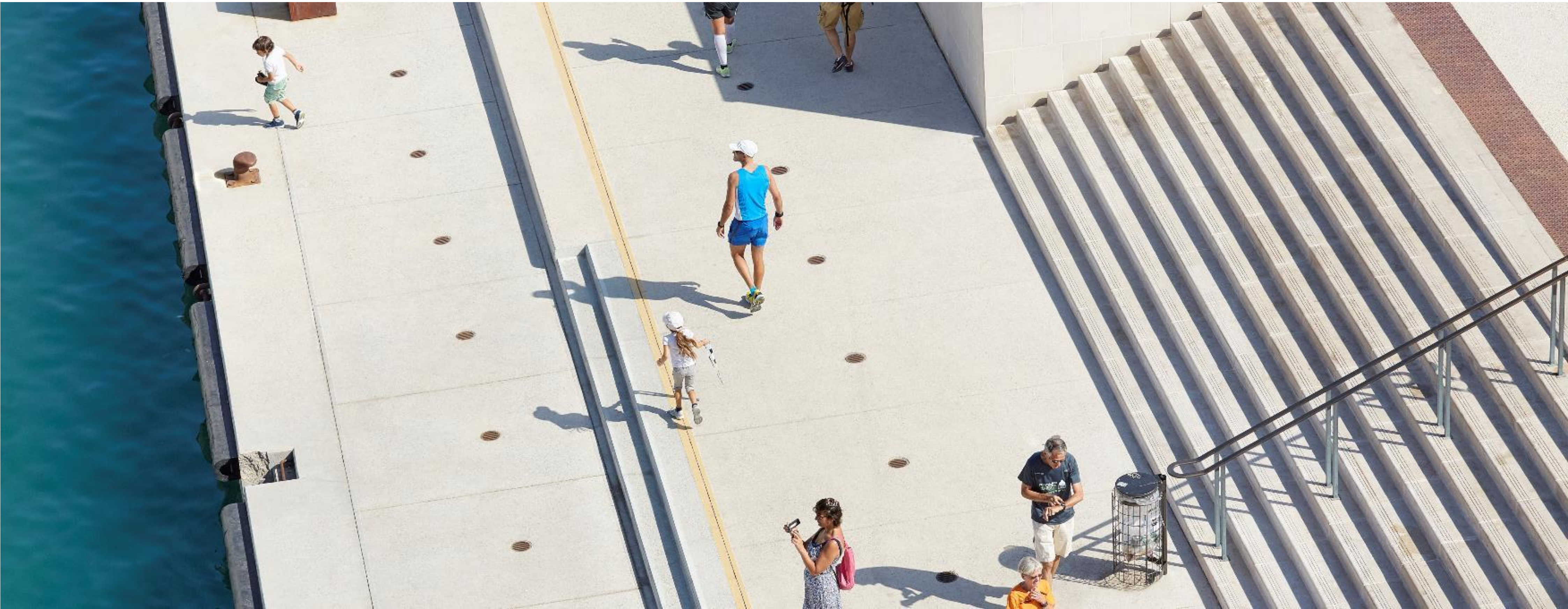
- The liability is contractually due to be settled more than one year (or operating cycle, if longer) after the balance sheet date.
- The entity has a contractual right to defer settlement of the liability for at least one year (or operating cycle, if longer) after the balance sheet date.

The amendments in this proposed update continue to require an entity to classify a debt arrangement as a noncurrent liability when there has been a debt covenant violation, if the entity receives a waiver of that violation that meets certain conditions before the financial statements are issued (or are available to be issued).

One of the most significant changes to the classification would be, for example, short-term debt that is refinanced on a long-term basis after the balance sheet date. Current guidance requires short-term debt (at the balance sheet date) that is refinanced on a long-term basis (after the balance sheet date but before the financial statements are issued or are available to be issued) to be classified as a noncurrent liability. The amendments in this proposed Update would prohibit an entity from considering a subsequent refinancing when determining the classification of debt as of the balance sheet date.

Comments were due by 5 May 2017.

8. Liabilities—taxes



8.1. Liabilities—taxes

Both US GAAP and IFRS/Ind AS base their deferred tax accounting requirements on balance sheet temporary differences, measured at the tax rates expected to apply when the differences reverse. Discounting of deferred taxes is also prohibited under the frameworks. Although the frameworks share many fundamental principles, they are at times applied in different manners and there are different exceptions to the principles under each framework. This often results in differences in income tax accounting between the frameworks. Some of the more significant differences relate to the allocation of tax expense/benefit to financial statement components ("intraperiod allocation"), the treatment of the tax effects of intercompany transfers of assets, income tax accounting with respect to share-based payment arrangements, and the presentation of deferred taxes on the face of the balance sheet. Recent developments in US GAAP will eliminate or reduce certain of these differences, as discussed below. Refer to SD 8.21 for the detail of recent/proposed guidance.

In comparison, accounting for deferred taxes under Indian GAAP is fundamentally very different. For example, under Indian GAAP, deferred taxes are recognized for all timing differences resulting between accounting income and taxable income, subject to the consideration of prudence, vis-a-vis temporary differences approach under IFRS/Ind AS and US GAAP. Indian GAAP has a higher threshold for recognition of deferred tax assets and does not require any adjustment on account of taxes in the consolidated financial statements.

The relevant differences are set out below, other than those related to share-based payment arrangements, which are described in the Expense recognition—share-based payments chapter.

Technical references

US GAAP

ASC 740

IFRS

IAS 1, IAS 12, IAS 34, IAS 37

Ind AS

Ind AS 1, Ind AS 12, Ind AS 34, Ind AS 37

Indian GAAP

AS 22, AS 25, Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income Tax Act, 1961

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

8.2. Hybrid taxes

Hybrid taxes are based on the higher of a tax applied to a net amount of income less expenses (such as taxable profit or taxable margin) and a tax applied to a gross amount which is not considered income (such as revenue or capital). Hybrid taxes are assessed differently under each of the framework, which could lead to differences in presentation in the income statement and recognition and measurement of deferred taxes.

IFRS	***US GAAP***	***Ind AS***	***Indian GAAP***
Accounting for hybrid taxes is not specifically addressed within IFRS. Applying the principles in IAS 12 *Income Taxes* to the accounting for hybrid taxes, entities can adopt either one of the following approaches and apply it consistently: • Designate the tax based on the gross amount not considered income as the minimum amount and recognize it as a pre-tax item. Any excess over that minimum amount would then be reported as income tax expense; or • Designate the tax based on the net amount of income less expenses as the minimum amount and recognize it as income tax expense. Any excess over that minimum would then be reported as a pre-tax item. • Deferred taxes should be recognized and measured according to that classification.	Taxes based on a gross amount which is not considered income (such as revenue or capital) are not accounted for as income taxes and should be reported as pre-tax items. A hybrid tax is considered an income tax and is presented as income tax expense only to the extent that it exceeds the tax based on the amount not considered income in a given year. Deferred taxes should be recognized and measured according to that classification.	Similar to IFRS.	No specific guidance.

8.3. Tax base of an asset or a liability

Under IFRS/Ind AS, a single asset or liability may have more than one tax base, whereas there would generally be only one tax base of asset or liability under US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Tax base is based on the tax consequences which will occur based upon how an entity is expected to recover or settle the carrying amount of assets and liabilities. The carrying amount of assets or liabilities can be recovered or settled through use or through sale. Assets and liabilities may also be recovered or settled through use and through sale together. In that case, the carrying amount of the asset or liability is bifurcated, resulting in more than a single temporary difference related to that item. Exceptions to these requirements include: • A rebuttable presumption exists that investment property measured at fair value will be recovered through sale. • Non-depreciable assets measured using the revaluation model in IAS 16 are assumed to be recovered through sale.	Tax base is based upon the relevant tax law. It is generally determined by the amount that is depreciable for tax purposes or deductible upon sale or liquidation of the asset or settlement of the liability.	Similar to IFRS, except that Ind AS permits only the cost model for measurement of investment property after initial recognition.	Deferred taxes are recognized based on the income statement approach. Deferred tax is calculated based on timing differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods. There are no exceptions similar to IFRS/Ind AS.

8.4. Initial recognition of an asset or a liability

In certain situations, there will be no deferred tax accounting under IFRS/Ind AS and Indian GAAP that would exist under US GAAP, and vice versa.

IFRS	US GAAP	Ind AS	Indian GAAP
An exception exists that deferred taxes should not be recognized on the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit/loss at the time of the transaction. No special treatment of leveraged leases exists under IFRS.	A temporary difference may arise on initial recognition of an asset or liability. In asset purchases that are not business combinations, a deferred tax asset or liability is recorded with the offset generally recorded against the assigned value of the asset. The amount of the deferred tax asset or liability is determined by using a simultaneous equations method. An exemption exists from the initial recognition of temporary differences in connection with transactions that qualify as leveraged leases under lease-accounting guidance.	Similar to IFRS.	Differences between taxable income and accounting income are classified into timing differences and permanent differences. While deferred taxes are recognized for all timing differences subject to the consideration of prudence, permanent differences do not result in recognition of deferred tax assets or deferred tax liabilities. Permanent differences are the differences between taxable income and accounting income for a period that originate in one period and do not reverse subsequently.

8.5. Recognition of deferred tax assets

The frameworks take differing approaches to the recognition of deferred tax assets.

IFRS	US GAAP	Ind AS	Indian GAAP
Deferred tax assets are recognized to the extent that it is probable (or "more likely than not") that sufficient taxable profits will be available to utilize the deductible temporary difference or unused tax losses. When an entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity.	Deferred tax assets are recognized in full, but are then reduced by a valuation allowance if it is considered more likely than not that some portion of the deferred tax assets will not be realized.	Similar to IFRS.	Deferred tax assets are recognized and carried forward to the extent that: (a) there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which the deferred tax assets can be realized, for entities with tax losses carryforward or unabsorbed depreciation, and (b) there is reasonable certainty that sufficient future taxable income will be available against which the deferred tax assets can be realized, for entities with no tax losses carryforward or unabsorbed depreciation.

8.6. Deferred taxes on investments in subsidiaries, joint ventures, and equity investees

Differences in the recognition criteria surrounding undistributed profits and other outside basis differences could result in changes in recognized deferred taxes in this area.

IFRS	US GAAP	Ind AS	Indian GAAP
With respect to undistributed profits and other outside basis differences related to investments in foreign and domestic subsidiaries, branches and associates, and interests in joint arrangements, deferred taxes are recognized except when a parent company, investor, joint venturer or joint operator is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Unlike US GAAP, the general guidance regarding deferred taxes on undistributed profits and other outside basis differences is applied when there is a change in the status of an investment from significant influence or joint control to being a subsidiary. Deferred tax assets for investments in foreign and domestic subsidiaries, branches and associates, and interests in joint arrangements are recorded only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.	With respect to undistributed profits and other outside basis differences, different requirements exist depending on whether they involve investments in subsidiaries, joint ventures, or equity investees. As it relates to investments in domestic subsidiaries, deferred tax liabilities are required on undistributed profits arising after 1992 unless the amounts can be recovered on a tax-free basis and the entity anticipates utilizing that method. As it relates to investments in domestic corporate joint ventures, deferred tax liabilities are required on undistributed profits that arose after 1992. No deferred tax liabilities are recognized on undistributed profits and other outside basis differences of foreign subsidiaries and corporate joint ventures that meet the indefinite reversal criterion. Deferred taxes are generally recognized on temporary differences related to investments in equity investees.	Similar to IFRS.	Deferred tax is not recognized on undistributed profits and other outside basis differences. Current and deferred taxes are aggregated on a line by line basis from the standalone financial statements of subsidiaries, joint ventures etc., and no tax adjustments are made on consolidation.

IFRS	US GAAP	Ind AS	Indian GAAP
	US GAAP contains specific guidance on how to account for deferred taxes when there is a change in the status of an investment. A deferred tax liability related to undistributed profits of a foreign investee that would not otherwise be required after the foreign investee becomes a subsidiary is "frozen". The deferred tax liability continues to be recognized to the extent that dividends from the subsidiary do not exceed the parent company's share of the subsidiary's earnings subsequent to the date it became a subsidiary, until the disposition of the subsidiary. Deferred tax assets for investments in subsidiaries and corporate joint ventures may be recorded only to the extent they will reverse in the foreseeable future.		

8.7. Recognition of deferred taxes where the local currency is not the functional currency

US GAAP prohibits the recognition of deferred taxes on exchange rate changes and tax indexing related to nonmonetary assets and liabilities in foreign currency while it may be required under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
Deferred taxes should be recognized for the difference between the carrying amount determined by using the historical exchange rate and the relevant	No deferred taxes are recognized for differences related to nonmonetary assets and liabilities that are remeasured from local currency into their functional currency by using historical exchange rates	Similar to IFRS.	No specific guidance since there is no concept of functional currency under Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
tax base, which may have been affected by exchange rate changes or tax indexing.	(if those differences result from changes in exchange rates or indexing for tax purposes).		

8.8. Uncertain tax positions

Differences with respect to recognition, unit-of-account, measurement and the treatment of subsequent events may result in varying outcomes under the frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
Accounting for uncertain tax positions is not specifically addressed within IFRS. IAS 37 excludes income taxes from its scope and is not used to measure uncertain tax positions. The principles in IAS 12 are applied to uncertain tax positions. The tax accounting should follow the manner in which an entity expects the tax position to be resolved with the taxation authorities at the balance sheet date. Practice has developed such that uncertain tax positions may be evaluated at the level of the individual uncertainty or group of related uncertainties. Alternatively, they may be considered at the level of total tax liability to each taxing authority. Acceptable methods by which to measure tax positions include (1) the expected-value/probability-weighted-average approach and (2) the single-best-estimate/most-likely-outcome method. Use of the cumulative probability model required by US GAAP is not consistent with IFRS.	Uncertain tax positions are recognized and measured using a two-step process: (1) determine whether a benefit may be recognized and (2) measure the amount of the benefit. Tax benefits from uncertain tax positions may be recognized only if it is more likely than not that the tax position is sustainable based on its technical merits. Uncertain tax positions are evaluated at the individual tax position level. The tax benefit is measured by using a cumulative probability model: the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement.	Similar to IFRS.	No specific guidance. AS 29 states that when another Accounting Standard deals with a specific type of provision, contingent liability or contingent asset, an enterprise shall apply that Standard instead of this Standard and excludes income taxes from its scope. Accordingly, an entity is required to apply AS 22. In practice, the principles applied are similar to IFRS.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Relevant developments affecting uncertain tax positions occurring after the balance sheet date but before issuance of the financial statements (including the discovery of information that was not available as of the balance sheet date) would be considered either an adjusting or non-adjusting event depending on whether the new information provides evidence of conditions that existed at the end of the reporting period.	Relevant developments affecting uncertain tax positions occurring after the balance sheet date but before issuance of the financial statements (including the discovery of information that was not available as of the balance sheet date) would be considered a non-adjusting subsequent event for which no effect would be recorded in the current-period financial statements.	Similar to IFRS.	Similar to IFRS.

8.9. Special deductions, investment tax credits, and tax holidays

US GAAP has specific guidance related to special deductions and investment tax credits, generally grounded in US tax law. US GAAP also addresses tax holidays. IFRS/Ind AS does not specify accounting treatments for any specific national tax laws and entities instead are required to apply the principles of IAS 12/Ind AS 12 *Income Taxes* to local legislation.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Special deductions:			
Special deductions are not defined under IFRS but are treated in the same way as tax credits. Tax credits are recognized in the period in which they are claimed on the tax return, however certain credits may have the substantive effect of reducing the entity's effective tax rate for a period of time. The impact on the tax rate can affect how entities should record their deferred taxes. In other cases the availability of credits might reduce an entity's profits in a way that moves it into a lower tax band, and again this may impact the rate at which deferred taxes are recorded.	Several specific deductions under US tax law have been identified under US GAAP as special deductions. Special deductions are recognized in the period in which they are claimed on the tax return. Entities subject to graduated tax rates should evaluate whether the ongoing availability of special deductions is likely to move the entity into a lower tax band which might cause deferred taxes to be recorded at a lower rate.	Similar to IFRS.	No specific guidance.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Investment tax credits and tax holidays:			
IAS 12 states that investment tax credits are outside the scope of the income taxes guidance. IFRS does not define investment tax credits, but we believe that as a general rule it is a credit received for investment in a recognized asset. Depending on the nature of the credit it might be accounted for in one of three ways: • In the same way as other tax credits; • As a government grant under IAS 20 *Accounting for Government Grant and Disclosure of Government Assistance*; or • As an adjustment to the tax base of the asset to which the initial recognition exception is likely to apply. While IFRS does not define a tax holiday, the treatment is in line with US GAAP in that the holiday itself does not create deferred taxes, but it might impact the rate at which deferred tax balances are measured.	It is preferable to account for investment tax credits using the “deferral method” in which the entity spreads the benefit of the credit over the life of the asset. However, entities might alternatively elect to recognize the benefit in full in the year in which it is claimed (the “flow-through method”). Deferred taxes are not recorded for any tax holiday but rather the benefit is recognized in the periods over which the applicable tax rate is reduced or that the entity is exempted from taxes. Entities should, however, consider the rate at which deferred taxes are recorded on temporary differences. Temporary differences expected to reverse during the period of the holiday should be recorded at the rate applicable during the holiday rather than the normal statutory income tax rate.	Similar to IFRS.	No specific guidance on investment tax credits. Deferred taxes in respect of timing differences which reverse during the tax holiday period is not recognized to the extent the entity’s gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate.

8.10. Intercompany transactions

The frameworks require different approaches when current and deferred taxes on intercompany transfers of assets are considered.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
There is no exception to the model for the income tax effects of transferring assets between the entities in the consolidated groups. Any tax impacts to the consolidated financial statements as a result of the intercompany transaction are recognized as incurred. If the transfer results in a change in the tax base of the asset transferred, deferred taxes resulting from the intragroup sale are recognized at the buyer's tax rate.	For purposes of the consolidated financial statements, any tax impacts to the seller as a result of an intercompany sale or transfer are deferred until the asset is sold to a third-party or otherwise recovered (e.g., amortized or impaired). In addition, the buyer is prohibited from recognizing a deferred tax asset resulting from the difference between the tax basis and consolidated carrying amount of the asset.	Similar to IFRS.	Deferred tax is not recognized in respect of intercompany transactions. Current and deferred taxes are aggregated on a line by line basis from the standalone financial statements of subsidiaries, joint ventures etc., and no tax adjustments are made on consolidation.

8.11. Change in tax laws and rates

The impact on deferred and current taxes as a result of changes in tax laws and tax rates may be recognized earlier under IFRS/Ind AS and Indian GAAP.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Current and deferred tax is calculated using enacted or substantively enacted rates (tax laws) by the end of the reporting period.	US GAAP requires the use of enacted rates when calculating current and deferred taxes.	Similar to IFRS.	Similar to IFRS.

8.12. Change in tax status of an entity or its shareholders

The impact on deferred and current taxes as a result of changes in tax status of an entity or its shareholders is generally recognized in the income statement. However, there are exceptions under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
The current and deferred tax consequences of a change in an entity's tax status are dealt with in profit or loss, unless they relate to transactions and events that result (in the same or a different period) in amounts recognized in other comprehensive income, or in equity. Tax consequences relating to amounts recognized in other comprehensive income are recognized in other comprehensive income. Tax consequences relating to direct changes in equity are charged or credited directly to equity.	ASC 740-10-45-19 *Income Taxes* requires that the deferred tax effects of a change in tax status be included in income from continuing operations at the date the change in tax status occurs. Deferred tax assets and liabilities should be recognized for existing temporary differences when an entity changes its tax status to become subject to income taxes. Similarly, deferred tax assets and liabilities should be eliminated when a taxable entity ceases to be taxable. In both cases, the resulting adjustment is included in income from continuing operations. ASC 740-10-25-33 and 25-34 require that an election for a voluntary change in tax status be recognized in the financial statements on the approval date, or on the filing date if approval is not necessary. Alternatively, a change in tax status that results from a change in tax law is recognized on the enactment date, similar to other tax law changes.	Similar to IFRS.	No specific guidance.

8.13. Tax rate on undistributed earnings of a subsidiary

In the case of dual rate tax jurisdiction, the tax rate to be applied on inside basis difference and outside basis difference in respect of undistributed earnings may differ between US GAAP and IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
Where income taxes are payable at a higher or lower rate if part or all of the net profit or retained earnings are distributed as dividends, deferred taxes are measured at the tax rate applicable to undistributed profits. In consolidated financial statements, when a parent has a subsidiary in a dual-rate tax jurisdiction and expects to distribute profits of the subsidiary in the foreseeable future, it should measure the temporary differences relating to the investment in the subsidiary at the rate that would apply to distributed profits. This is on the basis that the undistributed earnings are expected to be recovered through distribution and the deferred tax should be measured according to the expected manner of recovery.	For jurisdictions that have a tax system under which undistributed profits are subject to a corporate tax rate higher than distributed profits, effects of temporary differences should be measured using the undistributed tax rate. Tax benefits of future tax credits that will be realized when the income is distributed cannot be recognized before the period in which those credits are included in the entity's tax return. A parent company with a subsidiary entitled to a tax credit for dividends paid should use the distributed rate when measuring the deferred tax effects related to the operations of the foreign subsidiary. However, the undistributed rate should be used in the consolidated financial statements if the parent, as a result of applying the indefinite reversal criteria, has not provided for deferred taxes on the unremitted earnings of the foreign subsidiary. For jurisdictions where the undistributed rate is lower than the distributed rate, the use of the distributed rate is preferable but the use of the undistributed rate is acceptable provided appropriate disclosures are added.	Similar to IFRS.	No specific guidance. Deferred tax is not recognized on undistributed earnings of subsidiaries. Current and deferred taxes are aggregated on a line by line basis from the standalone financial statements of subsidiaries, joint ventures etc., and no adjustments are made on consolidation.

8.14. Presentation

Presentation differences related to deferred taxes and uncertain tax positions could affect the calculation of certain ratios from the face of the balance sheet (including a company's current ratio).

IFRS	US GAAP	Ind AS	Indian GAAP
Deferred tax assets and deferred tax liabilities should be offset for presentation purpose if the deferred taxes relate to income taxes levied by the same authority and there is a legally enforceable right to offset. Deferred taxes after offsetting should be presented as noncurrent on the balance sheet. Supplemental note disclosures may be included to distinguish deferred tax assets and liabilities between amounts expected to be recovered or settled less than or greater than one year from the balance sheet date. A liability for uncertain tax positions relating to current or prior year returns is generally classified as a current liability on the balance sheet because entities typically do not have the unconditional right to defer settlement of uncertain tax positions for at least 12 months after the end of the reporting period. There is no specific guidance under IFRS on the presentation of liabilities for uncertain tax positions when a net operating loss carryforward or a tax credit carryforward exists. The general guidance in IAS 12 on the presentation of income taxes applies. Interest and penalties related to uncertain tax positions may be classified as finance	Currently, US GAAP requires that the classification of deferred tax assets and deferred tax liabilities follow the classification of the related asset or liability for financial reporting (as either current or noncurrent). If a deferred tax asset or liability is not associated with an underlying asset or liability, it is classified based on the anticipated reversal periods. Within an individual tax jurisdiction, current deferred taxes are generally offset and classified as a single amount and noncurrent deferred taxes are offset and classified as a single amount. Any valuation allowances are allocated between current and noncurrent deferred tax assets for a tax jurisdiction on a pro rata basis. However, the FASB recently issued new guidance that will require all deferred taxes to be presented as noncurrent. The new guidance may be early adopted. Once adopted, deferred taxes will no longer be separated between current and non-current. Refer to SD 8.21.3 for further details. A liability for uncertain tax positions is classified as a current liability only to the extent that cash	Similar to IFRS.	Deferred tax assets and deferred tax liabilities should be offset for presentation purpose if the deferred taxes relate to income taxes levied by the same authority and there is a legally enforceable right to offset. Deferred taxes after offsetting should be presented as noncurrent on the balance sheet. Deferred tax liabilities, net is disclosed after 'long-term borrowings' as part of non-current liabilities; whereas deferred tax assets, net is disclosed after 'non-current investments' as part of non-current assets. There is no specific guidance on the presentation of liabilities for uncertain tax positions. They are classified as current or non-current, based on the respective definition under Schedule III to the Companies Act, 2013 (Division I). Any interest on shortfall in payment of advance income-tax is in the nature of finance cost and is not included with current tax. This should be classified as

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
and other operating expense, respectively, in the income statement because they are not based on taxable profit and the economic substance is no different from other financing arrangements. Alternatively, they may be included in the tax line either if they cannot be separated from the taxes, or as a matter of accounting policy. The accounting policy should be consistently applied.	payments are anticipated within 12 months of the reporting date. Otherwise, such amounts are reflected as noncurrent liabilities. A liability for an unrecognized tax benefit should be presented as a reduction to a deferred tax asset for a net operating loss or tax credit carryforward if the carryforward is available at the reporting date to settle any additional income taxes that would result from the disallowance of the uncertain tax position. Netting would not apply, however, if the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the carryforward for such purpose. The classification of interest and penalties related to uncertain tax positions (either in income tax expense or as a pretax item) represents an accounting policy decision that is to be consistently applied.		interest expense under finance costs and be separately disclosed. Any penalties levied under Income tax laws should not be classified as current tax. Penalties which are compensatory in nature should be treated as interest and disclosed in the manner explained above. Other tax penalties should be classified under other expenses.

8.15. Intraperiod allocation

Significant differences exist between IFRS/Ind AS and US GAAP on intraperiod allocation of taxes to various components in the financial statements. Differences can also arise in accounting for the tax effect of a loss from continuing operations. Subsequent changes to deferred taxes could result in less volatility in the statement of operations under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
Tax follows the item. Current and deferred tax on items recognized in other comprehensive income or directly in equity should be similarly recognized in other comprehensive income or directly in equity. When an entity pays tax on all of its profits, including elements recognized outside of profit or loss, it can be difficult to determine the share attributable to individual components. Under such circumstances, tax should be allocated on a pro rata basis or other basis that is more appropriate in the circumstances. No exception to this principle is required under IFRS because IAS 12 always requires that the tax consequences follow the underlying item. Subsequent changes in deferred tax are recognized in profit or loss, OCI, or equity depending on where the transaction(s) giving rise to the deferred tax were recorded. Entities must “backwards trace” based upon how the deferred tax balance arose to determine where the change in deferred tax is recorded.	The tax expense or benefit is allocated between the financial statement components (such as continuing operations, discontinued operations, other comprehensive income, and equity) following a “with and without” approach: • First, the total tax expense or benefit for the period is computed, • Then the tax expense or benefit attributable to continuing operations is computed separately without considering the other components, and • The difference between the total tax expense or benefit for the period and the amount attributable to continuing operations is allocated amongst the other components. An exception to that model requires that all components be considered to determine the amount of tax benefit that is allocated to a loss from continuing operations. Subsequent changes in deferred tax balances due to enacted tax rate and	Similar to IFRS. Refer below for presentation of dividend distribution tax on payment of dividends basis FAQ issued by the ICAI.	Both initial recognition and subsequent changes in deferred tax balances are generally recognized in the income statement. However, an announcement issued by the ICAI in September 2005 requires any item of income or expense adjusted directly to reserves and/or securities premium account should be net of its tax effect.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
	tax law changes are taken through profit or loss regardless of whether the deferred tax was initially created through profit or loss or other comprehensive income, through equity, or in acquisition accounting. The same principle applies to changes in assertion with respect to unremitted earnings of foreign subsidiaries; deferred taxes are recognized in continuing operations even if some of the temporary difference arose as a result of foreign exchange recognized in OCI. Changes in the amount of valuation allowance due to changes in assessment about realization in future periods are generally taken through the income statement, with limited exceptions for certain equity-related items.		

ASB FAQ on presentation of Dividend Distribution Tax (DDT)

The ASB has issued a FAQ on the presentation requirements as per Ind AS for dividend and DDT thereon, if an entity has issued financial instruments that are classified as debt, equity or compound financial instruments. The ASB has opined that in India, dividends are not taxable in the hands of shareholders considering that DDT is paid by the company that pays the dividend. Had there been no DDT mechanism, dividend would have been taxable in the hands of recipients, though recently it has been made taxable in the hands of the recipients, if the amount of dividend exceeds a specified limit. In view of paragraph 65A of Ind AS 12, DDT is, in substance, of the nature of withholding tax. Therefore, the Board is of the view that the nature of payment of DDT in India is not similar to the scenario covered under the current paragraph 52A of Ind AS 12.

In view of the above, presentation of DDT paid on the dividends should be consistent with the presentation of the transaction that creates those income tax consequences. Therefore, DDT should be charged to profit or loss if the dividend itself is charged to profit or loss. If the dividend is recognized in equity, the presentation of DDT should be consistent with the presentation of the dividend, i.e., to be recognized in equity. Accordingly, in case of compound financial instruments, bifurcated into debt and equity, the portion of DDT related to dividend/interest to the debt component should be recognized in profit or loss and that related to equity component should be recognized in equity.

8.16. Disclosures

The disclosures required by the frameworks differ in a number of respects, but perhaps the two most significant differences relate to uncertain tax positions and the rate used in the effective tax rate reconciliation. Other disclosure differences are largely a consequence of differences in the underlying accounting models.

IFRS	US GAAP	Ind AS	Indian GAAP
Entities with contingent tax assets and liabilities are required to provide IAS 37 disclosures in respect of these contingencies, but there is no requirement for a tabular reconciliation. The effective tax rate reconciliation can be presented using either the applicable tax rates or the weighted average tax rate applicable to profits of the consolidated entities.	Public entities are required to present a tabular reconciliation of unrecognized tax benefits relating to uncertain tax positions from one year to the next. The effective tax rate reconciliation is presented using the statutory tax rate of the parent company.	Similar to IFRS.	Entities with contingent tax liabilities are required to provide AS 29 disclosures in respect of these contingencies, but there is no requirement for a tabular reconciliation. There is no requirement for disclosure of a tax rate reconciliation.

8.17. Interim reporting

A worldwide effective tax rate is used to record interim tax provisions under US GAAP. Under IFRS/Ind AS and Indian GAAP, a separate estimated average annual effective tax rate is used for each jurisdiction.

IFRS	US GAAP	Ind AS	Indian GAAP
The interim tax provision is determined by applying an estimated average annual effective tax rate to interim period pretax income. To the extent practicable, a separate estimated average annual effective tax rate is determined for each material tax jurisdiction and applied individually to the interim period pretax income of each jurisdiction.	In general, the interim tax provision is determined by applying the estimated annual worldwide effective tax rate for the consolidated entity to the worldwide consolidated year-to-date pretax income.	Similar to IFRS.	Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period is adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

8.18. *Separate financial statements*

US GAAP provides guidance on the accounting for income taxes in the separate financial statements of an entity that is part of a consolidated tax group.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
There is no specific guidance under IFRS on the methods that can be used to allocate current and deferred tax amounts of a group that files a consolidated tax return among the group members when they issue separate financial statements.	The consolidated current and deferred tax amounts of a group that files a consolidated tax return should be allocated among the group members when they issue separate financial statements using a method that is systematic, rational and consistent with the broad principles of ASC 740. An acceptable method is the "separate return" method. It is also acceptable to modify this method to allocate current and income taxes using the "benefits-for-loss" approach.	Similar to IFRS.	No specific guidance.

8.19. *Minimum alternative tax credit carryforward*

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
MAT credit carryforward is recognized as a deferred tax if it is probable (more likely than not) that MAT credit can be used in future years to reduce the regular tax liability. Disclosed along with any other deferred tax amount.	MAT credit carryforward is recognized as a deferred tax asset in full, but it is reduced by a valuation allowance, if it is more likely than not that MAT credit cannot be used in future years to reduce the regular tax liability. Disclosed along with any other deferred tax amount.	Similar to IFRS.	MAT credit carryforwards is considered as a prepaid tax and recognized as an asset (not as a deferred tax asset) when and to the extent there is convincing evidence that MAT credit will be used in future years to reduce the regular tax liability. It is disclosed as "MAT credit entitlement" within "Loans and Advances" with a corresponding credit to the income statement and presented as a separate line item therein.

8.20. Share-based payment arrangements

Significant differences in current and deferred taxes exist between the frameworks with respect to share-based payment arrangements. The relevant differences are described in the Expense recognition—share-based payments chapter.

8.21. Recent/proposed guidance

8.21.1. FASB proposed Accounting Standards Update—Income Taxes (Topic 740): Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes

The FASB has issued a proposed Accounting Standard Update addressing income tax disclosures as part of its Disclosure Framework project. Topics being addressed include the disaggregated disclosure of domestic and foreign taxes, information about cash and cash equivalents held by foreign subsidiaries, and other enhancements of disclosure regarding tax law changes, changes in valuation allowances, tax attributes, and uncertain tax positions. The topics being addressed also include the disclosure of the terms of any rights or privileges granted by a governmental entity directly to the reporting entity that have reduced, or may reduce, the entity's income tax burden. The IASB is not planning to make any equivalent changes to IAS 12.

8.21.2. FASB Accounting Standard Update No. 2016-16, Income Taxes (Topic 740): Intra-Entity Asset Transfers of Assets other than Inventory

In October 2016, the FASB issued Accounting Standards Update 2016-16 *Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*. The ASU is part of the Board's simplification initiative aimed at reducing complexity in accounting standards.

Under current US GAAP, the tax effects of intra-entity asset transfers (intercompany sales) are deferred until the transferred asset is sold to a third party or otherwise recovered through use. This is an exception to the principle in ASC 740 that generally requires comprehensive recognition of current and deferred income taxes.

The new guidance eliminates the exception for all intra-entity sales of assets other than inventory. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. The new guidance does not apply to intra-entity transfers of inventory. The income tax consequences from the sale of inventory from one member of a consolidated entity to another will continue to be deferred until the inventory is sold to a third party.

The new guidance will be effective for public business entities in fiscal years beginning after 15 December 2017, including interim periods within those years (i.e., in the first quarter of 2018 for calendar year-end companies). For entities other than public business entities, the amendments are effective for fiscal years beginning after 15 December 2018, and interim reporting periods within annual reporting periods beginning after 15 December 2019.

8.21.3. FASB Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes

In November 2015, the FASB issued new guidance requiring all deferred tax assets and liabilities, along with any related valuation allowance, to be classified as noncurrent on the balance sheet.

The new guidance will be effective for public business entities in fiscal years beginning after 15 December 2016, including interim periods within those years. For entities other than public business entities, the amendments are effective for fiscal years beginning after 15 December 2017, and interim periods within fiscal years beginning after 15 December 2018. Early adoption is permitted for all entities as of the beginning of an interim or annual reporting period.

This amendment will eliminate the difference between US GAAP and IFRS on the presentation of deferred tax assets and liabilities.

8.21.4. New FASB and IASB guidance on recognition of deferred tax assets arising from unrealized losses on debt investments

In Accounting Standards Update No. 2016-01, issued in January 2016, the FASB clarified that the assessment of whether a valuation allowance is needed on deferred tax assets that arise from unrealized losses on debt investments measured at fair value through other comprehensive income should be evaluated in combination with the other deferred tax assets, based on available future taxable income of the appropriate character. The new ASU will be effective for public business entities in fiscal years beginning after 15 December 2017, including interim periods within those fiscal years. For all other entities, the guidance will be effective in fiscal years beginning after 15 December 2018 and interim periods within fiscal years beginning after 15 December 2019, and may be early adopted coincident with the public business entities' effective date.

In January 2016, the IASB amended IAS 12 to confirm that decreases in the carrying amount of a fixed-rate debt instrument for which the principal is paid at maturity gives rise to a deductible temporary difference if the instrument is measured at fair value and its tax base remains at cost. The amendments also clarify that an entity can assume that the asset may be recovered at more than its carrying value if there is sufficient evidence that it is probable that the entity will achieve this. Further, the amendment clarified that the temporary differences arising from the fixed-rate debt instrument should be assessed in combination with other temporary differences, where appropriate under the tax law, when considering the recoverability of deferred tax assets. These amendments achieve an outcome for deferred tax accounting that would be consistent with the ASU issued by the FASB. The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

In January 2017, ICAI also issued an exposure draft on amendment to Ind AS 12, 'Income taxes' in line with IASB amendment to IAS 12 as explained above.

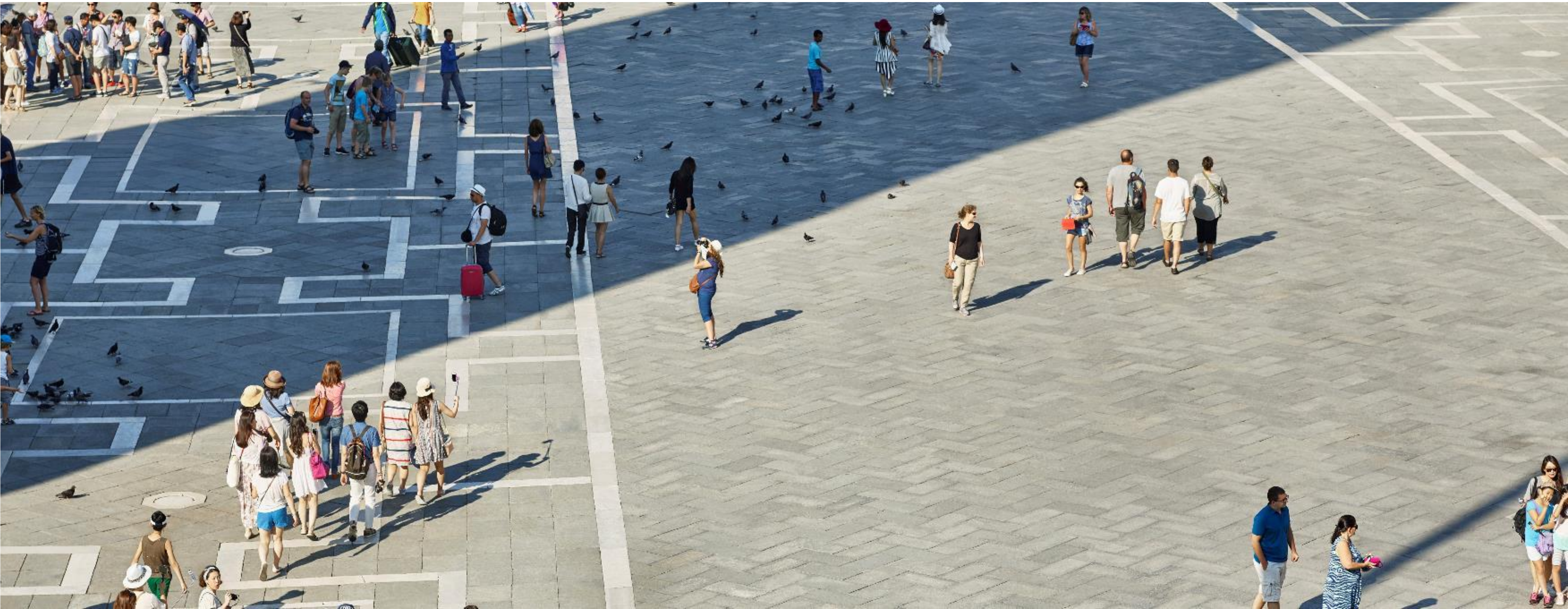
8.21.5. Annual improvements to IFRS standards 2015-2017 cycle

In January 2017, the IASB has published the proposed amendments to IFRS Standards as a part of its Annual Improvements process. This exposure draft contains proposed amendments to IAS 12, to clarify that the requirements in the existing paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from existing paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

8.21.6. IFRS Interpretations Committee Interpretation 23, Uncertainty over Income Tax Treatments

The IFRS Interpretations Committee published the interpretation on the accounting for uncertainties in income taxes. The interpretation requires that tax assets or liabilities arising from uncertain tax treatments be assessed using a “probable” recognition threshold. The interpretation also requires an entity to assess whether to consider individual uncertainties separately or collectively based on which method best predicts the outcome. In addition, the interpretation reaffirms that an entity should assume that the tax authority with the right to examine amounts reported to it will examine those amounts and have full knowledge of all relevant information. Once recognized, the uncertainties would be measured at either the single most likely outcome or a probability weighted average of possible outcomes. The measurement model should be selected based on which model provides better predictions of the resolution of the uncertainties. This measurement model is different than the US GAAP cumulative probability model, and US GAAP approach continue to be prohibited under IFRS.

9. Liabilities—other



9.1. Liabilities—other

The guidance in relation to nonfinancial liabilities (e.g., provisions, contingencies, and government grants) includes some fundamental differences with potentially significant implications.

For instance, a difference exists in the interpretation of the term "probable". IFRS/Ind AS defines probable as "more likely than not", but US GAAP defines probable as "likely to occur". Because both frameworks reference probable within the liability recognition criteria, this difference could lead companies to record provisions earlier under IFRS/Ind AS than they otherwise would have under US GAAP. The use of the midpoint of a range when several outcomes are equally likely (rather than the low-point estimate, as used in US GAAP) might also lead to higher expense recognition under IFRS/Ind AS.

IFRS/Ind AS does not have the concept of an ongoing termination plan, whereas severance is recognized under US GAAP once probable and reasonably estimable. This could lead companies to record restructuring provisions in periods later than they would under US GAAP.

As it relates to reimbursement rights, IFRS/Ind AS has a higher threshold for the recognition of reimbursements of recognized losses by requiring that they be virtually certain of realization, whereas the threshold is lower under US GAAP.

Indian GAAP guidance is closer to IFRS/Ind AS than US GAAP in these areas, with certain differences explained below.

Technical references

US GAAP

ASC 410-20, ASC 410-30, ASC 420, ASC 450-10, ASC 450-20, ASC 460-10, ASC 944-40, ASC 958-605

IFRS

IAS 19, IAS 20, IAS 37, IFRIC 21

Ind AS

Ind AS 19, Ind AS 20, Ind AS 37

Indian GAAP

AS 12, AS 15, AS 29

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

9.2. Recognition of provisions

Differences in the definition of "probable" may result in earlier recognition of liabilities under IFRS/Ind AS and Indian GAAP.

The IFRS/Ind AS and Indian GAAP "present obligation" criteria might result in delayed recognition of liabilities when compared with US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
General:			
A contingent liability is defined as a possible obligation from a past event whose outcome will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the entity's control. A contingent liability is not recognized. A contingent liability becomes a provision and is recorded when three criteria are met: (1) a present obligation from a past event exists, (2) it is probable that an outflow of resources will be required to settle the obligation, and (3) a reliable estimate can be made.	A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur. An accrual for a loss contingency is required if two criteria are met: (1) if it is probable that a liability has been incurred and (2) the amount of loss can be reasonably estimated.	Similar to IFRS.	Similar to IFRS, except that constructive obligations are not considered for recognizing provisions. However, provision is to be created in respect of obligations arising from normal business practice or to maintain good business relations or to act in an equitable manner.
Definition of "probable":			
The term "probable" is used for describing a situation in which the outcome is more likely than not to occur. Generally, the phrase "more likely than not" denotes any chance greater than 50 percent.	Implicit in the first condition above is that it is probable that one or more future events will occur confirming the fact of the loss. The guidance uses the term "probable" to describe a situation in which the outcome is likely to occur. While a numeric standard for probable does not exist, practice generally considers an event that has a 75 percent or greater likelihood of occurrence to be probable.	Similar to IFRS.	Similar to IFRS.

9.3. Measurement of provisions

In certain circumstances, the measurement objective of provisions varies under the IFRS/Ind AS, US GAAP and Indian GAAP frameworks.

IFRS/Ind AS and Indian GAAP results in a higher liability being recorded when there is a range of possible outcomes with equal probability.

IFRS	US GAAP	Ind AS	Indian GAAP
The amount recognized should be the best estimate of the expenditure required (the amount an entity would rationally pay to settle or transfer to a third party the obligation at the balance sheet date). Where there is a continuous range of possible outcomes and each point in that range is as likely as any other, the midpoint of the range is used.	A single standard does not exist to determine the measurement of obligations. Instead, entities must refer to guidance established for specific obligations (e.g., environmental or restructuring) to determine the appropriate measurement methodology. Pronouncements related to provisions do not necessarily have settlement price or even fair value as an objective in the measurement of liabilities, and the guidance often describes an accumulation of the entity's cost estimates. When no amount within a range is a better estimate than any other amount, the low end of the range is accrued.	Similar to IFRS.	Similar to IFRS, except that discounting is not permitted, except in certain limited situations as discussed in SD 9.4 below. In practice, provisions are measured using a substantial degree of estimation.

9.4. Discounting of provisions

Provisions will be discounted more frequently under IFRS/Ind AS. At the same time, greater charges will be reflected as operating (versus financing) under US GAAP and Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS requires that the amount of a provision be the present value of the expenditure expected to be required to settle the obligation. The anticipated cash	For losses that meet the accrual criteria of ASC 450, an entity will generally record them at the amount that will be paid to settle the	Similar to IFRS.	The amount recognized as a provision should be the best estimate of the expenditure required to settle the present

IFRS	US GAAP	Ind AS	Indian GAAP
flows are discounted using a pre-tax discount rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability (for which the cash flow estimates have not been adjusted) if the effect is material. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. The carrying amount of a provision increases in each period to reflect the passage of time with said increase recognized as a borrowing cost.	contingency, without considering the time that may pass before the liability is paid. Discounting these liabilities is acceptable when the aggregate amount of the liability and the timing of cash payments for the liability are fixed or determinable. Entities with these liabilities that are eligible for discounting are not, however, required to discount those liabilities; the decision to discount is an accounting policy choice. The classification in the statement of operations of the accretion of the liability to its settlement amount is an accounting policy decision that should be consistently applied and disclosed. When discounting is applied, the discount rate applied to a liability should not change from period to period if the liability is not recorded at fair value. There are certain instances outside of ASC 450 (e.g., in the accounting for asset retirement obligations) where discounting is required.		obligation at the balance sheet date. The amount of a provision is not discounted to its present value, except as below. Provisions relating to decommissioning, restoration and similar liabilities that are recognized as cost of Property, Plant and Equipment should be discounted to the present value basis the revised AS 10 (Revised) which is effective for the periods commencing on or after 1 April 2016.

9.5. Restructuring provisions (excluding business combinations)

IFRS/Ind AS and Indian GAAP does not have the concept of an ongoing termination plan, whereas a severance liability is recognized under US GAAP once it is probable and reasonably estimable. This could lead companies to record restructuring provisions in periods later than they would under US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS requires that a single approach be used to account for all types of termination benefits. Termination benefits are recognized at the earlier of (1) when an entity can no longer withdraw an offer of termination benefits, or (2) when it would recognize restructuring costs in accordance with IAS 37, i.e., upon communication to those affected employees laid out in a detailed formal restructuring plan.	Guidance exists for different types of termination benefits (e.g., special termination benefits, contractual termination benefits, severance benefits, and one-time benefit arrangements). If there is a pre-existing arrangement such that the employer and employees have a mutual understanding of the benefits the employee will receive if involuntarily terminated, the cost of the benefits are accrued when payment is probable and reasonably estimable. In this instance, no announcement to the workforce (nor initiation of the plan) is required prior to expense recognition.	Similar to IFRS.	A provision for restructuring costs is recognized only when the general recognition criteria for provisions are met. Such recognition criteria are met when (a) an enterprise has a present obligation as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. No obligation arises for the sale of an operation until the enterprise is committed to the sale, i.e., there is a binding sale agreement.

9.6. Onerous contracts

Onerous contract provisions may be recognized earlier and in different amounts under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
Provisions are recognized when a contract becomes onerous regardless of whether the entity has ceased using the rights under the contract. When an entity commits to a plan to exit a lease property, sublease rentals are	Provisions are not recognized for unfavourable contracts unless the entity has ceased using the rights under the contract (i.e., the cease-use date).	Similar to IFRS.	Similar to IFRS, except that discounting of provision is not permitted.

IFRS	US GAAP	Ind AS	Indian GAAP
considered in the measurement of an onerous lease provision only if management has the right to sublease and such sublease income is probable. IFRS requires recognition of an onerous loss for executory contracts if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.	One of the most common examples of an unfavourable contract has to do with leased property that is no longer in use. With respect to such leased property, estimated sublease rentals are to be considered in a measurement of the provision to the extent such rentals could reasonably be obtained for the property, even if it is not management's intent to sublease or if the lease terms prohibit subleasing. Incremental expense in either instance is recognized as incurred. Recording a liability is appropriate only when a lessee permanently ceases use of functionally independent assets (i.e., assets that could be fully utilized by another party). US GAAP generally does not allow the recognition of losses on executory contracts prior to such costs being incurred.		

9.7. Reimbursement and contingent assets

Guidance varies with respect to when these amounts should be recognized. As such, recognition timing differences could rise.

IFRS	US GAAP	Ind AS	Indian GAAP
Reimbursements: Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually	***Recovery of recognized losses:*** An asset relating to the recovery of a recognized loss shall be recognized when realization of the claim for recovery is deemed probable.	Similar to IFRS.	Similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
certain that reimbursement will be received if the entity settles the obligation. The amount recognized for the reimbursement shall be treated as a separate asset and shall not exceed the amount of the provision. The virtually certain threshold may, in certain situations, be achieved in advance of the receipt of cash.			
***Contingent assets**:* Contingent assets are not recognized in financial statements because this may result in the recognition of income that may never be realized. If the inflow of economic benefits is probable, the entity should disclose a description of the contingent asset. However, when the realization of income is virtually certain, then the related asset is not a contingent asset, and its recognition is appropriate.	***Recoveries representing gain contingencies**:* Gain contingencies should not be recognized prior to their realization. In certain situations a gain contingency may be considered realized or realizable prior to the receipt of cash.	Similar to IFRS.	Similar to IFRS, except that a contingent asset is not disclosed in the financial statements. It is usually disclosed in the report of the approving authority where an inflow of economic benefits is probable.

9.8. Levies

IFRS/Ind AS includes specific guidance related to the treatment of levies. US GAAP and Indian GAAP do not include specific guidance. This could result in differences between the timing and measurement of contingencies related to levies.

IFRS	US GAAP	Ind AS	Indian GAAP
Levies are defined as a transfer of resources imposed by a government on entities in accordance with laws and/or regulations, other than those within the scope of other standards (such as IAS 12); and fines or other penalties imposed for breaches of laws and/or regulations.	Specific guidance does not exist within US GAAP. Levies and their related fines and penalties follow the guidance in ASC 450 unless other guidance established for the specific obligation exists (e.g., environmental).	Similar to IFRS.	No specific guidance. A provision is recognized when the general recognition criteria for provisions are met under AS 29.

IFRS	US GAAP	Ind AS	Indian GAAP
The obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. A liability to pay a levy is recognized when the obligating event occurs, at a point in time or progressively over time, and an obligation to pay a levy triggered by a minimum threshold is recognized when the threshold is reached.			

9.9. *Accounting for government grants*

IFRS/Ind AS and Indian GAAP permits the recognition of government grants once there is reasonable assurance that requisite conditions will be met, rather than waiting for the conditions to be fulfilled, as is usually the case under US GAAP. As a result, government grants may be recognized earlier under IFRS/Ind AS and Indian GAAP. Further, balance sheet presentation choices for asset related grants is not available under Ind AS, which requires grossing up of the balance sheet.

US GAAP does not specify the accounting for government grants received by "for-profit" enterprises. Practice generally refers to IAS 20 to determine the most appropriate accounting for government grants when no other specific literature is on point. The criteria for initial recognition are the same for grants related to assets and grants related to income under IAS 20. Subsequent recognition and financial statement presentation varies depending on the type and nature of the grant.

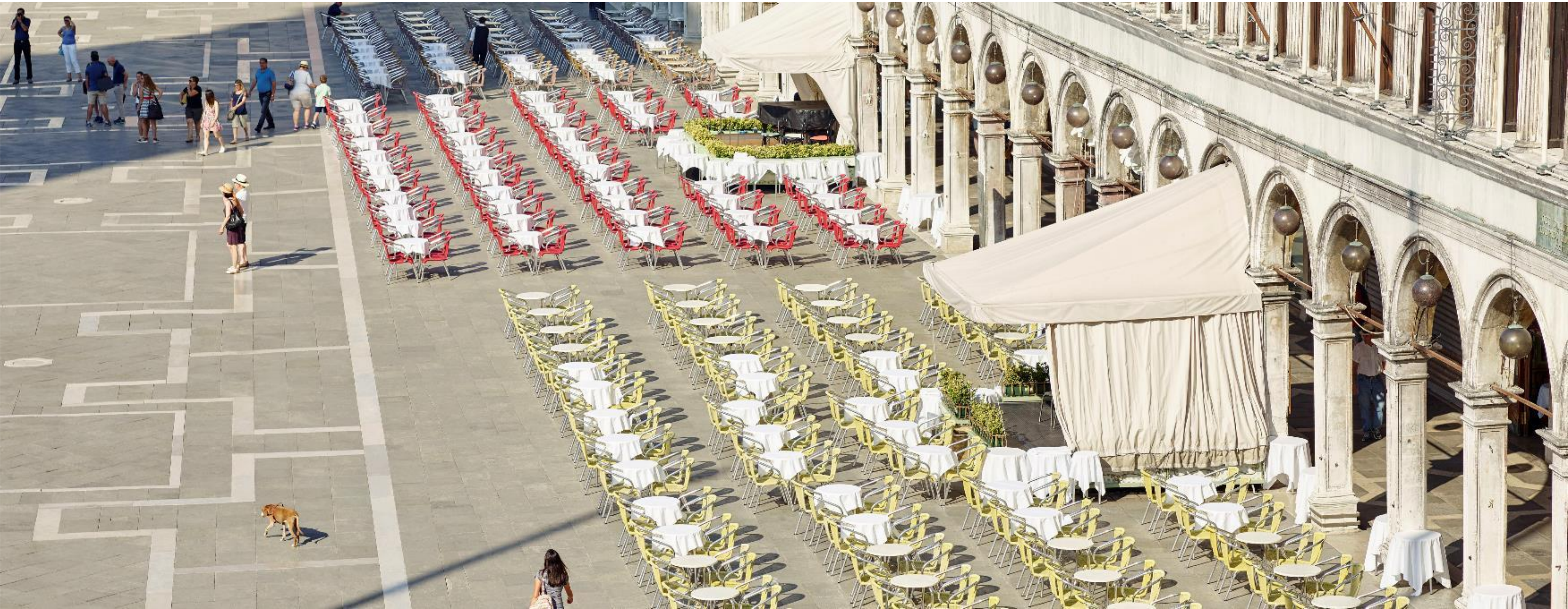
IFRS	US GAAP	Ind AS	Indian GAAP
Recognition:			
Government grants are recognized once there is reasonable assurance that both (1) the conditions for their receipt will be met and (2) the grant will be received. Income-based grants are deferred in the balance sheet and released to the income	If conditions are attached to the grant, recognition of the grant is delayed until such conditions have been fulfilled. Contributions of long-lived assets or for the purchase of long-lived assets are to be credited to	Similar to IFRS.	Government grants are recognized (i) where there is reasonable assurance that the enterprise will comply with the conditions attached to them; and (ii) where such benefits have

IFRS	US GAAP	Ind AS	Indian GAAP
statement to match the related expenditure that they are intended to compensate. Asset-based grants are deferred and matched with the depreciation on the asset for which the grant arises.	income over the expected useful life of the asset for which the grant was received.		been earned by the enterprise and it is reasonably certain that the ultimate collection will be made.
Non-monetary government grants: A government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances it is usual to assess the fair value of the non-monetary asset and to account for both grant and asset at that fair value. An alternative course that is sometimes followed is to record both asset and grant at a nominal amount.	Similar to IFRS.	Non-monetary government grants are accounted at fair value, with a corresponding credit to deferred income. Unlike IFRS, the option to measure non-monetary grants at nominal value is not available.	Non-monetary government grants received at concessional rates are usually accounted at their acquisition cost. Further, non-monetary assets received free of cost are recorded at a nominal value.
Asset-related grants: Grants that involve recognized assets are presented in the balance sheet either as deferred income or by deducting the grant in arriving at the asset's carrying amount, in which case the grant is recognized as a reduction of depreciation. However, if a grant related to a non-depreciable asset requires the fulfilment of certain obligations, the grant is credited to income over the same period over which the cost of meeting such obligations is charged to income.	Similar to IFRS.	Asset related grant is required to be recorded as a deferred income. The option to present asset related grants, including non-monetary grants by deducting the grant in arriving at the asset's carrying amount is not available under Ind AS.	Similar to IFRS for depreciable assets. Grants related to non-depreciable assets are credited to capital reserve, as there is usually no charge to income in respect of such assets. However, if a grant related to a non-depreciable asset requires the fulfilment of certain obligations, the grant is credited to income over the same period over which the cost of meeting such obligations is charged to income.

IFRS	US GAAP	Ind AS	Indian GAAP
Government loans: The benefit of a government loan at a below market rate of interest should be accounted for as a government grant under IAS 20 while the relevant standard for measurement of the loan is IAS 39. The benefit should be measured as the difference between the initial carrying value of the loan determined in accordance with IAS 39 and the proceeds received.	Similar to IFRS.	Similar to IFRS, except that the relevant standard for measurement of the loan is Ind AS 109.	Such loans are not specifically covered within the scope of AS 12 *Accounting for Government Grants*.
Grants in the nature of promoters contribution: IFRS prohibits recognition of grants directly in the shareholders' funds.	Similar to IFRS.	Similar to IFRS.	Many government grants are in the nature of promoters' contribution, i.e., they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected in the case of such grants. These grants are credited directly to capital reserve which can be neither be distributed as dividend nor considered as deferred income.
Repayment of grants: Repayment of a grant related to income is applied first against any unamortized deferred credit set up in respect of the grant. In case of shortfall, the repayment is recognized immediately as an expense. Repayment of a grant related to an asset is recorded by increasing the carrying	Similar to IFRS.	Similar to IFRS for grant related to income. Repayment of grants related to assets are recognized against the carrying value of deferred income.	Similar to IFRS, except that in case of refund of grants related to fixed assets, if the carrying amount of the asset is increased, depreciation on the revised carrying amount is provided prospectively over the residual

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
amount of the asset or reducing the deferred income. If the carrying amount of the asset has been increased, it requires retrospective recomputation of depreciation and the cumulative additional depreciation that would have been recognized to date as an expense in the absence of the grant is recognized immediately as an expense.			useful life of the asset. This could result in difference between Indian GAAP, Ind AS and IFRS in the period in which such repayment of grant is recognized. In case of refund of a grant which is in the nature of promoters' contribution to the government, the relevant amount recoverable by the government is reduced from the capital reserve.
Government assistance: IFRS 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 absence of specific guidance practice is expected to be similar to IFRS.	Similar to IFRS.	AS 12 *Accounting for Government Grants* scopes out government assistance other than in the form of government grants.
Government assistance—no specific relation to operating activities: Government assistance to entities meets the definition of government grants in IAS 20, even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. Such grants shall therefore not be credited directly to shareholders' interests.	In absence of specific guidance practice is expected to be similar to IFRS.	Similar to IFRS.	No specific guidance.

10. Financial liabilities and equity



10.1. Financial liabilities and equity

Under current standards, US GAAP and IFRS/Ind AS require the assessment of financial instruments to determine whether either equity or financial liability classification (or both) is required. Although the IFRS/Ind AS and US GAAP definitions of a financial liability bear some similarities, differences exist that could result in varying classification of identical instruments.

As an overriding principle, IFRS/Ind AS requires a financial instrument to be classified as a financial liability if the issuer can be required to settle the obligation in cash or another financial asset. US GAAP, on the other hand, defines a financial liability in a more specific manner. Unlike IFRS/Ind AS, financial instruments may potentially be equity-classified under US GAAP if the issuer's obligation to deliver cash or another financial asset at settlement is conditional. As such, US GAAP will permit more financial instruments to be equity-classified as compared to IFRS/Ind AS.

Many financial instruments contain provisions that require settlement in cash or another financial asset if certain contingent events occur. Under IFRS/Ind AS, contingently redeemable (settleable) instruments are more likely to result in financial liability classification, and financial instruments that are puttable are generally financial liabilities with very limited exceptions. This is because the issuer cannot unconditionally avoid delivering cash or another financial asset at settlement. Identical contingently redeemable (settleable) and/or puttable instruments may be equity-classified under US GAAP due to the conditional nature of the issuer's obligation to deliver cash (or another financial asset) at settlement.

Oftentimes, reporting entities issue financial instruments that have both a liability and an equity component (e.g., convertible debt and redeemable preferred stock that is convertible into the issuer's common equity). Such instruments are referred to as compound financial instruments under IFRS/Ind AS and hybrid financial instruments under US GAAP. IFRS/Ind AS requires a compound financial instrument to be separated into a liability, and an equity component (or a derivative component, if applicable). Notwithstanding convertible debt with a cash conversion feature, which is accounted for like a compound financial instrument, hybrid financial instruments are evaluated differently under US GAAP. Unless certain conditions requiring bifurcation of the embedded feature(s) are met, hybrid financial instruments are generally accounted for as a financial liability or equity instrument in their entirety. The accounting for compound/hybrid financial instruments can result in significant balance sheet presentation differences while also impacting earnings.

Settlement of a financial instrument (freestanding or embedded) that results in delivery or receipt of an issuer's own shares may also be a source of significant differences between IFRS/Ind AS and US GAAP. For example, net share settlement would cause a warrant or an embedded conversion feature to require financial liability classification under IFRS/Ind AS. A similar feature would not automatically taint equity classification under US GAAP, and further analysis would be required to determine whether equity classification is appropriate. Likewise, a derivative contract providing for a choice between gross settlement and net cash settlement would fail equity classification under IFRS/Ind AS even if the settlement choice resides with the issuer. If net cash settlement is within the issuer's control, the same derivative contract may be equity-classified under US GAAP.

Written options are another area where US GAAP and IFRS/Ind AS produce different accounting results. Freestanding written put options on an entity's own shares are classified as financial liabilities and recorded at fair value through earnings under US GAAP. Under IFRS/Ind AS, such instruments are recognized and measured as a financial liability at the discounted value of the settlement amount and accreted to their settlement amount. SEC-listed entities must also consider the SEC's longstanding view that written options should be accounted for at fair value through earnings.

In addition to the subsequent remeasurement differences described above, the application of the effective interest method when accreting a financial liability to its settlement amount differs under IFRS/Ind AS and US GAAP. The effective interest rate is calculated based on the estimated future cash flows of the instrument under IFRS/Ind AS, whereas the calculation is performed using contractual cash flows under US GAAP (with two limited exceptions, puttable and callable debt).

India has decided to early adopt IFRS 9, by notifying the equivalent Ind AS 109. Ind AS 109 contains guidance on the recognition, derecognition, classification and measurement of financial instruments, including impairment and hedge accounting.

Under the Indian GAAP, there are no corresponding accounting standards on the subject matter. The classification as equity or liability is based on the legal form of the instrument. For e.g. redeemable preference shares being a type of share capital under the Companies Act, 2013 is classified as equity. Compound financial instruments are not bifurcated into equity and debt components. Neither effective interest method is applicable.

Technical references

US GAAP

ASC 470, ASC 480, ASC 505, ASC 815, ASC 820, ASC 825, ASC 850, ASC 860, ASR 268, CON 6

IFRS

IAS 32, IAS 39, IFRS 13, IFRIC 2

Ind AS

Ind AS 32, Ind AS 109

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

Classification

10.2. Classification (financial liability or equity)

IFRS	US GAAP	Ind AS	Indian GAAP
An instrument, or its components, is classified as on initial recognition as a financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of financial liability and equity as per IAS 32. An instrument that requires the issuer to deliver cash or another financial asset or to exchange instruments on a potentially unfavourable terms or that will be settled by variable number of the entity's own	Similar to IFRS, however application of codification topics and subtopics, may result in difference. These are discussed below in detail.	Similar to IFRS.	Classification is based on the legal form of the instrument. Section 43 of the Companies Act, 2013 states that share capital shall be of two kinds, namely (a) equity share capital and (b) preference share capital. Accordingly, redeemable preferences shares are classified as share capital as it is a type of

IFRS	US GAAP	Ind AS	Indian GAAP
equity instruments is classified as financial liability. An instrument with these characteristics is classified as a liability irrespective of the legal nature (e.g. non-redeemable preferences shares with mandatory dividend or redeemable preference shares are classified as liability) Classification of coupon follows the classification of the financial instrument. Dividend on preference shares classified as liability is presented as interest expense. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.			share capital under the Companies Act, 2013. Presentation of preference dividend is consistent with the presentation of dividend on equity shares.

10.3. Contingent settlement provisions

Contingent settlement provisions, such as provisions requiring redemption upon a change in control, result in financial liability classification under IFRS/Ind AS unless the contingency arises only upon liquidation or is not genuine.

Items classified as mezzanine equity under US GAAP generally are classified as financial liabilities under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
IAS 32 notes that a financial instrument may require an entity to deliver cash or another financial asset in the event of the occurrence or nonoccurrence of uncertain future events beyond the control of both the issuer and the holder of the instrument. Contingencies may include linkages to such events as a change in control or to other matters such as a change in a stock market index, consumer price index, interest rates, or net income.	A contingently redeemable financial instrument (e.g., one redeemable only if there is a change in control) is outside the scope of ASC 480 because its redemption is not unconditional. Any conditional provisions must be assessed to ensure that the contingency is substantive.	Similar to IFRS.	Classification as equity or liability is based on the legal form of the instrument. Contingent settlement provisions do not affect classification.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
If the contingency is outside of the issuer's and holder's control, the issuer of such an instrument does not have the unconditional right to avoid delivering cash or another financial asset. Therefore, except in limited circumstances (such as if the contingency is not genuine or if it is triggered only in the event of a liquidation of the issuer), instruments with contingent settlement provisions represent financial liabilities. As referenced previously, the guidance focuses on the issuer's unconditional ability to avoid settlement no matter whether the contingencies may or may not be triggered. There is no concept of mezzanine classification under IFRS.	For SEC-listed companies applying US GAAP, certain types of securities require classification as mezzanine equity on the balance sheet. Examples of items requiring mezzanine classification are instruments with contingent settlement provisions or puttable shares as discussed in the Puttable shares section. Mezzanine classification is a US public company concept that is also encouraged (but not required) for private companies.		

10.4. Derivative on own shares—fixed-for-fixed versus indexed to issuer's own shares

When determining the issuer's classification of a derivative on its own shares, IFRS/Ind AS looks at whether the equity derivative meets a fixed-for-fixed requirement, while US GAAP uses a two-step model. Although Step 2 of the US GAAP model uses a similar fixed-for-fixed concept, the application of the concept differs significantly between US GAAP and IFRS/Ind AS.

These differences can impact classification as equity or a derivative asset or liability (with derivative classification more common under IFRS/Ind AS).

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Only contracts that provide for gross physical settlement and meet the fixed-for-fixed criteria (i.e., a fixed number of shares for a fixed amount of cash) are classified as equity. Variability in the amount of cash or the number of shares to be delivered results in financial liability classification.	Equity derivatives need to be indexed to the issuer's own shares to be classified as equity. The assessment follows a two-step approach under ASC 815-40-15 *Derivatives and Hedging*. ***Step 1***—Considers whether there are any contingent exercise provisions,	Similar to IFRS except that there is an additional exception to the fixed-for-fixed criteria. The equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of the entity's own equity instruments	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
For example, a warrant issued by Company X has a strike price adjustment based on the movements in Company X's stock price. This feature would fail the fixed-for-fixed criteria under IFRS, but the same adjustment would meet the criteria under US GAAP. As such, for Company X's accounting for the warrant, IFRS would result in financial liability classification, whereas US GAAP would result in equity classification. However, there is an exception to the fixed-for-fixed criteria in IAS 32 for rights issues. Under this exception, rights issues are classified as equity if they are issued for a fixed amount of cash regardless of the currency in which the exercise price is denominated, provided they are offered on a pro rata basis to all owners of the same class of equity.	and if so, they cannot be based on an observable market or index other than those referenced to the issuer's own shares or operations. ***Step 2***—Considers the settlement amount. Only settlement amounts equal to the difference between the fair value of a fixed number of the entity's equity shares and a fixed monetary amount, or a fixed amount of a debt instrument issued by the entity, will qualify for equity classification. If the instrument's strike price (or the number of shares used to calculate the settlement amount) is not fixed as outlined above, the instrument may still meet the equity classification criteria; this could occur where the variables that might affect settlement include inputs to the fair value of a fixed-for-fixed forward or option on equity shares and the instrument does not contain a leverage factor. In case of rights issues, if the strike price is denominated in a currency other than the issuer's functional currency, it shall not be considered as indexed to the entity's own stock as the issuer is exposed to changes in foreign currency exchange rates. Therefore, rights issues of this nature would be classified as liabilities at fair value through profit or loss.	is an equity instrument if the exercise price is fixed in any currency.	

10.5. Derivatives on own shares—settlement models

Entities will need to consider how derivative contracts on an entity's own shares will be settled. Many of these contracts that are classified as equity under US GAAP (e.g., warrants that will be net share settled or those where the issuer has settlement options) will be classified as derivatives under IFRS/Ind AS. Derivative classification will create additional volatility in the income statement.

IFRS	US GAAP	Ind AS	Indian GAAP
Contracts that are net settled (net cash or net shares) are classified as liabilities or assets. This is also the case even if the settlement method is at the issuer's discretion. Gross physical settlement is required to achieve equity classification. Unlike US GAAP, a derivative contract that gives one party (either the holder or the issuer) a choice over how it is settled (net in cash, net in shares, or by gross delivery) is a derivative asset/liability unless all of the settlement alternatives would result in the contract being an equity instrument.	Derivative contracts that are in the scope of ASC 815-40 and both (1) require physical settlement or net share settlement, and (2) give the issuer a choice of net cash settlement or settlement in its own shares are considered equity instruments, provided they meet the criteria set forth within the literature. Analysis of a contract's terms is necessary to determine whether the contract meets the qualifying criteria, some of which can be difficult to meet in practice. Similar to IFRS, derivative contracts that require net cash settlement are assets or liabilities. Contracts that give the counterparty a choice of net cash settlement or settlement in shares (physical or net settlement) result in derivative classification. However, if the issuer has a choice of net cash settlement or share settlement, the contract can still be considered an equity instrument.	Similar to IFRS.	Under the Guidance Note on Accounting for Derivative Contracts, in case a contract meets the definition of a derivative, it would be accounted for as a derivative. There is no specific exemption in relation to the settlement method.

10.6. Written put option on the issuer's own shares

Written puts that are to be settled by gross receipt of the entity's own shares are treated as derivatives under US GAAP, while IFRS/Ind AS requires the entity to set up a financial liability for the discounted value of the amount of cash the entity may be required to pay.

IFRS	US GAAP	Ind AS	Indian GAAP
If the contract meets the definition of an equity instrument (because it requires the entity to purchase a fixed amount of its own shares for a fixed amount of cash), any premium received or paid must be recorded in equity. Therefore, the premium received on such a written put is classified as equity (whereas under US GAAP, the fair value of the written put is recorded as a financial liability). In addition, when an entity has an obligation to purchase its own shares for cash (e.g., under a written put) the issuer records a financial liability for the discounted value of the amount of cash that the entity may be required to pay. The financial liability is recorded against equity.	A financial instrument—other than an outstanding share—that at inception (1) embodies an obligation to repurchase the issuer's equity shares or is indexed to such an obligation, and (2) requires or may require the issuer to settle the obligation by transferring assets shall be classified as a financial liability (or an asset, in some circumstances). Examples include written put options on the issuer's equity shares that are to be physically settled or net cash settled. ASC 480 requires written put options to be measured at fair value, with changes in fair value recognized in current earnings.	Similar to IFRS.	No specific guidance.

10.7. Treasury shares

IFRS	US GAAP	Ind AS	Indian GAAP
Treasury shares are presented in the statement of financial position as a deduction from equity. Acquisition of treasury shares is presented as a change in equity. No gain or loss is recognized in profit or loss on the sale, issuance, or cancellation of treasury shares.	Similar to IFRS. However, if shares are repurchased at a price that is significantly in excess of the current market price, there is a presumption the repurchase price includes amounts attributable to items other than the shares and the reporting entity may be required to allocate	Accounting similar to IFRS, subject to the requirements of Companies Act, 2013 (Refer Indian GAAP).	An entity is permitted to repurchase its own shares only under limited circumstances subject to the legal requirements of Companies Act, 2013.

IFRS	US GAAP	Ind AS	Indian GAAP
Consideration paid or received is presented as a change in equity.	amounts to other elements of the transaction.		On repurchase, such shares are required to be cancelled and cannot be held as treasury shares pursuant to Section 67 and 68 of the Companies Act, 2013. However, in exceptional circumstances, where a company holds treasury shares or in case of consolidated financial statements, the same are to be presented as a deduction from share capital. Further, there is no specific guidance in respect of accounting for treasury shares.

10.8. Compound instruments that are not convertible instruments (that do not contain equity conversion features)

Bifurcation and split accounting under IFRS/Ind AS may result in significantly different treatment, including increased interest expense.

IFRS	US GAAP	Ind AS	Indian GAAP
If an instrument has both a liability component and an equity component—known as a compound instrument (e.g., redeemable preferred stock with dividends paid solely at the discretion of the issuer)—IFRS requires separate accounting for each component of the compound instrument.	The guidance does not have the concept of compound financial instruments outside of instruments with certain equity conversion features. As such, under US GAAP the instrument would be classified wholly within liabilities or equity.	Similar to IFRS.	No specific guidance, however the accounting is based on legal form of the instrument. For example, redeemable preference share with discretionary dividend are classified as share capital (equity) in entirety.

IFRS	US GAAP	Ind AS	Indian GAAP
The liability component is recognized at fair value calculated by discounting the cash flows associated with the liability component at a market rate for a similar debt host instrument excluding the equity feature, and the equity component is measured as the residual amount. The accretion calculated in the application of the effective interest rate method on the liability component is classified as interest expense.			

10.9. Convertible instruments (compound instruments that contain equity conversion features)

Differences in how and when convertible instruments get bifurcated and/or how the bifurcated portions get measured can drive substantially different results.

IFRS	US GAAP	Ind AS	Indian GAAP
For convertible instruments with a conversion feature that exchanges a fixed amount of cash for a fixed number of shares, IFRS requires bifurcation and split accounting between the liability and equity components of the instrument. The liability component is recognized at fair value calculated by discounting the cash flows associated with the liability component—at a market rate for nonconvertible debt—and the equity conversion feature is measured as the residual amount and recognized in equity with no subsequent remeasurement.	Equity conversion features should be separated from the liability host and recorded separately as embedded derivatives only if they meet certain criteria (e.g., fail to meet the scope exception of ASC 815). If the conversion feature is not recorded separately, then the entire convertible instrument may be considered one unit of account—interest expense would reflect cash interest if issued at par. However, there are a few exceptions:	Similar to IFRS, except that equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments is considered an equity instrument if the exercise price is fixed in any currency. Under IFRS, such conversion option would be accounted for as embedded derivative.	No specific guidance. Convertible instruments are recognized as equity or liability based on legal form without any bifurcation or split accounting. For example, foreign currency convertible bonds which are convertible into fixed number of shares shall be accounted for as a liability in its entirety. There is no concept of BCF under Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Equity conversion features within liability host instruments that fail the fixed-for-fixed requirement are considered to be embedded derivatives. Such embedded derivatives are bifurcated from the host debt contract and measured at fair value, with changes in fair value recognized in the income statement. Unlike US GAAP, IFRS does not have a concept of beneficial conversion feature (BCF), as the compound instruments are already accounted for based on their components.	• For certain convertible debt instruments that may be settled in cash upon conversion, the liability and equity components of the instrument should be separately accounted for by allocating the proceeds from the issuance of the instrument between the liability component and the embedded conversion option (i.e., the equity component). This allocation is done by first determining the carrying amount of the liability component based on the fair value of a similar liability excluding the embedded conversion option, and then allocating to the embedded conversion option the excess of the initial proceeds ascribed to the convertible debt instrument over the amount allocated to the liability component. • A convertible debt instrument may contain a BCF when the strike price on the conversion option is "in the money". The BCF is generally recognized and measured by allocating a portion of the proceeds received, equal to the intrinsic value of the conversion feature, to equity.		

10.10. Puttable shares/redeemable upon liquidation

10.10.1. Puttable shares

Puttable shares are more likely to be classified as financial liabilities under IFRS/Ind AS.

The potential need to classify certain interests in open-ended mutual funds, unit trusts, partnerships, and the like as liabilities under IFRS/Ind AS could lead to situations where some entities have no equity capital in their financial statements.

IFRS	US GAAP	Ind AS	Indian GAAP
Puttable instruments generally are classified as financial liabilities because the issuer does not have the unconditional right to avoid delivering cash or other financial assets. Under IFRS, the legal form of an instrument (i.e., debt or equity) does not necessarily influence the classification of a particular instrument. Under this principle, IFRS may require certain interests in open-ended mutual funds, unit trusts, partnerships, and the like to be classified as liabilities (because holders can require cash settlement). This could lead to situations where some entities have no equity capital in their financial statements. However, an entity is required to classify puttable instruments as equity when they have particular features and meet certain specific conditions in IAS 32. This exemption does not apply to puttable instruments issued by a subsidiary. Even if the puttable instruments are classified as equity in the financial statements of the issuing subsidiary, they are always shown as financial liabilities in the consolidated financial statements of the parent.	The redemption of puttable shares is conditional upon the holder exercising the put option. This contingency removes puttable shares from the scope of instruments that ASC 480 requires to be classified as a financial liability. As discussed for contingently redeemable instruments, SEC registrants would classify these instruments as “mezzanine”. Such classification is encouraged, but not required, for private companies.	Similar to IFRS.	Classification is based on the legal form of the instruments. Currently, there is no specific guidance.

10.10.2. Redeemable upon liquidation

Differences with respect to the presentation of these financial instruments issued by a subsidiary in the parent's consolidated financial statements can drive substantially different results.

IFRS	US GAAP	Ind AS	Indian GAAP
For instruments issued out of finite-lived entities that are redeemable upon liquidation, equity classification is appropriate only if certain conditions are met. However, when classifying redeemable financial instruments issued by a subsidiary (either puttable or redeemable upon liquidation) for a parent's consolidated accounts, equity classification at the subsidiary level is not extended to the parent's classification of the redeemable non-controlling interests in the consolidated financial statements, as the same instrument would not meet the specific IAS 32 criteria from the parent's perspective.	ASC 480 scopes out instruments that are redeemable only upon liquidation. Therefore, such instruments may achieve equity classification for finite-lived entities. In classifying these financial instruments issued by a subsidiary in a parent's consolidated financial statements, US GAAP permits an entity to defer the application of ASC 480; the result is that the redeemable non-controlling interests issued by a subsidiary are not financial liabilities in the parent's consolidated financial statements.	Similar to IFRS.	No specific guidance.

Measurement

10.11. Initial measurement of a liability with a related party

Fundamental differences in the approach to related-party liabilities under IFRS/Ind AS and US GAAP may impact the values at which these liabilities initially are recorded. The IFRS/Ind AS model may, in practice, be more challenging to implement.

IFRS	US GAAP	Ind AS	Indian GAAP
When an instrument is issued to a related party, the financial liability initially should be recorded at fair value, which	When an instrument is issued to a related party at off-market terms, one should consider which model the instrument falls within the scope of	Similar to IFRS.	No specific guidance. Financial liabilities with the related party are recorded at the transaction value.

IFRS	US GAAP	Ind AS	Indian GAAP
may not be the value of the consideration received. The difference between fair value and the consideration received (i.e., any additional amount lent or borrowed) is accounted for as a current-period expense, income, or as a capital transaction based on its substance.	as well as the facts and circumstances of the transaction (i.e., the existence of unstated rights and privileges) in determining how the transaction should be recorded. There is, however, no requirement to initially record the transaction at fair value. The presumption in ASC 850 *Related Party Disclosures* that related party transactions are not at arm's length and the associated disclosure requirements also should be considered.		

10.12. Effective-interest-rate calculation

Differences between the expected lives and the contractual lives of financial liabilities have different implications under IFRS/Ind AS and US GAAP, unless the instruments in question are carried at fair value. The difference in where the frameworks place their emphasis (contractual term for US GAAP and expected life for IFRS/Ind AS) can impact carrying values and the timing of expense recognition.

Similarly, differences in how revisions to estimates get treated also impact carrying values and expense recognition timing, with the potential for greater volatility under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
The effective interest rate used for calculating amortization under the effective interest method discounts estimated cash flows through the expected—not the contractual—life of the instrument. Generally, if the entity revises its estimate after initial recognition, the carrying amount of the financial liability should be revised to reflect actual and revised estimated cash flows at the original effective interest rate, with a cumulative-	The effective interest rate used for calculating amortization under the effective interest method generally discounts contractual cash flows through the contractual life of the instrument. However, expected life may be used in some circumstances. For example, puttable debt is generally amortized over the period from the date of issuance to the first put date and callable debt can be	Similar to IFRS.	No specific guidance. However, where applicable, discount/premium can be adjusted against securities premium as per the provisions of the Companies Act, 2013.

IFRS	US GAAP	Ind AS	Indian GAAP
catch-up adjustment being recorded in profit and loss. Revisions of the estimated life or of the estimated future cash flows may exist, for example, in connection with debt instruments that contain a put or call option that does not need to be bifurcated or whose coupon payments vary. Payments may vary because of an embedded feature that does not meet the definition of a derivative because its underlying is a nonfinancial variable specific to a party to the contract (e.g., cash flows that are linked to earnings before interest, taxes, depreciation, and amortization; sales volume; or the earnings of one party to the contract). Generally, floating rate instruments (e.g., LIBOR plus spread) issued at par are not subject to the cumulative-catch-up approach; rather, the effective interest rate is revised as market rates change.	amortized either over the contractual or expected life as a policy decision.		

10.13. Modification or exchange of debt instruments and convertible debt instruments

Differences in when a modification or exchange of a debt instrument would be accounted for as a debt extinguishment can drive different conclusions as to whether extinguishment accounting is appropriate.

IFRS	US GAAP	Ind AS	Indian GAAP
Unlike US GAAP, there is no concept of troubled debt restructuring. A substantial modification of the terms of an existing financial liability or part of the financial liability should be accounted for as an extinguishment of the original	When a debt modification or exchange of debt instruments occurs, the first step is to consider whether the modification or exchange qualifies for troubled debt restructuring. If this is the case, the	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
financial liability and the recognition of a new financial liability. In this regard, the terms are substantially different if the present value of the cash flows discounted using the original effective interest rate under the new terms is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If this test is met, the modification is considered an extinguishment. It is clear that if the discounted cash flows change by at least 10 percent, the original debt should be accounted for as an extinguishment. It is not clear, however, in IAS 39 whether the quantitative analysis is an example or is the definition of substantially different. Accordingly, there is an accounting policy choice where entities can perform either (1) an additional qualitative analysis of any modification of terms when the change in discounted cash flows is less than 10 percent or (2) only the 10 percent test (quantitative test) as discussed above. For debt instruments with embedded derivative features, the modification of the host contract and the embedded derivative should be assessed together when applying the 10 percent test as the host debt and the embedded derivative are interdependent. However, a conversion option that is accounted for as an equity component would not be considered in the 10 percent test. In such cases, an entity would also consider whether there is a partial extinguishment	restructuring follows the specific troubled debt restructuring guidance. If the modification or exchange of debt instruments does not qualify for troubled debt restructuring, one has to consider whether the modification or exchange of debt instruments has to be accounted for as a debt extinguishment. An exchange or modification of debt instruments with substantially different terms is accounted for as a debt extinguishment. In order to determine whether the debt is substantively different, a quantitative assessment must be performed. If the present value of the cash flows under the new terms of the new debt instrument differs by at least 10 percent from the present value of the remaining cash flows under the original debt, the exchange is considered an extinguishment. The discount rate for determining the present value is the effective rate on the old debt. If the debt modifications involve changes in noncash embedded features, the following two-step test is required: ***Step 1***—If the change in cash flows as described above is greater than 10 percent of the carrying value of the original debt instrument, the exchange or modification should be accounted for as an extinguishment. This test would not include any		

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
of the liability through the issuance of equity before applying the 10 percent test.	changes in fair value of the embedded conversion option. *Step 2*—If the test in Step 1 is not met, the following should be assessed: • If the modification or exchange affects the terms of an embedded conversion option, whether the difference between the fair value of the option before and after the modification or exchange is at least 10 percent of the carrying value of the original debt instrument prior to the modification or exchange. • Whether a substantive conversion option is added or a conversion option that was substantive at the date of modification is eliminated. If either of these criteria is met, the exchange or modification would be accounted for as an extinguishment.		

10.14. Financial liabilities at fair value through profit or loss (FVTPL)

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Election of fair value option: For a financial liability, the fair value option may be elected if either of the following applies:	US GAAP provides fair value option to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and	Similar to IFRS.	Financial liabilities are carried at historical cost, and there does not exist any option to fair value.

IFRS	US GAAP	Ind AS	Indian GAAP
(i) Exercising the option would eliminate or significantly reduce an accounting mismatch. (ii) A group of financial liabilities or a group of financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel. In addition, the fair value option may be elected for a hybrid financial liability unless either of the following applies: • The embedded derivative or derivatives does not significantly modify the cash flows that otherwise would be required by the contract. • It is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited.	liabilities differently without having to apply complex hedge accounting provisions. An entity may elect to measure certain of its financial instruments at fair value, on an instrument-by-instrument basis, under the guidance in ASC 825. An entity can only elect the fair value option on the date the financial instrument is initially recognized. Once made, the election is irrevocable unless a remeasurement event occurs. An entity can elect the fair value option for eligible items as per ASC 825 for example a recognized financial asset and financial liability, a written loan commitment etc. If the fair value option is not elected for all eligible instruments within a group of similar instruments, the reporting entity is required to disclose the reasons for its partial election. In addition, the reporting entity must disclose the amounts to which it applied the fair value option and the amounts to which it did not apply the fair value option within that group.		
Treatment of fair value changes: All fair value changes on financial liabilities which are designated as FVTPL are recognized in profit or loss.	Similar to IFRS.	For financial liabilities designated as FVTPL under Ind AS 109, changes in the fair value that relate to an entity's own credit risk are recognized in other comprehensive income (OCI) while the remaining	Financial liabilities are carried at historical cost and are not fair valued.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
		change in fair value is recognized in profit or loss. Exceptions to this recognition principle include when this treatment creates, or enlarges, an accounting mismatch and also does not apply to loan commitments or financial guarantee contracts designated as FVTPL. In such instances, Ind AS 109 requires the recognition of all changes in fair value in profit or loss.	

10.15. Transaction costs (also known as debt issue costs)

The balance sheet presentation of transaction costs for US GAAP (a component of the instrument's carrying value) has been aligned to IFRS/Ind AS through the issuance of Accounting Standard Update (ASU) 2015-03 *Simplifying the Presentation of Debt Issuance Costs*. However, there may still be differences in the accounting and presentation of commitment fees incurred to obtain lines of credit.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
General:			
When the financial liability is not carried at fair value through profit or loss, transaction costs including third party costs and creditor fees are deducted from the carrying value of the financial liability and are not recorded as separate assets. Rather, they are accounted for as a debt discount and amortized using the effective interest method. Transaction costs are expensed immediately when the financial liability is carried at fair value, with changes recognized in profit and loss.	Similar to IFRS.	Similar to IFRS.	Transaction costs are expensed as incurred, unless they qualify to be capitalized in accordance with AS 16. Section 52 of the Companies Act, 2013 also permits expenses (including commission paid) on issue of shares or debentures to be adjusted with the securities premium.

IFRS	US GAAP	Ind AS	Indian GAAP
Commitment fees: The accounting for commitment fees incurred to obtain a line of credit under IFRS mirrors that of the lender. To the extent there is evidence that it is probable that some or all of the facility will be drawn down and the loan commitment is not within the scope of IAS 39, the commitment fee is allocated between the amounts that are expected to be drawn down and the amounts that are not expected to be drawn down. The fee related to the portion expected to be drawn down is accounted for as a transaction cost under IAS 39, i.e., the fee is deferred and deducted from the carrying value of the financial liabilities when the draw down occurs. The fee related to the portion not expected to be drawn down is capitalized as a prepayment for liquidity services and amortized over the period of the facility.	As it relates to the commitment fee incurred to obtain a line of credit, the SEC observer stated that, given the absence of authoritative guidance related to line-of-credit arrangements within ASU2015-03, they would not object to an entity deferring and presenting such costs as an asset and subsequently amortizing them ratably over the term of the debt arrangement.	Similar to IFRS.	Commitment fees are expensed as incurred.

10.16. Nonrecourse liabilities

US GAAP provides narrowly-focused guidance on nonrecourse liabilities for consolidated collateralized financing entities (CFE) that measure financial assets and financial liabilities at fair value to eliminate the earnings volatility from the measurement difference. IFRS/Ind AS does not provide such guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not provide a separate measurement approach for nonrecourse liabilities. Financial assets and liabilities follow their respective classification and measurement models.	US GAAP provides an alternative measurement for CFEs that allows the use of the more observable of the fair value of the financial assets or the fair value of the financial liabilities of the CFE to measure both	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
	the financial assets and the financial liabilities. This eliminates the measurement difference that may exist when financial assets and financial liabilities of the CFE are measured at fair value independently.		

10.17. Recent/proposed guidance

10.17.1. IFRS 9, Financial Instruments/Ind AS 109, Financial Instruments

In July 2014, the IASB published the complete version of IFRS 9, which replaces most of the guidance in IAS 39. This includes amended guidance for the classification and measurement of financial assets by introducing a fair value through other comprehensive income category for certain debt instruments. It also contains a new impairment model which will result in earlier recognition of losses.

No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. These changes are likely to have a significant impact on entities that have significant financial assets and, in particular, financial institutions.

IFRS 9 will be effective for annual periods beginning on or after 1 January 2018, subject to endorsement in certain territories.

Ind AS 109, which is equivalent to IFRS 9 has been early adopted in India and is applicable to companies preparing Ind AS financial statements for the year ending 31 March 2017 onwards.

10.17.2. FASB Accounting Standards Update 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities

On 5 January 2016, the FASB issued ASU 2016-01, (the ASU). Changes to the current US GAAP model primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The impact of the new guidance on financial liabilities under the fair value option is discussed in further detail below.

The classification and measurement guidance will be effective for public business entities in fiscal years beginning after 15 December 2017, including interim periods within those fiscal years. All other entities, including certain not-for-profit entities and employee benefit plans, will have an additional year, or may early adopt coincident with the public business entity effective date.

10.17.2.1. Fair value option

If the fair value option is elected for a financial liability, any changes in fair value that result from a change in the company's own credit risk will be recognized separately in other comprehensive income. The accumulated gains and losses due to changes in a company's own credit will be recycled from accumulated other comprehensive income to net income when the financial liability is settled before maturity.

The change in fair value due to a change in the company's own credit risk will be measured as the portion of the change in fair value that is not due to a change in the benchmark rate of market risk (e.g., the risk above a base market interest rate). However, a company can use an alternative method if it believes it to be a more faithful measurement of that credit risk.

The ASU specifies that the guidance related to instrument-specific credit risk does not apply to financial liabilities of a CFE measured using the alternative measurement because a requirement for CFEs to record changes in fair value due to instrument-specific credit risk in OCI would generate a new measurement difference for these entities.

Comparison to IFRS: Unlike the FASB's proposed approach, IFRS 9 allows an irrevocable election at initial recognition to measure a financial asset or a financial liability at fair value through profit or loss if that measurement eliminates or significantly reduces an accounting mismatch. Additionally, IFRS 9 has a fair value option for groups of financial assets and/or liabilities that are managed together on a net fair value basis. Finally, IFRS 9 allows a fair value option for hybrid financial liabilities if certain conditions are met. In virtually all cases, where the fair value option is elected for financial liabilities, IFRS 9 requires the effects due to a change in the company's own credit to be reflected in other comprehensive income, which is similar to the FASB's proposed approach. However, IFRS 9 does not allow recycling if the liability is settled before maturity.

IFRS does not provide specific guidance for financial liabilities of a CFE, so the general guidance for financial liabilities should be followed.

10.17.3. FASB proposed Accounting Standards Update: Distinguishing Liabilities from Equity (Topic 480)

The FASB has issued a proposed Accounting Standard Update to address the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. The amendments of this proposed Update would change the accounting for certain equity-linked financial instruments (or embedded features) with down round features. The proposed amendments would require that when determining whether certain financial instruments should be classified as liabilities or equity instruments, an entity would not consider the down round feature when assessing whether the instrument is indexed to its own stock. However, an entity would recognize the effect of the feature when triggered (that is, when the exercise price of the related equity-linked financial instrument is adjusted downward because of the down round feature) as follows:

1. For a financial instrument classified as equity, an entity would recognize the value of the effect of the down round feature in equity as a dividend.

2. For a financial instrument classified as a liability, an entity would recognize the value of the effect of the down round feature through a charge to net income.

For financial instruments with down round features that have been triggered during the reporting period, an entity would disclose that the feature has been triggered, the value of the effect of the down round feature being triggered, and the financial statement line item in which that effect is recorded.

The Board will determine the effective date of this proposed Update after considering stakeholders' feedback on this proposed Update.

10.17.4. FASB Accounting Standards Update No. 2016-04, Recognition of Breakage for Certain Prepaid Stored-Value Products (a consensus of the EITF)

On 8 March 2016, the FASB issued ASU 2016-04 *Recognition of Breakage for Certain Prepaid Stored-Value Products*, a consensus of the FASB's Emerging Issues Task Force. The new guidance creates an exception under ASC 405-20 *Liabilities—Extinguishments of Liabilities*, to derecognize financial liabilities related to certain prepaid stored-value products using a revenue-like breakage model. Prepaid stored-value products are products with stored monetary value that can be redeemed for goods, services, and/or cash (e.g., gift cards). The issuers frequently experience breakage whereby consumers do not redeem the entire balance of their prepaid stored-value cards. The new guidance requires issuers that record financial liabilities related to prepaid stored-value products to follow the same breakage model required by ASC 606 for non-financial liabilities. Accordingly, issuers will be required to recognize the expected breakage amount (i.e., derecognize the liability) either (1) proportionally in earnings as redemptions occur, or (2) when redemption is remote, if issuers are not entitled to breakage. The new guidance will be effective concurrent with ASC 606, which is effective for public business entities in fiscal years beginning after 15 December 2017, including interim periods within those years (i.e., in the first quarter of 2018 for calendar year-end companies). For entities other than public business entities, the guidance will be effective for fiscal years beginning after 15 December 2018, and interim periods within fiscal years beginning after 15 December 2019.

The IFRS Interpretations Committee (IC) discussed in the March 2016 meeting the accounting for a prepaid card with the following features: (a) no expiry date and no back-end fees, (b) non-refundable, non-redeemable, and non-exchangeable for cash, (c) redeemable by the cardholder only for goods or services to a specific monetary amount, and upon redemption by the cardholder, the entity delivers cash to the merchants, and (d) redeemable only at specified third-party merchants. The IC observed that the entity's liability for such prepaid card meets the definition of a financial liability because the entity has a contractual obligation to deliver cash to the merchants on behalf of the cardholder and does not have an unconditional right to avoid delivering cash to settle this contractual obligation. Consequently, the requirements in IFRS 9 should be applied to account for this financial liability. The Interpretations Committee noted that customer loyalty programs were outside the scope of its discussion on this issue. The IC determined that neither an Interpretation nor an amendment to a standard was necessary.

11. Derivatives and hedging

11.1. Derivatives and hedging

Derivatives and hedging represent one of the more complex and nuanced topical areas within both US GAAP and IFRS. While IFRS (i.e. IAS 39) generally is viewed as less rules-laden than US GAAP, the difference is less dramatic in relation to derivatives and hedging, wherein both frameworks embody a significant volume of detailed implementation guidance.

In the area of derivatives and embedded derivatives, the definition of derivatives is broader under IFRS than under US GAAP; therefore, more instruments may be required to be accounted for at fair value through the income statement under IFRS. On the other hand, the application of the scope exception around "own use"/"normal purchase normal sale" may result in fewer derivative contracts at fair value under IFRS, as these are scoped out of IFRS while elective under US GAAP. Also, there are differences that should be carefully considered in the identification of embedded derivatives within financial and nonfinancial host contracts. In terms of measurement of derivatives, day one gains or losses cannot be recognized under IFRS unless supported by appropriate observable current market transactions or if all of the inputs into the valuation model used to derive the day one difference are observable. Under US GAAP, day one gains and losses are permitted where fair value is derived from unobservable inputs.

Although the hedging models under IFRS and US GAAP are founded on similar principles, there are a number of application differences. Some of the differences result in IFRS being more restrictive than US GAAP, whereas other differences provide more flexibility under IFRS.

Areas where IFRS is more restrictive than US GAAP include the nature, frequency, and methods of measuring and assessing hedge effectiveness. As an example, US GAAP provides for a shortcut method that allows an entity to assume no ineffectiveness and, hence, bypass an effectiveness test as well as the need to measure quantitatively the amount of hedge ineffectiveness. The US GAAP shortcut method is available only for certain fair value or cash flow hedges of interest rate risk using interest rate swaps (when certain stringent criteria are met). IFRS has no shortcut method equivalent. To the contrary, IFRS requires that, in all instances, hedge effectiveness be measured and any ineffectiveness be recorded in profit or loss. IFRS does acknowledge that in certain situations little or no ineffectiveness could arise, but IFRS does not provide an avenue whereby an entity may assume no ineffectiveness.

Another area where IFRS is more restrictive involves the use of purchased options as a hedging instrument. Under IFRS, when hedging a one-sided risk in a forecasted transaction under a cash flow hedge (e.g., for foreign currency or price risk), only the intrinsic value of a purchased option is deemed to reflect the one-sided risk of the hedged item. As a result, for hedge relationships where the critical terms of the purchased option match the hedged risk, generally, the change in intrinsic value will be deferred in equity while the change in time value will be recorded in the income statement. However, US GAAP permits an entity to assess effectiveness based on the entire change in fair value of the purchased option. There is also less flexibility under IFRS in the hedging of servicing rights because they are considered nonfinancial interests.

IFRS is also more restrictive than US GAAP in relation to the use of internal derivatives. Restrictions under the IFRS guidance may necessitate that entities desiring hedge accounting enter into separate, third-party hedging instruments for the gross amount of foreign currency exposures in a single currency, rather than on a net basis (as is done by many treasury centres under US GAAP).

At the same time, IFRS provides opportunities for hedge accounting not available under US GAAP in a number of areas. For example, under IFRS an entity can achieve hedge accounting in relation to the foreign currency risk associated with a firm commitment to acquire a business in a business combination (whereas US GAAP would not permit hedge accounting). At the same time, IFRS allows an entity to utilize a single hedging instrument to hedge more than one risk in two or more hedged items (this designation is precluded under US GAAP). That difference may allow entities under IFRS to adopt new and sometimes more complex risk management strategies while still achieving hedge accounting. IFRS is more flexible than US GAAP with respect to the ability to achieve fair value hedge accounting in relation to interest rate risk within a portfolio of dissimilar financial assets and in relation to hedging a portion of a specified risk and/or a portion of a time period to maturity (i.e., partial-term hedging) of a given instrument to be hedged.

In November 2013, the IASB published the new general hedge accounting requirement. In July 2014, the IASB issued the complete version of IFRS 9, which replaces the guidance on the classification and measurement, and impairment. Initial deliberations on macro hedging guidance are ongoing. Refer to SD 11.26 for further discussion.

The FASB has issued its final guidance on the recognition and measurement of financial instruments and the impairment of financial assets in January and June of 2016, respectively. The FASB's redeliberations on hedge accounting are on-going and an exposure draft was issued in September of 2016.

Globally, IFRS 9 is mandatory for accounting periods beginning on or after 1 January 2018. India has early adopted the provisions of IFRS 9 by notification of the corresponding Ind AS 109 on Financial Instruments which is converged with IFRS 9.

Under the present Indian GAAP, AS 11 has limited guidance on accounting for forward exchange contracts. This standard is applicable to exchange differences on all forward exchange contracts including those entered into to hedge the foreign currency risk of existing assets and liabilities, and is not applicable to the exchange difference arising on forward exchange contracts entered into to hedge the foreign currency risks of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions. ICAI has also issued its Guidance Note on Accounting for Derivative Contracts which is applicable to derivative contracts not covered by AS 11. This guidance note also covers hedge accounting and applies to entities not covered under Ind AS for the accounting periods beginning on or after 1 April 2016.

Earlier, the Council of ICAI had announced in year 2008 that AS 30 *Financial Instruments: Recognition and Measurement*, AS 31 *Financial Instruments: Presentation* and AS 32 *Financial Instruments: Disclosures* will come into effect in respect of accounting periods commencing on or after 1-4-2009 and will be recommendatory in nature for a period of two years. AS 30, 31, 32 were never notified under the Companies (Accounting Standards) Rules 2006 and in the absence of guidance relating to accounting for derivatives under the notified accounting standards (1 to 29), ICAI had issued a clarification that since AS 30 contains appropriate accounting for derivatives, the same can be followed by entities as long as it is not contradictory to or noncompliant with the notified accounting standards. Similarly, reference can be made to hedge accounting guidance included in AS 30. Additionally, the ICAI withdrew the recommendatory as well as mandatory status of AS 30, AS 31 and AS 32 in March 2011 by means of an announcement.

The entities which were not following the principles enunciated in AS 30 were required to follow the ICAI announcement on accounting for derivatives which required entities to recognize only mark to market losses on derivatives and not account for mark to market gains.

Some of the key differences between current IFRS i.e. IAS 39 and the new IFRS 9/Ind AS 109 relating to derivatives and hedge accounting are outlined below:

Current IFRS-IAS 39	***New IFRS 9/Ind AS 109***
Hedge accounting—general	
Formal designation and documentation of: • Risk management objective and strategy • Hedging instrument • Hedged item • Nature of risk being hedged	Formal designation and documentation of: • Risk management objective and strategy • Hedging instrument • Hedged item • Nature of risk being hedged

Current IFRS-IAS 39	*New IFRS 9/Ind AS 109*
• Hedge effectiveness	• Hedge effectiveness (including sources of ineffectiveness and how the hedge ratio is determined).
Hedging relationship consists only of eligible hedging instruments and eligible hedged items.	The general requirement remains unchanged. However, some items that were not eligible as hedged items or hedging instruments under IAS 39 are now eligible under IFRS 9/Ind AS 109 (see qualifying hedging instruments and hedged items below).
Hedge effectiveness requirements: • Effectiveness can be reliably measured • Hedge is expected to be highly effective (prospective testing) • Hedge is assessed on an on-going basis and determined actually to have been highly effective (retrospective testing 80%-125%).	Hedge effectiveness requirements (prospective): • Economic relationship exists • Credit risk does not dominate value changes • Designated hedge ratio is consistent with risk management strategy.
Voluntary discontinuation of hedge accounting is allowed.	Discontinuation of hedge accounting only under specified circumstances.
Qualifying hedging instruments	
Non-derivative financial instruments are only allowed for hedging foreign currency risk.	Non-derivative financial instruments continue to be allowed for hedging foreign currency risk. In addition, if non-derivative financial instruments are measured at fair value through profit or loss they are also allowed for hedging risks other than foreign currency risk.
Embedded derivatives allowed as hedging instruments.	Derivatives embedded in financial assets are no longer accounted for separately under IFRS 9/Ind AS 109. Therefore, only derivatives embedded in financial liabilities or non-financial contracts (that are accounted for separately) are allowed to be designated as hedging instruments.
Changes in the time value of an option are recognized in profit or loss.	Changes in the aligned time value of an option are deferred in other comprehensive income. The timing of the reclassification to profit or loss depends on the nature of the hedged item, whether it is transaction related (e.g. hedge of a forecast sale) or time-period related (e.g. three-month fair value hedge of inventory).

Current IFRS-IAS 39	*New IFRS 9/Ind AS 109*
No specific accounting treatment is prescribed for currency basis spreads.	Currency basis spreads are considered as costs of the hedge relationship, so changes in the currency basis spread can be recognized through other comprehensive income.
Qualifying hedged items	
Possible to hedge risk components of financial items only.	Also possible to hedge risk components of nonfinancial items.
Net positions not allowed as hedged items.	Net positions (including net nil positions) allowed as hedged items in some circumstances. Where the net position of a group of items containing offsetting risk positions is designated as the hedged item, the cash flow hedge model can only be applied to the hedge of foreign currency risk. The designation of that net position must specify both the reporting period in which the forecast transactions are expected to affect profit or loss and also the nature and volume that are expected to affect profit or loss in each period. Hedging gains or losses must be presented in a separate line item in the statement of profit and loss and other comprehensive income.
Derivatives not allowed to be designated as (or be part of) hedged items.	Aggregated exposures allowed as hedged items i.e. that are a combination of an exposure and a derivative.
Fair value hedges	
IAS 39 does not permit designating equity instruments at fair value through other comprehensive income.	Fair value hedges of an equity instrument accounted for at fair value through other comprehensive income—under IFRS 9/Ind AS 109, gains/losses of equity instruments are never recycled to profit or loss—changes in the fair value of the hedging instrument are also recorded in other comprehensive income without recycling to profit or loss.
Cash flow hedges	
For cash flow hedges of a forecast transaction which results in the recognition of a non-financial item (such as a fixed asset or inventory), or where a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, IAS 39 provided an accounting policy choice—either the carrying value of that item must be adjusted for the accumulated gains or losses recognized directly in equity (often referred to as 'basis adjustment') or to maintain the	The accounting policy choice is no longer allowed under IFRS 9/Ind As 109. IFRS 9/Ind AS 109 requires that the carrying value of that item must be adjusted for the accumulated gains or losses recognized directly in equity.

Current IFRS-IAS 39	*New IFRS 9/Ind AS 109*
accumulated gains or losses in equity and reclassify them to profit or loss at the same moment that the non-financial item affects profit or loss.	
Designation of credit exposures at fair value through profit or loss	
No such option available in IAS 39.	IFRS 9/Ind AS 109 provides an option for entities that use credit derivative that is measured at fair value through profit or loss to manage the credit risk of all, or a part of, a financial instrument (credit exposure) it may designate that financial instrument to the extent that it is so managed (i.e. all or a proportion of it) as measured at fair value through profit or loss subject to certain conditions.

Technical references

US GAAP

ASC 815, ASC 815-15-25-4 through 25-5, ASC 815-20-25-3, ASC 815-20-25-94 through 25-97, ASC 830-30-40-2 through 40-4

IFRS

IAS 39, IFRS 7, IFRIC 9, IFRIC 16

Ind AS

Ind AS 109, Ind AS 107

Indian GAAP

AS 11, Guidance Note on Accounting for Derivative Contracts

Note

The following discussion captures a number of the more significant differences between the frameworks. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

Derivative definition and scope

11.2. Net settlement provisions

More instruments will qualify as derivatives under IFRS/Ind AS and Indian GAAP.

Some instruments, such as option and forward agreements to buy unlisted equity investments, are not accounted for as derivatives under US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not include a requirement for net settlement within the definition of a derivative. It only requires settlement at a future date. There is an exception under IAS 39 for derivatives whose fair value cannot be measured reliably (i.e., instruments linked to equity instruments that are not reliably measurable), which could result in these instruments not being accounted for at fair value. In practice, however, this exemption is very narrow in scope because in most situations it is expected that fair value can be measured reliably even for unlisted securities. An option contract between an acquirer and a seller to buy or sell stock of an acquiree at a future date that results in a business combination would be considered a derivative under IAS 39 for the acquirer; however, the option may be classified as equity from the seller's perspective.	To meet the definition of a derivative, a financial instrument or other contract must require or permit net settlement. The scope of ASC 815 excludes instruments linked to unlisted equity securities when such instruments fail the net settlement requirement and are, therefore, not accounted for as derivatives. An option contract between an acquirer and a seller to buy or sell stock of an acquiree at a future date that results in a business combination may not meet the definition of a derivative as it may fail the net settlement requirement (e.g., the acquiree's shares are not listed so the shares may not be readily convertible to cash).	Definition of derivative is similar to IFRS. However, unlike IFRS, Ind AS 109 does not provide cost exception for derivatives. Refer SD 7.3 for limited circumstances where cost may be an appropriate estimate of fair value of investment in equity instruments. Similar to IFRS, an option contract between an acquirer and a seller to buy or sell stock of an acquiree at a future date that results in a business combination would be considered a derivative under Ind AS 109 for the acquirer; however, the option may be classified as equity from the seller's perspective.	Definition of a derivative is similar to IFRS. There is no cost exception for derivatives.

11.3. Own use versus normal purchase normal sale (NPNS)

Contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements are not accounted for as financial instruments (generally referred as "own use" exception in IFRS/Ind AS and "normal purchase normal sale" exception in US GAAP). The "own use" exception is mandatory under IFRS/Ind AS but the "normal purchase normal sale" exception is elective under US GAAP.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Similar to US GAAP, there are many factors to consider in determining whether a contract related to nonfinancial items qualifies for the "own use" exception. While US GAAP requires documentation to apply the NPNS exception (i.e., it is elective), IFRS requires a contract to be accounted for as own use (i.e., not accounted for as a derivative) if the own use criteria are satisfied.	There are many factors to consider in determining whether a contract related to nonfinancial items can qualify for the NPNS exception. If a contract meets the requirement of the NPNS exception, then the reporting entity must document that it qualifies in order to apply the NPNS exception—otherwise, it will be considered a derivative.	Similar to IFRS. Further, Ind AS 109 allows an entity to irrevocably designate a contract that meets the NPNS exception as measured at fair value through profit or loss even if it was entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements. This designation is available only at inception of the contract and only if it eliminates or significantly reduces a recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from not recognizing that contract because it is excluded from the scope of Ind AS 109.	No specific guidance.

Embedded derivatives

11.4. Embedded derivatives and its reassessment

Differences with respect to the reassessment of embedded derivatives may result in significantly different outcomes under the IFRS/Ind AS and US GAAP frameworks. Generally, reassessment is more frequent under US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Initial recognition: As per current IFRS, an embedded derivative should be separated from the host contract and accounted for as a derivative if all of the following three conditions are met: • the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; • a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and • the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.	Similar to IFRS.	If the host contract is a financial asset within the scope of Ind AS 109, the embedded derivative is not separated from the host contract. The classification principles of Ind AS 109 related to financial asset is applied to the hybrid contract in its entirety. Derivatives embedded in a host contract that is not a financial asset within the scope of Ind AS 109 are accounted for similar to IFRS.	Accounting of embedded derivatives have not been included within the scope of the guidance note since there are potential conflicts with the requirements of certain other accounting standards such as AS 2, AS 13, etc. There is no specific guidance and practice varies to the extent the accounting is not in conflict with other accounting standards.
Reassessment of embedded derivatives: IFRS precludes reassessment of embedded derivatives after inception of the contract unless there is a change in the terms of the contract that significantly modifies the expected future cash flows	If a hybrid instrument contains an embedded derivative that is not clearly and closely related at inception, and it is not bifurcated (because it does not meet the definition of a derivative), it must be	Similar to IFRS. As stated above, if the host contract is a financial asset, the embedded derivative is not separated from the host contract.	Refer above.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
that would otherwise be required under the contract. If an entity reclassifies a financial asset out of the held-for-trading category, embedded derivatives must be assessed and, if necessary, bifurcated.	continually reassessed to determine whether bifurcation is required at a later date. Once it meets the definition of a derivative, the embedded derivative is bifurcated and measured at fair value with changes in fair value recognized in earnings. Similarly, the embedded derivative in a hybrid instrument that is not clearly and closely related at inception and is bifurcated must also be continually reassessed to determine whether it subsequently fails to meet the definition of a derivative. Such an embedded derivative should cease to be bifurcated at the point at which it fails to meet the requirements for bifurcation. An embedded derivative that is clearly and closely related is not reassessed subsequent to inception for the "clearly and closely related" criterion. For nonfinancial host contracts, the assessment of whether an embedded foreign currency derivative is clearly and closely related to the host contract should be performed only at inception of the contract.		

11.5. Calls and puts in debt instruments

IFRS/Ind AS and US GAAP have fundamentally different approaches to assessing whether call and puts embedded in debt host instruments require bifurcation.

IFRS	***US GAAP***	***Ind AS***	***Indian GAAP***
Calls, puts, or prepayment options embedded in a hybrid instrument are closely related to the debt host instrument if either (1) the exercise price approximates the amortized cost on each exercise date or (2) the exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of the lost interest for the remaining term of the host contract. Once determined to be closely related as outlined above, these items do not require bifurcation.	Multiple tests are required in evaluating whether an embedded call or put is clearly and closely related to the debt host. The failure of one or both of the below outlined tests is common and typically results in the need for bifurcation. ***Test 1—***If a debt instrument is issued at a substantial premium or discount and a contingent call or put can accelerate repayment of principal, the call or put is not clearly and closely related. ***Test 2—***If there is no contingent call or put that can accelerate repayment of principal, or if the debt instrument is not issued at a substantial premium or discount, then it must be assessed whether the debt instrument can be settled in such a way that the holder would not recover substantially all of its recorded investments or the embedded derivative would at least double the holder's initial return and the resulting rate would be double the then current market rate of return. However, this rule is subject to certain exceptions.	Similar to IFRS.	No specific guidance.

In March 2016, the FASB issued ASU 2016-06: *Contingent Put and Call Options in Debt Instruments*. See SD 11.26.1 for more details.

11.6. Nonfinancial host contracts—currencies commonly used

Although IFRS/Ind AS and US GAAP have similar guidance in determining when to separate foreign currency embedded derivatives in a nonfinancial host, there is more flexibility under IFRS/Ind AS in determining the currency that is closely related.

IFRS	US GAAP	Ind AS	Indian GAAP
Criteria (1) and (2) cited for US GAAP also apply under IFRS. However, bifurcation of a foreign currency embedded derivative from a nonfinancial host is not required if payments are denominated in a currency that is commonly used in contracts to purchase or sell such nonfinancial items in the economic environment in which the transaction takes place. For example, Company X, in Russia (functional currency and local currency is Russian Ruble), sells timber to another Russian company (with a Ruble functional currency) in euros. Because the euro is a currency commonly used in Russia, bifurcation of a foreign currency embedded derivative from the nonfinancial host contract would not be required under IFRS.	US GAAP requires bifurcation of a foreign currency embedded derivative from a nonfinancial host unless the payment is (1) denominated in the local currency or functional currency of a substantial party to the contract, (2) the price that is routinely denominated in that foreign currency in international commerce (e.g., US dollar for crude oil transactions), or (3) a foreign currency used because a party operates in a hyperinflationary environment.	Similar to IFRS.	No specific guidance.

Measurement of derivatives

11.7. Day one gains and losses

Day one gains and losses occur when the entity uses a model to measure the fair value of the financial instrument and the model price at initial recognition is different from the transaction price.

The ability to recognize day one gains and losses is different under the frameworks, with gain/loss recognition more common under US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS provides that fair value of a financial instrument at initial recognition is normally the transaction price. However, if part of the consideration given or received is for something other than the financial instrument, an entity should recognize the financial instrument at fair value. The difference between the transaction price and the fair value i.e. day one gains and losses are recognized only when the fair value is evidenced by comparison with other observable current market transactions in the same instrument or is based on a valuation technique whose variables include only data from observable markets. Where the fair value is not determined based on observable market inputs, entities should recognize the financial instrument at its transaction price and defer the difference between the transaction price and fair value. Such deferred difference shall be recognized after initial recognition as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.	In some circumstances, the transaction price is not equal to fair value, usually when the market in which the transaction occurs differs from the market where the reporting entity could transact. For example, banks can access wholesale and retail markets; the wholesale price may result in a day one gain compared to the transaction price in the retail market. In these cases, entities must recognize day one gains and losses even if some inputs to the measurement model are not observable.	Similar to IFRS.	No specific guidance.

Hedge qualifying criteria

11.8. When to assess effectiveness

Non-SEC-listed entities may see greater flexibility in the frequency of required effectiveness testing under IFRS.

Although the rules under IFRS/Ind AS allow less-frequent effectiveness testing in certain situations, SEC-listed entities will still be required to assess effectiveness on a quarterly basis in conjunction with their interim reporting requirements.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS requires that hedges be assessed for effectiveness on an ongoing basis and that effectiveness be measured, at a minimum, at the time an entity prepares its annual or interim financial reports. Therefore, if an entity is required to produce only annual financial statements, IFRS requires that effectiveness be tested only once a year. An entity may, of course, choose to test effectiveness more frequently.	US GAAP requires that hedge effectiveness be assessed whenever financial statements or earnings are reported and at least every three months (regardless of how often financial statements are prepared).	An entity shall, at a minimum, perform the ongoing assessment at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first.	Similar to Ind AS.

Hedge accounting practices allowed under US GAAP that are not acceptable under IFRS/Ind AS

11.9. Effectiveness testing and measurement of hedge ineffectiveness

IFRS requires an increased level of hedge effectiveness testing and/or detailed measurement compared to US GAAP/Ind AS.

There are a number of similarities between the effectiveness-testing methods acceptable under the frameworks. At the same time, important differences exist in areas such as the use of the shortcut method and the critical terms match method.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS requires an entity to perform both prospective and retrospective hedge effectiveness assessment. IFRS does not specify a single method for assessing	US GAAP does not specify a single method for assessing hedge effectiveness prospectively or retrospectively. The method an entity	Ind AS 109 introduces principle-based approach to determine hedge effectiveness without any numerical thresholds. Further,	Similar to Ind AS.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
hedge effectiveness prospectively or retrospectively. The method an entity adopts depends on the entity's risk management strategy and is included in the documentation prepared at the inception of the hedge. The most common methods used are the critical-terms match, the dollar-offset method, and regression analysis. IAS 39 states that the hedge is regarded as highly effective basis retrospective hedge effectiveness assessment, where the actual results of the hedge are within a range of 80% 125%.	adopts depends on the entity's risk management strategy and is included in the documentation prepared at the inception of the hedge. The most common methods used are the shortcut method, critical-terms match method, the dollar-offset method, and regression analysis.	retrospective hedge effectiveness assessment is no longer required in order to qualify for hedge accounting. A hedge is considered as 'effective' when the following three criteria are met: • an economic relationship exists between the hedged item and hedging instrument; • the effect of credit risk does not dominate the value changes that result from the economic relationship; and • the hedge ratio is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognized or not) that could result in an accounting outcome that would be inconsistent with	

IFRS	US GAAP	Ind AS	Indian GAAP
		the purpose of hedge accounting Ind AS 109 does not prescribe a specific method for assessing whether a hedging relationship meets the above three hedge effectiveness requirements, but it notes that ineffectiveness is the extent to which the changes in the fair value or cash flows of the hedging instrument are greater or less than those of the hedged item. Accordingly, an entity should use a method that captures the relevant characteristics of the hedging relationship, including the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term. Depending on those factors, entities can perform either a qualitative or a quantitative assessment. Ind AS 109 does not include any 80%-125% bright line for demonstrating hedge effectiveness. However, any ineffectiveness identified must be recognized in the profit or loss.	

IFRS	US GAAP	Ind AS	Indian GAAP
Shortcut method:			
IFRS does not allow a shortcut method by which an entity may assume no ineffectiveness. IFRS permits portions of risk to be designated as the hedged risk for financial instruments in a hedging relationship such as selected contractual cash flows or a portion of the fair value of the hedged item, which can improve the effectiveness of a hedging relationship. Nevertheless, entities are still required to test effectiveness and measure the amount of any ineffectiveness.	US GAAP provides for a shortcut method that allows an entity to assume no ineffectiveness (and, hence, bypass an effectiveness test) for certain fair value or cash flow hedges of interest rate risk using interest rate swaps (when certain stringent criteria are met).	Similar to IFRS.	Similar to IFRS.
Critical terms match:			
IFRS does not specifically discuss the methodology of applying a critical-terms-match approach in the level of detail included within US GAAP. However, if an entity can prove for hedges in which the critical terms of the hedging instrument and the hedged items are the same that the relationship will always be 100 percent effective based on an appropriately designed test, then a similar qualitative analysis may be sufficient for prospective testing. Even if the critical terms are the same, retrospective effectiveness must be assessed, and ineffectiveness must be measured in all cases because IFRS precludes the assumption of perfect effectiveness.	Under US GAAP, for hedges that do not qualify for the shortcut method, if the critical terms of the hedging instrument and the entire hedged item are the same, the entity can conclude that changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset. An entity is not allowed to assume (1) no ineffectiveness when it exists or (2) that testing can be avoided. Rather, matched terms provide a simplified approach to effectiveness testing in certain situations. The SEC has clarified that the critical terms have to be perfectly matched to assume no ineffectiveness. Additionally, the critical-terms-match method is not available for interest rate hedges.	Similar to IFRS, except that there is no requirement to perform a retrospective hedge effectiveness assessment.	Similar to Ind AS.

11.10. Credit risk and hypothetical derivatives

In a cash flow hedge, an entity's assessment of hedge effectiveness may be impacted by an entity's own credit risk or by the credit risk of the hedging derivative's counterparty. When using the hypothetical derivative method, a difference between IFRS/Ind AS and US GAAP may arise depending on (1) whether the derivative is in an asset or a liability position and (2) the method used for valuing liabilities.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Under IFRS, a hypothetical derivative perfectly matches the hedged risk of the hedged item. Because the hedged item would not contain the derivative counterparty's (or an entity's own) credit risk, the hypothetical derivative would not reflect that credit risk. The actual derivative, however, would reflect credit risk. The resulting mismatch between changes in the fair value of the hypothetical derivative and the hedging instrument would result in ineffectiveness.	Under US GAAP, a hypothetical derivative will reflect an adjustment for the counterparty's (or an entity's own) credit risk. This adjustment will be based upon the credit risk in the actual derivative. As such, no ineffectiveness will arise due to credit risk, as the same risk is reflected in both the actual and hypothetical derivative. If, however, the likelihood that the counterparty will perform ceases to be probable, an entity would be unable to conclude that the hedging relationship in a cash flow hedge is expected to be highly effective in achieving offsetting cash flows. In those instances, the hedging relationship is discontinued.	Similar to IFRS.	No specific guidance.

11.11. Servicing rights

Differences exist in the recognition and measurement of servicing rights, which may result in differences with respect to the hedging of servicing rights. This is especially relevant for financial institutions that originate mortgages and retain the right to service them.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Under IFRS, servicing rights are considered nonfinancial items. Accordingly, they can only be hedged for foreign currency risk or hedged in their	US GAAP specifically permits servicing rights to be hedged for the benchmark interest rate or for overall	To be eligible for designation as a hedged item, a risk component must be a separately identifiable component of the financial or the	Similar to Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
entirety for all risks (i.e., not only for interest rate risk). Furthermore, IFRS precludes measurement of servicing rights at fair value through profit or loss because the fair value option is applicable only to financial items and therefore cannot be applied to servicing rights.	changes in fair value in a fair value hedge. An entity may, however, avoid the need to apply hedge accounting by electing to measure servicing rights at fair value through profit or loss as both the hedging instrument and the hedged item would be measured at fair value through profit or loss.	non-financial item, and the changes in the cash flows or the fair value of the item attributable to changes in that risk component must be reliably measurable.	

11.12. Cash flow hedges with purchased options

For cash flow hedges, US GAAP provides more flexibility with respect to designating a purchased option as a hedging instrument. As a result of the difference, there may be less income statement volatility for US GAAP entities using purchased options in their hedging strategies.

IFRS	US GAAP	Ind AS	Indian GAAP
Under IFRS, when hedging one-sided risk via a purchased option in a cash flow hedge of a forecasted transaction, only the intrinsic value of the option is deemed to be reflective of the one-sided risk of the hedged item. Therefore, in order to achieve hedge accounting with purchased options, an entity is required to separate the intrinsic value and time value of the purchased option and designate as the hedging instrument only the changes in the intrinsic value of the option. As a result, for hedge relationships where the critical terms of the purchased option match the hedged risk, generally, the change in intrinsic value will be deferred in equity while the change in time value will be recorded in the income statement.	US GAAP permits an entity to assess effectiveness based on total changes in the purchased option's cash flows (that is, the assessment will include the hedging instrument's entire change in fair value). As a result, the entire change in the option's fair value (including time value) may be deferred in equity based on the level of effectiveness. Alternatively, the hedge relationship can exclude time value from the hedging instrument such that effectiveness is assessed based on intrinsic value.	Similar to IFRS except for accounting of time value of option. Ind AS 109 introduces the concept of 'cost of hedging'. Where a purchased option is designated as a hedging instrument, Ind AS 109 views the option as similar to purchasing insurance cover, with the time value being the associated cost. If an entity elects to designate only the intrinsic value of the option as the hedging instrument, it must account for the changes in the aligned time value in other comprehensive income and hold them in a hedging reserve in equity, regardless of whether the hedge is a cash flow or fair value hedge. The subsequent release of the time value of the option	If an entity elects to designate only the intrinsic value of the option as the hedging instrument, then it may consider the costs associated with a hedging instrument e.g. time value of an option contract as a period cost (for example akin to interest costs when hedging an interest bearing asset or liability) or at a point in time (for example when hedging a forecasted sale or purchase) depending on the manner of designation and how the hedged item impacts the statement of profit and loss.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
		depends on whether the hedge is transaction related or time-period related. Once an entity designates the intrinsic value of the option, the accounting in Ind AS 109 discussed above is not optional, but mandatory. However, this accounting limits profit and loss volatility for option-based hedges.	

11.13. Foreign currency risk and internal derivatives

Restrictions under the IFRS/Ind AS guidance require that entities with treasury centres that desire hedge accounting either change their designation or enter into separate third-party hedging instruments for the gross amount of foreign currency exposures.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Under IFRS, internal derivatives do not qualify for hedge accounting in the consolidated financial statements (because they are eliminated in consolidation). However, a treasury centre's net position that is laid off to an external party may be designated as a hedge of a gross position in the consolidated financial statements. Careful consideration of the positions to be designated as hedged items may be necessary to minimize the effect of this difference. Entities may use internal derivatives as an audit trail or a tracking mechanism to relate external derivatives to the hedged item.	US GAAP permits hedge accounting for foreign currency risk with internal derivatives, provided specified criteria are met and, thus, accommodates the hedging of foreign currency risk on a net basis by a treasury centre. The treasury centre enters into derivatives contracts with unrelated third parties that would offset, on a net basis for each foreign currency, the foreign exchange risk arising from multiple internal derivative contracts.	Similar to IFRS.	As per the guidance note, for the purposes of applying hedging in the consolidated financial statements, the counterparty of a derivative instrument needs to be outside the consolidated group.

IFRS	US GAAP	Ind AS	Indian GAAP
The internal derivatives would qualify as hedging instruments in the separate financial statements of the subsidiaries entering into internal derivatives with a group treasury centre.			

Hedge accounting practices not allowed under US GAAP that are acceptable under IFRS/Ind AS

11.14. Hedges of a portion of the time period to maturity

IFRS/Ind AS is more permissive than US GAAP with respect to a partial-term fair value hedge.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS permits designation of a derivative as hedging only a portion of the time period to maturity of a financial hedged item if effectiveness can be measured and the other hedge accounting criteria are met. For example, an entity with a 10 percent fixed rate bond with a remaining maturity of 10 years can acquire a five-year pay-fixed, receive-floating swap and designate the swap as hedging the fair value exposure of the interest rate payments on the bond until the fifth year and the change in value of the principal payment due at maturity to the extent affected by changes in the yield curve relating to the five years of the swap. That is, a five-year bond is the imputed hedged item in the actual 10-year bond; the interest rate risk hedged is the five-year interest rate implicit in the 10-year bond.	US GAAP does not permit the hedged risk to be defined as a portion of the time period to maturity of a hedged item.	Similar to IFRS.	No specific guidance.

11.15. Designated risks for financial assets or liabilities

IFRS/Ind AS provides opportunities with respect to achieving hedge accounting for a portion of a specified risk. Those opportunities may reduce the amount of ineffectiveness that needs to be recorded in the income statement under IFRS/Ind AS (when compared with US GAAP).

IFRS	US GAAP	Ind AS	Indian GAAP
The guidance allows a portion of a specific risk to qualify as a hedged risk (so long as effectiveness can be reliably measured). Designating a portion of a specific risk may reduce the amount of ineffectiveness that needs to be recorded in the income statement under IFRS compared to US GAAP. Under IFRS, portions of risks can be viewed as portions of the cash flows (e.g., excluding the credit spread from a fixed-rate bond in a fair value hedge of interest rate risk) or different types of financial risks, provided the types of risk are separately identifiable and effectiveness can be measured reliably.	The guidance does not allow a portion of a specific risk to qualify as a hedged risk in a hedge of financial assets or financial liabilities. US GAAP specifies that the designated risk be in the form of changes in one of the following: • Overall fair value or cash flows • Benchmark interest rates • Foreign currency exchange rates • Creditworthiness and credit risk The interest rate risk that can be hedged is explicitly limited to specified benchmark interest rates.	Similar to IFRS.	As per the guidance note, a risk component can be designated as the hedged item as long as the hedged portion is clearly identifiable and capable of being measured reliably.

11.16. Fair value hedge of interest rate risk in a portfolio of dissimilar items

IFRS is more flexible than US GAAP with respect to the ability to achieve fair value hedge accounting in relation to interest rate risk within a portfolio of dissimilar items. That difference is especially relevant for financial institutions that use such hedging as a part of managing overall exposure to interest rate risk and may result in risk management strategies that do not qualify for hedge accounting under US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS allows a fair value hedge of interest rate risk in a portfolio of dissimilar items whereby the hedged portion may be designated as an amount of a currency, rather than as individual assets (or	US GAAP does not allow a fair value hedge of interest rate risk in a portfolio of dissimilar items.	Option to apply requirements of IAS 39 for fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities as also	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
liabilities). Furthermore, an entity is able to incorporate changes in prepayment risk by using a simplified method set out in the guidance, rather than specifically calculating the fair value of the prepayment option on a (prepayable) item-by-item basis. In such a strategy, the change in fair value of the hedged item is presented in a separate line in the balance sheet and does not have to be allocated to individual assets or liabilities.		provided in IFRS 9 has been removed in Ind AS 109.	

11.17. Firm commitment to acquire a business

IFRS/Ind AS permits entities to hedge, with respect to foreign exchange risk, a firm commitment to acquire a business in a business combination, which is precluded under US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
An entity is permitted to hedge foreign exchange risk to a firm commitment to acquire a business in a business combination only for foreign exchange risk.	US GAAP specifically prohibits a firm commitment to enter into a business combination, or acquire or dispose of a subsidiary, minority interest, or equity method investee, from qualifying as a hedged item for hedge accounting purposes (even if it is with respect to foreign currency risk).	Similar to IFRS.	No specific guidance.

11.18. Foreign currency risk and location of hedging instruments

In hedging forecasted transactions and net investments for foreign currency exposure, IFRS/Ind AS provides an opportunity for a parent to hedge the exposures of an indirect subsidiary regardless of the functional currency of intervening entities within the organizational structure.

IFRS	US GAAP	Ind AS	Indian GAAP
For foreign currency hedges of forecasted transactions, IFRS does not require the entity with the hedging instrument to have the same functional currency as the entity with the hedged item. At the same time, IFRS does not require that the operating unit exposed to the risk being hedged within the consolidated accounts be a party to the hedging instrument. As such, IFRS allows a parent company with a functional currency different from that of a subsidiary to hedge the subsidiary's transactional foreign currency exposure. The same flexibility regarding location of the hedging instrument applies to net investment hedges.	Under US GAAP guidance, either the operating unit that has the foreign currency exposure is a party to the hedging instrument or another member of the consolidated group that has the same functional currency as that operating unit is a party to the hedging instrument. However, for another member of the consolidated group to enter into the hedging instrument, there may be no intervening subsidiary with a different functional currency.	Similar to IFRS.	No specific guidance.

11.19. Hedging more than one risk

IFRS/Ind AS provides greater flexibility with respect to utilizing a single hedging instrument to hedge more than one risk in two or more hedged items. That difference may allow entities to adopt new and sometimes more complex strategies to achieve hedge accounting while managing certain risks.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS permits designation of a single hedging instrument to hedge more than one risk in two or more hedged items. A single hedging instrument may be designated as a hedge of more than one type of risk if the risks hedged can be identified clearly, the effectiveness of the hedge can be demonstrated, and it is possible to ensure that there is specific	US GAAP does not allow a single hedging instrument to hedge more than one risk in two or more hedged items. US GAAP does not permit creation of a hypothetical component in a hedging relationship to demonstrate hedge effectiveness in the hedging of more than one risk with a single hedging instrument.	Under Ind AS, a single hedging instrument may be designated as a hedging instrument of more than one type of risk, provided that there is a specific designation of the hedging instrument and of the different risk positions as hedged items. Those hedged items can be in different hedging relationships.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
designation of the hedging instrument and different risk positions. In the application of this guidance, a single swap may be separated by inserting an additional (hypothetical) leg, provided that each portion of the contract is designated as a hedging instrument in a qualifying and effective hedge relationship.			

11.20. Cash flow hedges and basis adjustments on acquisition of nonfinancial items

In the context of a cash flow hedge, IFRS/Indian GAAP permits more flexibility regarding the presentation of amounts that have accumulated in equity (resulting from a cash flow hedge of nonfinancial assets and liabilities) whereas Ind AS and US GAAP do not provide any flexibility. However, Ind AS and US GAAP differ in the sense that Ind AS mandates application of basis adjustment, whereas US GAAP does not permit.

Therefore, the balance sheet impacts may be different depending on the policy election made by entities for IFRS/Indian GAAP purposes. The income statement impact, however, is the same regardless of this policy election.

IFRS	US GAAP	Ind AS	Indian GAAP
Under IFRS, "basis adjustment" commonly refers to an adjustment of the initial carrying value of a nonfinancial asset or nonfinancial liability that resulted from a forecasted transaction subject to a cash flow hedge. That is, the initial carrying amount of the nonfinancial item recognized on the balance sheet (i.e., the basis of the hedged item) is adjusted by the cumulative amount of the hedging instrument's fair value changes that were recorded in equity. IFRS gives entities an accounting policy choice to either basis adjust the hedged item (if it is a nonfinancial item) or release amounts to profit or loss as the hedged item affects earnings.	In the context of a cash flow hedge, US GAAP does not permit basis adjustments. That is, under US GAAP, an entity is not permitted to adjust the initial carrying amount of the hedged item by the cumulative amount of the hedging instruments' fair value changes that were recorded in equity. US GAAP does refer to "basis adjustments" in a different context wherein the term is used to refer to the method by which, in a fair value hedge, the hedged item is adjusted for changes in its fair value attributable to the hedged risk.	Ind AS 109 requires a mandatory basis adjustment of the hedged non-financial item once it is recognized. Accordingly, fair value changes of the hedging instrument deferred in OCI will be included in the value of the hedged item on its initial recognition.	Similar to IFRS.

11.21. Designation of non-derivative financial instruments as hedging instrument

IFRS	US GAAP	Ind AS	Indian GAAP
IAS 39 does not permit non-derivative financial instruments as a hedging instrument except for hedging foreign currency risk.	Similar to IFRS.	Ind AS 109 permits non-derivative financial instruments to be considered as hedging instruments of foreign currency risk provided that such non-derivative financial instruments are not investments in equity instruments for which the entity has elected to present the changes in fair value in OCI. In addition, Ind AS 109 also allows non-derivative financial instruments as hedging instruments to hedge other risks if measured at fair value through profit or loss. The only exception is for financial liabilities accounted for at fair value for which the changes in the liability's own credit risk are presented in OCI—these are not eligible for designation as hedging instruments.	The guidance note does not deal with accounting for non-derivative financial assets/liabilities which are designated as hedging instruments, since the objective is to provide guidance on accounting for derivative contracts only and not hedge accounting in its entirety.

11.22. Accounting for forward contracts

IFRS	US GAAP	Ind AS	Indian GAAP
Recognized assets/liabilities: Accounted as a derivative at fair value through profit or loss, unless the entity applies hedge accounting principles.	Similar to IFRS.	Similar to IFRS.	Forward contracts which are taken for hedging a recognized foreign currency asset or liability are accounted as follows:

IFRS	***US GAAP***	***Ind AS***	***Indian GAAP***
			• The premium/discount arising at the inception of such a forward exchange contract is amortized as expense or income over the life of the contract. • Exchange differences on such a contract is recognized in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognized as income or as expense for the period.
Other than recognized assets/liabilities: Accounted as a derivative at fair value through profit or loss, unless the entity applies hedge accounting principles. When an entity applies hedge accounting, an entity is permitted to separate the forward element in the forward contract and designate only the spot component. Any changes in the forward elements will be recognized as gains or losses in the income statement as they occur.	Similar to IFRS.	Similar to IFRS. Further, when an entity separates the forward element in a forward contract and designates only the spot element in a hedging relationship, it may choose to apply either the same accounting as for the time value of options (refer SD 11.12) or to account for changes in forward elements in the income statement as they occur.	As per the guidance note, an entity may consider the costs associated with a hedging instrument e.g. forward premium contract as a period cost (for example akin to interest costs when hedging an interest bearing asset or liability) or at a point in time (for example when hedging a forecasted sale or purchase) depending on the manner of designation and how the hedged item impacts the statement of profit and loss.

11.23. Hedge accounting—accounting for foreign currency basis spreads

IFRS	US GAAP	Ind AS	Indian GAAP
No specific guidance.	No specific guidance. Not eligible to be excluded from the assessment of effectiveness.	Under Ind AS 109, an entity may choose to separate the currency basis spread from the remaining value of a financial instrument (for example, a cross-currency swap). Where an entity separates the foreign currency basis spread from a financial instrument and excludes it from the designation of that financial instrument as the hedging instrument, the entity can account for the changes in the currency basis spread in the same manner (that is, transaction related or time-period related) as applied to the forward element of a forward contract, as noted above.	No specific guidance.

11.24. Rebalancing of hedge ratio

IFRS	US GAAP	Ind AS	Indian GAAP
Unlike Ind AS, there is no concept of rebalancing of hedge ratio. If hedge ratio is adjusted, an entity is required to discontinue hedge relationship and restart a new hedging relationship.	ASC topic 815-20 provides that it is inappropriate for an entity to designate a derivative instrument as the hedging instrument if the entity expects that the derivative instrument will not be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk	Ind AS 109 contains the concept of rebalancing. Rebalancing refers to the adjustments made to the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship for the purpose of maintaining a hedge ratio that complies with the	If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

IFRS	US GAAP	Ind AS	Indian GAAP
	during the period that the hedge is designated. A dynamic hedging strategy may be used in a hedging transaction associated with the overall changes in the fair value of a homogeneous portfolio of loans held for sale. When establishing a hedge relationship, a company must perform a similar assets test. For accounting purposes, a loan portfolio must be segregated into groups of homogeneous loans. As the hedged item changes frequently, the hedging instrument will also frequently change, typically termed hedge rebalancing. Hence there is a new hedge designation each time the portfolio or derivative composition changes. Effectiveness tests therefore must be completed for periods corresponding with a rebalancing, which is an event of a new hedge designation. Entities should consider the consistency between the frequency and method of hedge effectiveness assessment and the hedge period.	hedge effectiveness requirements. Rebalancing allows entities to respond to changes that arise from the underlying or risk variables. Rebalancing does not result in de-designation and re-designation of a hedge, but it is accounted for as a continuation of the hedging relationship. However, on rebalancing, hedge ineffectiveness is determined and recognized immediately before adjusting the hedge relationship. Ind AS 109 requires that entities should update the documentation of the analysis of the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its remaining term when rebalancing a hedging relationship. Rebalancing does not apply if the risk management objective for a hedging relationship has changed. Instead, hedge accounting for that hedging relationship shall be discontinued.	

11.25. Discontinuation of hedge accounting

IFRS	US GAAP	Ind AS	Indian GAAP
Under IAS 39, hedge accounting is discontinued if: • the hedging instrument expires or is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy); • the hedge no longer meets the criteria for hedge accounting; or • the entity revokes the designation. Entities can voluntarily discontinue hedge accounting.	Similar to IFRS, except that a replacement or rollover is considered a termination and therefore would require discontinuance of the original hedging relationship.	Voluntary discontinuation of hedge accounting is prohibited. An entity shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is part of, and consistent with, the entity's documented risk management objective.	An entity is not permitted to stop applying hedge accounting voluntarily unless the risk management objective of the entity, as was originally defined by the entity when first applying hedge accounting, is no longer met. If an entity terminates a hedging instrument prior to its maturity / contractual term, hedge accounting is discontinued prospectively.

11.26. Recent/proposed guidance

11.26.1. FASB Proposed Accounting Standards Update, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

The FASB is reconsidering the accounting for financial instruments, including hedge accounting. Among other things, the Board expects the project to result in simplification of the accounting requirements for hedging activities, resolve hedge accounting practice issues that have arisen under the current guidance, and make the hedge accounting model and associated disclosures more useful and understandable to financial statement users.

In September 2016, the FASB issued an exposure draft on hedge accounting in which the Board proposed targeted changes to the existing model. The table below summarizes some of the proposed guidance in the exposure draft:

Topic	*FASB tentative decisions*
Nonfinancial hedging	Hedging of contractually-specified components of nonfinancial items will be allowed if it is probable that an entity will be exposed to the variability in cash flows attributable to changes in the contractually-specified component throughout the life of the hedge. This would enable entities to avoid the challenges of hedging total changes in price, as is required today.
Hedge documentation	Reporting entities would still be required to perform quantitative effectiveness testing of all hedges, unless they meet the requirements for either the shortcut or critical terms match method. However, the quantitative testing would not need to be documented until the end of the first three-month effectiveness testing period, or the first reporting period (whichever comes first). Subsequent quantitative effectiveness testing would not need to be performed unless facts and circumstances change.
Hedge effectiveness requirements	All hedging relationships would continue to be required to be "highly effective" to qualify for hedge accounting, but reporting entities would not measure or record hedge ineffectiveness separately in each period. Rather, they would record the entire change in fair value of the hedging instrument in the same income statement line item as the hedged item when it affects earnings.
Shortcut method	Reporting entities would be allowed to apply the long-haul method of hedge accounting if the use of the shortcut method was later deemed to have been inappropriate. Use of the long-haul method in these situations would be permitted when the hedging relationship would have qualified under the long haul method at inception and the long-haul method was included in the hedge documentation. This would limit the impact of inappropriately applying the shortcut method to the difference between the shortcut and long-haul methods (i.e., the hedge ineffectiveness).
Benchmark rate	For fixed-rate hedged items, the FASB decided to retain the current definition of the benchmark rate and a list of acceptable rates. The FASB also voted to allow the SIFMA rate as an additional benchmark interest rate for tax-exempt issuers and investors. The benchmark rate definition would not apply to variable-rate hedged items. Instead, the contractually-specified index rate would be the designated interest rate risk.
Callable fixed rate debt	In assessing hedge effectiveness and measuring hedge ineffectiveness for hedges of fixed rate callable debt, the proposal will allow reporting entities to consider the effect of a prepayment option only as it relates to the risk being hedged (for example, interest rate risk). Entities would not need to consider all of the other reasons the call option might be exercised.
Partial term fair value hedging	Reporting entities would be able to hedge part of the term of a fixed-rate financial instrument (e.g., 5 years of a 10 year bond). Such partial-term fair value hedges are effectively precluded under today's guidance.
Use of total coupon in fair value hedges	For fair value hedges of fixed-rate debt using the long-haul method, the FASB decided to allow reporting entities to designate the portion of the total coupon cash flows attributable to the benchmark interest rate as the hedged item. Under today's guidance, reporting entities need to designate all contractual cash flows as the hedged item, which introduces the credit spread into the

Topic	FASB tentative decisions
	calculation of hedge effectiveness and results in these hedging relationships often not qualifying for hedge accounting or having additional ineffectiveness recorded in earnings.
Early adoption	Early adoption would be permitted at the beginning of any fiscal period before the effective date. An entity would be required to adopt all of the amendments at the same time.

In March 2016, the FASB issued ASU 2016-05 *Effect of Derivative Contact Novations on Existing Hedge Accounting Relationships*. This ASU clarifies that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. ASU 2016-05 is effective for fiscal and interim periods beginning after 15 December 2016 for public business entities. For all other entities, the ASU is effective for fiscal periods beginning after 15 December 2017 and for interim periods beginning after 15 December 2018. Early adoption is permitted. It should be noted that IAS 39 was amended in June 2013 to permit the continuation of hedge accounting upon the novation of a derivative that is designated in a hedging relationship. However, the IFRS guidance is narrower than ASU 2016-05 and only relates to novations to a central counterparty as a consequence of new laws or regulations. The amendment is reflected in IFRS 9 as well.

Also in March 2016, the FASB issued ASU 2016-06. The ASU clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this ASU 2016-06 is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence in ASC 815-15-25-42 and should not consider whether the event that triggers the ability to exercise the call (put) option is also indexed only to interest rates or credit risk. ASU 2016-05 is effective for fiscal and interim periods beginning after 15 December 2016 for public business entities. For all other entities, the ASU is effective for fiscal periods beginning after 15 December 2017 and for interim periods beginning after 15 December 2018. Early adoption is permitted.

11.26.2. IASB issued IFRS 9

IASB issued IFRS 9 which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. It must be applied for financial years commencing on or after 1 January 2018.

The IFRS 9 model is more principle-based than the current IAS 39, US GAAP models and the US GAAP proposal, and aims to simplify hedge accounting. It would also align hedge accounting more closely with the risk management activities undertaken by companies and provide decision-useful information regarding an entity’s risk management strategies.

The following key changes to the IAS 39 general hedge accounting model are contained in the IFRS 9 model:

- Replacement of the “highly” effective threshold as the qualifying criteria for hedging. Instead, an entity’s designation of the hedging relationship should be based on the economic relationship between the hedged item and the hedging instrument, which gives rise to offset. Hedge ineffectiveness is still required to be measured and accounted for in earnings. The new standard defines hedge ratio to help entities align hedge accounting with its risk management strategy. It also introduces the concept of “rebalancing” to enable entities to maintain a hedge ratio without resulting in de-designation and re-designation. The objective of the IASB is to allow greater flexibility in qualifying for hedge accounting but also to ensure that entities do not systematically under-hedge to avoid recording any ineffectiveness.

- Ability to designate risk components of nonfinancial items as hedged items. The IASB's amendment would permit entities to hedge risk components for nonfinancial items, provided such components are separately identifiable and reliably measurable.
- Ability to designate as hedged items aggregated exposures that are a combination of an exposure and a derivative. When designating such a hedged item, an entity assesses whether the aggregated exposure combines an exposure with a derivative so that it creates a different aggregated exposure that is managed as one exposure for a particular risk (or risks).
- More flexibility in hedging groups of dissimilar items (including net exposures). The IASB's amendment would allow hedges of (1) groups of similar items without a requirement that the fair value change for each individual item be proportional to the overall group (e.g., hedging a portfolio of S&P 500 shares with an S&P 500 future) as well as (2) groups of offsetting exposures (e.g., exposures resulting from forecast sale and purchase transactions). Additional qualifying criteria would be required for such hedges of offsetting exposures.
- Accounting for the time value component as "cost" of buying the protection when hedging with options in both fair value and cash flow hedges. The IASB's amendment introduces significant changes to the guidance related to the accounting for the time value of options. It analogizes the time value to an insurance premium. Hence, the time value would be recorded as an asset on day one and then released to net income based on the type of item the option hedges. The same accounting can be applied for forward points in a forward contract. Additionally, the concept of "cost" of hedging would be broadened to also incorporate the currency basis spread. This will help to reduce income statement volatility mainly in cash flow hedges of foreign currency risk.
- Prohibition of voluntary de-designation of the hedging relationship unless the risk management objective for such relationship changes. The IASB's amendment allows termination of the hedging relationship only if it is no longer viable for risk management purposes, or the hedging instrument is sold, expired, exercised, or terminated.
- Introduction of incremental disclosure requirements to provide users with useful information on the entity's risk management practices.
- Clarifying in the IFRS 9, Basis for Conclusions the relevance of the IAS 39 Implementation Guidance not carried forward to IFRS 9.
- On transition, IFRS 9 provides an accounting policy choice on the hedge accounting model to be applied. Entities may elect to continue applying the hedging model as per IAS 39 or to adopt IFRS 9. The accounting model must be applied as a whole to all of the entity's hedge relationships (no cherry picking allowed).

The macro hedge accounting principles will be addressed as a separate project. In April 2014, the IASB issued a discussion paper (DP) on accounting for dynamic risk management: a portfolio revaluation approach to macro hedging ("macro hedging"). The DP addresses the accounting for dynamic risk management strategies on open portfolios (that is, portfolios that change over time). This project is still ongoing. In the meantime, if an entity transitions to IFRS 9 for hedge accounting, for a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities (and only for such a hedge), an entity may apply the hedge accounting requirements in IAS 39 instead of the new IFRS 9 requirements.

11.26.3. Balance sheet netting of derivatives and other financial instruments

Further details on the balance sheet netting of derivatives and other financial instruments are described in the other accounting and reporting topics chapter.

12. Consolidation

12.1. Consolidation

IFRS/Ind AS is a principles-based framework, and the approach to consolidation reflects that structure. IFRS/Ind AS provides indicators of control, some of which individually determine the need to consolidate. However, where control is not apparent, consolidation is based on an overall assessment of all of the relevant facts, including the allocation of risks and benefits between the parties. The indicators provided under IFRS/Ind AS help the reporting entity in making that assessment. Consolidation in financial statements is required under IFRS/Ind AS when an entity is exposed to variable returns from another entity and has the ability to affect those returns through its power over the other entity.

US GAAP has a two-tier consolidation model: one focused on voting rights (the voting interest model) and the second focused on a qualitative analysis of power over significant activities and exposure to potentially significant losses or benefits (the variable interest model). Under US GAAP, all entities are first evaluated to determine whether they are variable interest entities (VIEs). If an entity is determined not to be a VIE, it is assessed on the basis of voting and other decision-making rights under the voting interest model.

Even in cases for which both US GAAP and IFRS/Ind AS look to voting rights to drive consolidation, differences can arise. Examples include cases in which de facto control (when a minority shareholder has the practical ability to exercise power unilaterally) exists and how these frameworks address potential voting rights. As a result, careful analysis is required to identify any differences.

Differences in consolidation under US GAAP and IFRS/Ind AS may also arise when a subsidiary's set of accounting policies differs from that of the parent. While under US GAAP it is acceptable to apply different accounting policies within a consolidation group to address issues relevant to certain specialized industries, exceptions to the requirement to consistently apply standards in a consolidated group do not exist under IFRS/Ind AS. In addition, potential adjustments may occur in situations where a parent company has a fiscal year-end different from that of a consolidated subsidiary (and the subsidiary is consolidated on a lag). Under US GAAP, significant transactions in the gap period may require disclosure only, whereas IFRS/Ind AS may require recognition of transactions in the gap period in the consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02 *Amendments to the Consolidation Analysis*, which amends the current consolidation guidance under US GAAP. The amendments affect both the variable interest entity (VIE) and voting interest entity (VOE) consolidation models. The changes are extensive and apply to all companies. The companies in any industry that outsource decision making or have historically applied the related party tiebreaker test may see a change in their consolidation conclusions and disclosures. The amendments remove the three criteria that have historically caused many decision maker fee arrangements to be variable interest, in particular fee arrangements with a performance-based element that is more than insignificant or where all or part of the fee is subordinated to other interest may no longer be variable interest under the new guidance. These amendments became effective (1) for public business entities, for annual periods (and interim periods within those annual periods) beginning on or after 15 December 2015 and (2) for non-public business entities, for annual periods beginning on or after 15 December 2017. Early adoption is permitted. As a result of this new guidance, consolidation conclusions will continue to be different under US GAAP and IFRS/Ind AS in certain circumstances.

Under Indian GAAP, control is defined as the ownership (directly or indirectly) of more than one half of the voting power of an enterprise or control of the composition of the board of directors. Control is determined based on the legal form. It is possible that an enterprise is controlled by two enterprises—one controls by virtue of ownership of majority of the voting power of that enterprise and the other controls, by virtue of an agreement or otherwise, the composition of the board of directors so as to obtain economic benefits from its activities. In such a rare situation, when an enterprise is controlled by two enterprises as per the definition of 'control', the enterprise will be considered as subsidiary of both the controlling enterprises and, therefore, both the controlling enterprises will need to consolidate the financial statements of that subsidiary. Further, under Indian GAAP, it is acceptable to apply different accounting policies within a consolidated group if it is impracticable to align the accounting policies.

Technical references

US GAAP

ASC 205, ASC 323, ASC 323-10-15-8 through 15-11, ASC 325-20, ASC 810, ASC 810-10-25-1 through 25-14, ASC 810-10-60-4, SAB Topic 5H, SAB Topic 5H (2)-(6)

IFRS

IAS 1, IAS 27, IAS 28, IAS 36, IAS 39, IFRS 9, IFRS 5, IFRS 10, IFRS 11, IFRS 12

Ind AS

Ind AS 1, Ind AS 27, Ind AS 28, Ind AS 36, Ind AS 105, Ind AS 109, Ind AS 110, Ind AS 111, Ind AS 112

Indian GAAP

AS 21, AS 23, AS 27 and provisions of the Companies Act, 2013 and rules notified thereunder.

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

General requirements

12.2. Requirements to prepare consolidated financial statements

IFRS/Ind AS and Indian GAAP does not provide industry-specific exceptions (i.e., investment companies, broker/dealers) to the requirement for consolidation of controlled entities. IFRS/Ind AS, in limited circumstances, may be more flexible with respect to the ability to issue nonconsolidated financial statements.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Parent entities prepare consolidated financial statements that include all subsidiaries. An exemption applies when all of the following conditions apply: • Parent is a wholly or partially-owned subsidiary and the owners of the non-controlling interests have been informed about and do	The guidance applies to legal structures. There is a scope exception for registered money market funds and similar unregistered money market funds.	Similar to IFRS. Further, it is to be noted that the Companies (Accounts) Amendment Rules, 2016 also contains similar exemption as IFRS 10/Ind AS 110 *Consolidated Financial Statements*, except that it additionally requires intimation	Section 129(3) of the Companies Act, 2013 requires every company having one or more subsidiaries (including associate company or joint venture), to prepare and present consolidated financial statements, with exemption available to some companies as

IFRS	US GAAP	Ind AS	Indian GAAP
not object to the parent not presenting consolidated financial statements • The parent's debt or equity securities are not publicly traded and the parent is not in the process of issuing any class of instruments in public securities markets • The ultimate or any intermediate parent of such parent publishes consolidated financial statements available for public use that comply with IFRS. A subsidiary is not excluded from consolidation simply because the investor is a venture capital organization, mutual fund, unit trust, or similar entity. However, an exception is provided for an investment entity from consolidating its subsidiaries unless those subsidiaries are providing investment-related services. Instead, the investment entity measures those investments at fair value through profit or loss. The exception from consolidation only applies to the financial reporting of an investment entity. This exception does not apply to the financial reporting by a non-investment entity, even if it is the parent of an investment entity.	Industry-specific guidance precludes consolidation of controlled entities by certain types of organizations, such as investment companies and broker/dealers. While the FASB and the IASB definitions of an investment company/entity are converged in most areas, there are several key differences (see SD 12.3). In addition, unlike the IASB standard, US GAAP retains the specialized investment company accounting in consolidation by a non-investment company parent. Consolidated financial statements are presumed to be more meaningful and are required for SEC registrants. With the exception of the items noted above, there are no exemptions for consolidating subsidiaries in general-purpose financial statements.	of not presenting consolidated statements to be given to all its other members in writing and proof of delivery of such intimation should be available with the entity. Additionally, the ultimate or any intermediate holding company should be filing consolidated financial statements in compliance with the applicable Accounting Standards with the Registrar.	prescribed under the Companies (Accounts) Amendment Rules, 2016. An entity which prepares consolidated financial statements should comply with the provisions of the AS 21, AS 23 *Accounting for Investments in Associates in Consolidated Financial Statements* and AS 27 *Financial Reporting of Interests in Joint Ventures*. AS 21 states that a subsidiary should be excluded from consolidation when control is intended to be temporary (i.e. shares are held as stock-in-trade) because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future (generally not more than 12 months from acquisition) or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the parent. In this case, investment in subsidiary shall be accounted for as per AS 13 and the reasons for not consolidating should be disclosed in the consolidated financial statements.

12.3. Investment company/entity definition

The US GAAP and IFRS/Ind AS definitions of an investment entity are substantially converged; however, differences do exist. Investment companies measure their investments at fair value, including any investments in which they have a controlling financial interest.

IFRS	US GAAP	Ind AS	Indian GAAP
The IFRS definition of an investment entity is substantially converged with the US GAAP definition with the following exceptions: • The IFRS definition requires an entity to measure and evaluate the performance of substantially all of its investments on a fair value basis; • The IFRS definition does not provide for entities that are subject to certain regulatory requirements (such as the Investment Company Act of 1940) to qualify as investment entities without meeting the stated criteria.	An investment company is an entity with the following fundamental characteristics: • It is an entity that does both of the following: – Obtains funds from one or more investors and provides the investor(s) with investment management services; – Commits to its investor(s) that's it business purpose and only substantive activities are investing the funds solely for returns from capital appreciation, investment income, or both. • The entity or its affiliates do not obtain or have the objective of obtaining returns or benefits from an investee or its affiliates that are not normally attributable to ownership interests or that are other than capital appreciation or investment income.	Similar to IFRS. However, an investment entity would not be able to measure its investment properties at fair value since Ind AS 40 does not allow an entity to measure investment properties at fair value.	No specific guidance on Investment entities, nor any specific exemption from preparation of consolidated financial statements for such investment companies.

IFRS	US GAAP	Ind AS	Indian GAAP
	An investment company would also be expected to have all of the following typical characteristics: • It has more than one investment • It has more than one investor • It has investors that are not related parties of the parent and the investment manager • It has ownership interests in the form of equity or partnership interests • It manages substantially all of its investments on a fair value basis An entity may still be considered an investment company if it does not exhibit one or more of the typical characteristics, depending on facts and circumstances. All entities subject to the Investment Company Act of 1940 are investment companies.		

12.4. Consolidation model

Differences in consolidation under the various frameworks can arise as a result of:

- Differences in how economic benefits are evaluated when the consolidation assessment considers more than just voting rights (i.e., differences in methodology);
- Specific differences or exceptions, such as:
  - The consideration of variable interests

– De facto control

– How potential voting rights are evaluated

– Guidance related to de facto agents and related parties

– Reconsideration events.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
IFRS focuses on the concept of control in determining whether a parent-subsidiary relationship exists. An investor controls an investee when it has all of the following: • Power, through rights that give it the current ability, to direct the activities that significantly affect (the relevant activities that affect) the investee's returns • Exposure, or rights, to variable returns from its involvement with the investee (returns must vary and can be positive, negative, or both) • The ability to use its power over the investee to affect the amount of the investor's returns In assessing control of an entity, an investor should consider the entity's purpose and design to identify the relevant activities, how decisions about the relevant activities are made, who has the current ability to direct those activities, and who is exposed or has rights to the returns from those activities. Only substantive rights can provide power.	All consolidation decisions are evaluated first under the VIE model. US GAAP requires an entity with a variable interest in a VIE to qualitatively assess the determination of the primary beneficiary of the VIE. In applying the qualitative model, an entity is deemed to have a controlling financial interest if it meets both of the following criteria: • Power to direct activities of the VIE that most significantly impact the VIE's economic performance (power criterion) • Obligation to absorb losses from or right to receive benefits of the VIE that could potentially be significant to the VIE (losses/benefits criterion) In assessing whether an enterprise has a controlling financial interest in an entity, it should consider the entity's purpose and design, including the risks that the entity was designed to create and pass through to its variable interest holders. Only one enterprise, if any, is expected to be identified as the	Similar to IFRS.	Control is defined as ownership of more than one-half of the voting rights or control of the composition of the board of directors in case of a company or the corresponding governing body in the case of any other entity, so as to obtain economic benefits from its activities. In rare circumstances, two investor entities may be able to consolidate the same investee entity for instance one entity might control by virtue of ownership of majority of voting powers and other might control by virtue of agreement or otherwise, the composition of board of directors so as to obtain economic benefits from its activities.

IFRS	US GAAP	Ind AS	Indian GAAP
Only one enterprise is expected to have control of the investee. The greater an investor's exposure to variability of returns, the greater its incentive to obtain rights to give it power, i.e., it is an indicator of power and is not by itself determinative of having power. When an entity is controlled by voting rights, control is presumed to exist when a parent owns, directly or indirectly, more than 50 percent of an entity's voting power. Control also exists when a parent owns half or less of the voting power but has legal or contractual rights to control either the majority of the entity's voting power or the board of directors. Control may exist even in cases where an entity owns little or none of a structured equity. The application of the control concept requires, in each case, judgment in the context of all relevant factors.	primary beneficiary of a VIE. Although more than one enterprise could meet the losses/benefits criterion, only one enterprise, if any, will have the power to direct the activities of a VIE that most significantly impact the entity's economic performance. Increased scepticism should be given to situations in which an enterprise's economic interest in a VIE is disproportionately greater than its stated power to direct the activities of the VIE that most significantly impact the entity's economic performance. As the level of disparity increases, the level of scepticism about an enterprise's lack of power is expected to increase. All other entities are evaluated under the voting interest model. Unlike IFRS, only actual voting rights are considered. Under the voting interest model, control can be direct or indirect. In certain unusual circumstances, control may exist with less than 50 percent ownership, when contractually supported. The concept is referred to as effective control.		
De facto control concept: An investor can control an entity where it holds less than 50 percent of the voting rights of the entity and lacks legal or contractual rights by which to control the majority of the entity's voting power or board of directors (de facto control). An	No de facto control concept exists. Effective control as described above is limited to contractual arrangements.	Similar to IFRS.	Concept of de facto control does not exist under Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
example of de facto control is when a major shareholder holds an investment in an entity with an otherwise dispersed public shareholding. The assertion of de facto control is evaluated on the basis of all relevant facts and circumstances, including the legal and regulatory environment, the nature of the capital market, the size and dispersion of the investment holdings of other shareholders, and the ability of the majority owners of voting shares to vote together.			
Potential voting rights: IFRS requires potential voting rights to be considered in the assessment of power if they are substantive. To be substantive, rights need to be exercisable when decisions about the relevant activities need to be made. However, sometimes rights can be substantive even though not currently exercisable.	No specific guidance exists requiring the consideration of potential voting rights.	Similar to IFRS.	Potential voting rights are not considered in the assessment of control.
Shared power: IFRS includes the concept of shared power by noting that two or more investors collectively control an entity and do not individually control when they must act together to direct the relevant activities. Note that if there is joint control (which is different from collective control) then the standard on joint arrangements (IFRS 11 *Joint Arrangements*) applies. Collective control exists when all of the parties, or a group of the parties, when considered collectively, can direct the relevant	Current US GAAP for VIEs notes that power is shared, and consequently no party consolidates, when two or more unrelated parties together have power to direct the entity's activities that most significantly impact the entity's economic performance and decisions about those activities require the consent of each party sharing the power.	Similar to IFRS.	No concept of shared power. Accounting Standard 27 applies to joint control situations.

IFRS	US GAAP	Ind AS	Indian GAAP
activities. Joint control only exists when these parties are bound by a contractual agreement, whether established formally or informally, to agree unanimously on all decisions affecting the relevant activities. Existence of collective control does not, by itself, give rise to joint control.			
Agent versus principal analysis: IFRS includes guidance on agent/principal relationships. An agent may be engaged to act on behalf of a single party or a group of investors (principals). Certain power is delegated by the principals to the agent. An agent does not consolidate the entity. Instead, the principal shall treat the decision-making rights delegated to the agent as held by the principal directly. Where there is more than one principal, each shall assess whether it has power over the investee. Four key factors need to be considered when determining whether the investor is acting as an agent, as follows: Indicators relating to power: • the scope of its decision-making authority, • the rights held by other parties, • the remuneration it receives, and • exposure to variability of returns from other interests that it holds in the entity.	Current US GAAP for VIEs includes specific guidance to determine whether the remuneration of a decision maker is considered a variable interest in the entity. The guidance is focused on whether the fees are "market-based" and "commensurate" with the services provided. Also, the decision maker cannot hold other interests in the VIE that individually, or in the aggregate, would absorb more than an insignificant amount of the VIE's expected losses or receive more than an insignificant amount of the VIE's expected residual returns. A decision maker fee that meets these criteria would be excluded from the economics test when determining the primary beneficiary.	Similar to IFRS.	No specific guidance to assess agent vs principal relationship in making control assessment.

IFRS	US GAAP	Ind AS	Indian GAAP
Limited partnerships and similar entities:			
IFRS does not have a separate consolidation models when assessing a corporate entity versus a limited partnership.	Limited partnerships and similar entities will be VIEs unless the limited partners hold substantive kick-out rights or participating rights. In order for such rights to be substantive, they must be exercisable by a simple majority vote (or less) of all the partners (exclusive of the general partner and its related parties). A limited partner with a controlling financial interest obtained through substantive kick out rights would consolidate a limited partnership. Limited liability companies should be evaluated to determine if their structure operates more like a limited partnership or more like a corporation prior to applying the VIE guidance.	Similar to IFRS.	There is no separate consolidation model for partnerships. The consolidation model of determining control under AS 21 will apply.
Related parties and de facto agents:			
IFRS requires that an investor consider the nature of rights and exposures held by related parties and others to determine if they are acting as de facto agents. Rights and exposures held by de facto agents would need to be considered together with the investor's own rights and exposures in the consolidation analysis. However, there is no related party tiebreaker guidance as contained in US GAAP to address situations where no party in a related party group controls an	US GAAP includes specific guidance on interests held by related parties. A related party group includes the reporting entity's related parties and de facto agents (e.g., close business advisors, partners, and employees) whose actions are likely to be influenced or controlled by the reporting entity. Individual parties within a related party group (including de facto agency relationships) are required to	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
entity on a stand-alone basis but the related party group as a whole controls the entity.	first separately consider whether they meet both the power and losses/benefits criteria. If they meet the power test, they will also include “indirect interests” – interests held through related parties—on a proportionate basis to determine whether it meets the economics test. If one party within the related party group meets both criteria, it is the primary beneficiary of the VIE. If no party within the related party group on its own meets both criteria, a “related party tie-breaker” test is performed if (1) power is shared among related parties, or (2) the power test is met by a single party within the related party group and the related party group is under common control and meets the economics test. If a single party within the related party group meets the power test, but substantially all of the VIE’s activities are being conducted on behalf of one party in the related party group, the party receiving the benefit of substantially all of the VIE’s activities would consolidate.		
Reconsideration events: IFRS 10 requires the consolidation analysis to be reassessed when facts and circumstances indicate that there are changes to one or more of the elements of the control definition.	Determination of whether an entity is a VIE gets reconsidered either when a specific reconsideration event occurs or, in the case of a voting interest entity, when voting interests or rights change.	Similar to IFRS.	No specific guidance, however an entity would reassess whether it controls an investee when facts or circumstances change, indicating changes to one or more of the elements of the control definition.

IFRS	US GAAP	Ind AS	Indian GAAP
	However, the determination of a VIE's primary beneficiary is an ongoing assessment.		
Silos: IFRS incorporates guidance for silos that is similar to US GAAP; however, the silo guidance under IFRS applies regardless of whether the larger entity is a VIE.	Although US GAAP applies to legal structures, guidance is provided to address circumstances in which an entity with a variable interest shall treat a portion of the entity as a separate VIE if specific assets or activities (a silo) are essentially the only source of payment for specified liabilities or specified other interests. A party that holds a variable interest in the silo then assesses whether it is the silo's primary beneficiary. The key distinction is that the US GAAP silo guidance applies only when the larger entity is a VIE.	Similar to IFRS.	Control is assessed over legal entities. There is no specific guidance on silos.

12.5. Accounting policies and reporting periods

In relation to certain specialized industries, US GAAP allows more flexibility for use of different accounting policies within a single set of consolidated financial statements.

In the event of non-uniform reporting periods, the treatment of significant transactions in any gap period varies under the frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
Accounting policies: Consolidated financial statements are prepared by using uniform accounting policies for like transactions and events in similar circumstances for all of the entities in a group.	Consolidated financial statements are prepared by using uniform accounting policies for all of the entities in a group. Limited exceptions exist when a subsidiary has specialized industry accounting	Similar to IFRS.	Similar to IFRS. However, if it is not practicable to use uniform accounting policies that fact should be disclosed together with the proportions of the items to

IFRS	US GAAP	Ind AS	Indian GAAP
	principles. Retention of the specialized accounting policy in consolidation is permitted in such cases.		which different accounting policies have been applied.
Non-uniform reporting periods: The consolidated financial statements of the parent and the subsidiary are usually drawn up at the same reporting date. However, the subsidiary accounts as of a different reporting date can be consolidated, provided the difference between the reporting dates is no more than three months. Adjustments are made to the financial statements for significant transactions that occur in the gap period.	The consolidated financial statements of the parent and the subsidiary are usually drawn up at the same reporting date. However, the consolidation of subsidiary accounts can be drawn up at a different reporting date, provided the difference between the reporting dates is no more than three months. Recognition is given, by disclosure or adjustment, to the effects of intervening events that would materially affect consolidated financial statements.	Similar to IFRS.	The financial statements used in the consolidation should be drawn up to the same reporting date. If it is not practicable to draw up the financial statements of one or more subsidiaries to such date and, accordingly, those financial statements are drawn up to different reporting dates, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the parent's financial statements. In any case, the difference between reporting dates should not be more than six months.

12.6. Losses of subsidiary

IFRS	US GAAP	Ind AS	Indian GAAP
Profit or loss and each component of other comprehensive income shall be attributed to the parent and the non-controlling interests even if the non-controlling interests have a deficit balance.	Similar to IFRS.	Similar to IFRS.	The losses applicable to the minority in a consolidated subsidiary may exceed the carrying amount of minority interest in the subsidiary. The excess, and any further losses applicable to the minority, are adjusted against the majority

IFRS	US GAAP	Ind AS	Indian GAAP
			interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

12.7. Presentation of non-controlling interests (NCI)

IFRS	US GAAP	Ind AS	Indian GAAP
Non-controlling interests shall be presented in the consolidated statement of financial position within equity apart from the Parent's equity.	Similar to IFRS.	Similar to IFRS.	Minority interests/NCI are presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders (mezzanine presentation).

12.8. Changes in ownership interest

IFRS	US GAAP	Ind AS	Indian GAAP
No loss of control: Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control shall be accounted for as equity transactions.	Similar to IFRS.	Similar to IFRS.	The difference between the proceeds from the disposal of parent's ownership interest in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognized in profit and loss.

IFRS	US GAAP	Ind AS	Indian GAAP
Loss of control: If a parent loses control of a subsidiary, it shall recognize a gain or loss on the interest sold in profit or loss. Any retained interest in the former subsidiary is remeasured at fair value with any gain or loss recognized in profit or loss.	Similar to IFRS.	Similar to IFRS.	The carrying amount of the investment at the date that it ceases to be a subsidiary is regarded as cost thereafter. There is no distinction in accounting whether the change in ownership results in loss of control or not. Any retained interest in the former subsidiary is not remeasured on date of loss of control.

Equity investments/investments in associates and joint ventures

12.9. Significant influence and potential voting rights

IFRS	US GAAP	Ind AS	Indian GAAP
Significant influence is the power to participate in the financial and operating decisions of the investee but not control or joint control over those policies. There is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of voting power of the investee.	Significant influence is the ability to significantly influence the operating and financial policies of an investee. Similar to IFRS, there is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of voting power of the investee.	Similar to IFRS.	Significant influence is the power to participate in the financial and/or operating policy decisions of the investee but not control over those policies. Similar to US GAAP and IFRS/Ind AS, there is a rebuttable presumption of significant influence if an entity holds 20 to 50 percent of voting power of the investee.

The consideration of potential voting rights might lead to differences in whether an investor has significant influence.

IFRS	US GAAP	Ind AS	Indian GAAP
Potential voting rights are considered in determining whether the investor exerts significant influence over the investee. Potential voting rights are important in establishing whether the entity is an associate. Potential voting rights that currently does not give access to the returns associated with the ownership interest are not, however, considered in the measurement of the equity earnings recorded by the investor.	Potential voting rights are generally not considered in the assessment of whether an investor has significant influence.	Similar to IFRS.	In considering the share ownership, the potential equity shares of the investee held by the investor are not taken into account for determining the voting power of the investor (and therefore any significant influence).

12.10. Definition and types of joint arrangements/joint ventures

Differences in the definition or types of joint arrangements/joint ventures may affect reported figures, earnings, ratios, and covenants.

IFRS	US GAAP	Ind AS	Indian GAAP
A joint arrangement is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control of an economic activity. Unanimous consent is required for the relevant activities of the parties sharing control, but not necessarily of all parties in the venture. IFRS classifies joint arrangements into two types: • Joint operations, which give parties to the arrangement direct rights to the assets and obligations for the liabilities	The term joint venture refers only to jointly controlled entities, where the arrangement is carried on through a separate entity. A corporate joint venture is defined as a corporation owned and operated by a small group of businesses as a separate and specific business or project for the mutual benefit of the members of the group. Most joint venture arrangements give each venturer (investor) participating rights over the joint venture (with no single venturer having unilateral control), and each party sharing control must consent to the venture's operating, investing, and financing decisions.	Similar to IFRS.	A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control. Definition of joint control is similar to IFRS, except that unanimous consent of parties is not specifically stated in AS 27. In some cases, when an enterprise by a contractual arrangement establishes joint control over another entity which is a subsidiary within the meaning of Accounting Standard (AS) 21, then such other entity is consolidated under AS 21, and is not treated as a joint venture.

IFRS	US GAAP	Ind AS	Indian GAAP
• Joint ventures, which give the parties rights to the net assets or outcome of the arrangement.			Indian GAAP distinguishes between three types of joint ventures: • Jointly controlled entities, in which the arrangement is carried on through a separate entity (for example, a company or partnership) • Jointly controlled operations, in which each venturer uses its own assets and other resources for a specific project • Jointly controlled assets, which is a project carried on with assets that are jointly owned and or controlled.

12.11. *Accounting for joint arrangements*

Under IFRS/Ind AS and Indian GAAP, classification of joint arrangement as a joint venture or a joint operation determines the accounting by the investor. Under US GAAP, the proportional consolidation method is allowed for entities only in certain industries.

IFRS	US GAAP	Ind AS	Indian GAAP
The classification of a joint arrangement as a joint venture or a joint operation determines the investor's accounting. An investor in a joint venture must account for its interest using the equity method in accordance with IAS 28. An investor in a joint operation accounts for its share of assets, liabilities, income and expenses based on its direct rights	Prior to determining the accounting model, an entity first assesses whether the joint venture is a VIE. If the joint venture is a VIE, the accounting model discussed earlier is applied. Joint ventures often have a variety of service, purchase, and/or sales agreements, as well as funding	Similar to IFRS.	Proportionate consolidation method is used to account for an interest in jointly controlled entity, except : (a) an interest in a jointly controlled entity which is acquired and held exclusively with a view to its

IFRS	US GAAP	Ind AS	Indian GAAP
and obligations in standalone (and consequentially in consolidated) financial statements. If the joint operation constitutes a business, the investor must apply relevant principles on business combination accounting contained in IFRS 3, and other standards, and disclose the related information required under those standards. A joint operator that increases its interest in a joint operation that constitutes a business should not remeasure previously held interests in the joint operation when joint control is retained.	and other arrangements that may affect the entity's status as a VIE. Equity interests are often split 50-50 or near 50-50, making non-equity interests (i.e., any variable interests) highly relevant in consolidation decisions. Careful consideration of all relevant contracts and governing documents is critical in the determination of whether a joint venture is within the scope of the variable interest model and, if so, whether consolidation is required. If the joint venture is not a VIE, venturers apply the equity method to recognize the investment in a jointly controlled entity. Proportionate consolidation is generally not permitted except for unincorporated entities operating in certain industries. A full understanding of the rights and responsibilities conveyed in management, shareholder, and other governing documents is necessary.		subsequent disposal in the near future; and (b) an interest in a jointly controlled entity which operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venturer. Interest in such a jointly controlled entity should be accounted for as an investment in accordance with AS 13. In respect of its interests in jointly controlled operations, a venturer should recognize in its separate financial statements and consequently in its consolidated financial statements: (a) the assets that it controls and the liabilities that it incurs; and (b) the expenses that it incurs and its share of the income that it earns from the joint venture. In respect of its interest in jointly controlled assets, a venturer should recognize, in its separate financial statements, and consequently in its consolidated financial statements: (a) its share of the jointly controlled assets, classified

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
			according to the nature of the assets; (b) any liabilities which it has incurred; (c) its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; (d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and (e) any expenses which it has incurred in respect of its interest in the joint venture.

12.12. Accounting for contributions to a jointly controlled entity

Gain recognition upon contribution to a jointly controlled entity is more likely under IFRS/Ind AS.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
A venturer that contributes nonmonetary assets—such as shares; property, plant, and equipment; or intangible assets—to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity generally recognizes in its consolidated income statement the portion of the gain or loss attributable to the equity interests of the other venturers, except when • The significant risks and rewards of ownership of the contributed assets	As a general rule, a venturer records its contributions to a joint venture at cost (i.e., the amount of cash contributed and the carrying value of other nonmonetary assets contributed). When a venturer contributes appreciated noncash assets and others have invested cash or other hard assets, it might be appropriate to recognize a gain for a portion of that appreciation. Practice and	Similar to IFRS.	Similar to IFRS, however, AS 27 does not include exceptions relating to whether the gain/loss can be measured reliably or whether the transaction lacks commercial substance.

IFRS	US GAAP	Ind AS	Indian GAAP
have not been transferred to the jointly controlled entity, • The gain or loss on the assets contributed cannot be measured reliably, or • The contribution transaction lacks commercial substance. A transaction has commercial substance if the entity's future cash flows are expected to change as a result of the transaction. Exchange transactions that have a business purpose, and the exchange of assets that are not identical is likely to result in a change in the entity's cash flows. If the expected difference in the cash flows is significant, the exchange has commercial substance. When the nonmonetary asset is a business, a policy choice is currently available for full or partial gain or loss recognition. IAS 28 provides an exception to the recognition of gains or losses only when the transaction lacks commercial substance.	existing literature vary in this area. As a result, the specific facts and circumstances affect gain recognition and require careful analysis.		

12.13. Equity method of accounting—separate financial statements

IFRS	US GAAP	Ind AS	Indian GAAP
When separate (parent only) financial statements are prepared, investments in subsidiaries, joint ventures, and associates are accounted for (depending on the type of investment) at either:	In some cases parent-entity financial statements may be needed, in addition to consolidated financial statements, to indicate adequately the position of bondholders and other creditors or preferred	Similar to IFRS, except that the option to follow equity method is not available under Ind AS. The rationale is that the equity method is not a measurement basis like cost and fair value but	Under Indian GAAP, investments in subsidiaries, associates and joint ventures are carried at cost in accordance with AS 13.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
• Cost • Under the equity method, or • Fair value.	shareholders of the parent. Consolidating financial statements, in which one column is used for the parent and other columns for particular subsidiaries or groups of subsidiaries, often are an effective means of presenting the pertinent information. There exists guidance under SEC rules for presenting such information in specific circumstances. However, under US GAAP, consolidated financial statements are the general-purpose financial statements of a parent having one or more subsidiaries; thus, parent-entity financial statements are not a valid substitute for consolidated financial statements.	is a manner of consolidation and therefore would lead to inconsistent accounting conceptually.	

12.14. Equity method of accounting—exemption from applying the equity method

An exemption from applying the equity method of accounting (i.e., use of the fair value through profit or loss option) is available to a broader group of entities under US GAAP.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
An entity can only elect fair value through profit or loss accounting for equity method investments held by venture capital organizations, mutual funds, unit trusts, and similar entities, including investment-linked insurance funds. If an associate or joint venture is an investment entity, the equity method of accounting is applied by either (1) recording the results of the investment	Equity method investments are considered financial assets and therefore are eligible for the fair value accounting option. An entity can measure an investment in associates or joint ventures at fair value through profit or loss, regardless of whether it is a venture capital or similar organization.	Similar to IFRS.	AS 23 does not provide specific exemption from equity method accounting for equity method investments held by venture capital organizations, mutual funds, unit trusts, and similar entities, including investment-linked insurance funds. Under Indian GAAP, equity method of accounting is applied

IFRS	US GAAP	Ind AS	Indian GAAP
entity that are at fair value or (2) undoing the fair value measurements of the investment entity. In other instances, an entity must apply the equity method to its investments in associates and joint ventures unless it is exempt from preparing consolidated financial statements.			only for accounting of investments in associates in the consolidated financial statements except when: (a) the investment is acquired and held exclusively with a view to its subsequent disposal in the near future (generally not more than 12 months from acquisition); or (b) the associate operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor. Investment in an associate or joint venture cannot be carried at fair value.

12.15. Equity method of accounting—classification as held for sale

Application of the equity method of accounting may cease before significant influence is lost under IFRS/Ind AS (but not under US GAAP/Indian GAAP).

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
If an equity method investment meets the held for sale criteria in accordance with IFRS 5, an investor records the investment at the lower of its (1) fair value less costs to sell or (2) carrying amount as of the date the investment is classified as held for sale.	Under US GAAP, equity method investments are not classified as held for sale. An investor applies equity method accounting until significant influence is lost.	Similar to IFRS.	There is no requirement to classify investments in associate as held for sale. An investor applies equity method to investment in associate until significant influence is lost. However, equity method is not applied to an investment in associate which is acquired and held for disposal in near future. Such an investment is accounted for as per AS 13.

12.16. *Equity method of accounting—acquisition date excess of investor's share of fair value over cost*

IFRS may allow for day one gain recognition (whereas US GAAP would not). Ind AS requires such gain to be recognized in equity.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Any acquisition date excess of the investor's share of net fair value of the associates' identifiable assets and liabilities over the cost of the investment is recognized as income in the period in which the investment is acquired.	Any acquisition date excess of the investor's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included in the basis differences and is amortized—if appropriate—over the underlying asset's useful life. If amortization is not appropriate, the difference is included in the gain/loss upon ultimate disposition of the investment.	Any acquisition date excess of the investor's share of net fair value of the associates' identifiable assets and liabilities over the cost of the investment is recognized directly in equity as capital reserve.	Any acquisition date excess of the investor's share of the equity of the associate over the cost the investment is recognized as capital reserve. This capital reserve continues to be part of the investment in associate, but is disclosed separately.

12.17. Equity method of accounting—conforming accounting policies and reporting periods

A greater degree of conformity is required under IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
Accounting policies: An investor's financial statements are prepared using uniform accounting policies for similar transactions and events. This also applies to equity method investees.	The equity investee's accounting policies do not have to conform to the investor's accounting policies if the investee follows an acceptable alternative US GAAP treatment.	Similar to IFRS, unless it is impracticable to prepare financial statements using uniform accounting policies.	Similar to IFRS, except that if it is not practicable to do so, that fact is to be disclosed along with a brief description of the differences between the accounting policies.
Non-uniform reporting periods: If the financial statements of an associate or a joint venture used in applying the equity method are prepared as of a date different from that used by the entity, adjustments shall be made for the effects of significant transactions or events that occur between that date and the date of the entity's financial statements. In any case, the difference between the end of the reporting period of the associate or joint venture and that of the entity shall be no more than three months. The length of the reporting periods and any difference between the ends of the reporting periods shall be the same from period to period.	If financial statements of an investee are not sufficiently timely for an investor to apply the equity method currently, the investor ordinarily shall record its share of the earnings or losses of an investee from the most recent available financial statements. A lag in reporting shall be consistent from period to period. While the equity method of accounting model does not specify a limit on the extent of the lag period, the provisions relating to consolidation of subsidiaries with fiscal periods different from the parent offer a reasonable guideline. That is, the difference in fiscal periods should not be more than about three months.	Similar to IFRS.	The most recent available financial statements of the associate are used by the investor in applying the equity method; they are usually drawn up to the same date as the financial statements of the investor. When the reporting dates of the investor and the associate are different, the associate often prepares, for the use of the investor, statements as at the same date as the financial statements of the investor. When it is impracticable to do this, financial statements drawn up to a different reporting date may be used. The consistency principle requires that the length of the reporting periods, and any difference in the reporting dates, are consistent from period to period.

IFRS	US GAAP	Ind AS	Indian GAAP
			Unlike IFRS/Ind AS, AS 23 does not specify any time lag with respect to the difference between the end of the reporting period of the associate or joint venture and that of the investor entity.

12.18. Equity method of accounting—impairment

Impairment losses may be recognized earlier, and potentially may be reversed, under IFRS, Ind AS and Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Impairment: An investor should assess whether impairment indicators exist, in accordance with IAS 39/IFRS 9. If there are indicators that the investment may be impaired, the investment is tested for impairment in accordance with IAS 36. The concept of a temporary decline does not exist under IFRS.	An investor should determine whether a loss in the fair value of an investment below its carrying value is a temporary decline. If it is other than temporary, the investor calculates an impairment as the excess of the investment's carrying amount over the fair value.	Similar to IFRS.	Impairment test on investment is applied for decline in value considered other-than-temporary.
Reversal of impairment: Impairments of equity method investments can be reversed in accordance with IAS 36.	Reversal of impairments on equity method investments are prohibited.	Similar to IFRS.	There is no specific guidance on reversal of impairment. However, drawing analogy from AS 13, the reduction in carrying amount can be reversed when there is a rise in the value of the investment, or if the reasons for the reduction no longer exist.

12.19. Equity method of accounting—losses in excess of an investor's interest

Losses may be recognized earlier under US GAAP than under IFRS/Ind AS/Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
If an entity's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the entity discontinues recognizing its share of further losses.	Similar to IFRS. However, even without a legal or constructive obligation to fund losses, a loss in excess of the investment amount (i.e., a negative or liability investment balance) should be recognized when the imminent return to profitable	Similar to IFRS.	Under Indian GAAP, the investor's share of losses in the associate is recognized to the extent of carrying amount of investment in associate.

The interest in an associate or a joint venture is the carrying amount of the investment in the associate or joint venture determined using the equity method together with any long-term interests that, in substance, form part of the entity's net investment in the associate or joint venture. Unless an entity has incurred a legal or constructive obligation, losses in excess of the investment are not recognized. The US GAAP concept of an imminent return to profitable operations does not exist under IFRS.	operations by an investee appears to be assured.		Additional losses are recognized to the extent that the investor has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the investor has guaranteed or to which the investor is otherwise committed.

12.20. Equity method of accounting—loss of significant influence or joint control

The potential for greater earnings volatility exists under IFRS/Ind AS.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
If an entity loses significant influence or joint control over an equity method investment and the retained interest is a financial asset, the entity should measure the retained interest at fair value. The resultant gain or loss is recognized in the income statement. In contrast, if an investment in an associate becomes an investment in a joint venture, or vice versa, such that the equity method of accounting continues to apply, no gain or loss is recognized in the income statement.	Upon the loss of significant influence or joint control, any retained interest is measured at the carrying amount of the investment at the date of the change in status.	Similar to IFRS.	If an entity loses significant influence or joint control over an investee and the retained interest results in the investment being accounted for under AS 13, such retained interest is not remeasured to fair value. The carrying amount of the investment at the date that it ceases to be an associate or a jointly controlled entity is regarded as cost thereafter.

12.21. Accounting for investments in qualified affordable housing projects

US GAAP permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not contain any guidance specific to accounting for investments in qualified affordable housing projects.	An investor that owns a passive investment in limited liability entities that manage or invest in qualified affordable housing projects can use the proportional amortization method if certain conditions are met. Under the proportional amortization method, the initial cost of the investment is amortized in proportion to the tax benefits received over the period that the investor expects to receive the tax credits and other benefits. Both the amortization expense determined under the proportional amortization method and the tax benefits received will be recognized as a component of income taxes. Use of the proportional amortization method for investments that meet the requisite conditions is an accounting policy election. Once elected, the proportional amortization method should be applied to all qualifying investments.	Similar to IFRS.	Indian GAAP does not contain any guidance specific to accounting for investments in qualified affordable housing projects.

Disclosure

12.22. Disclosures

US GAAP and IFRS/Ind AS require extensive disclosure about an entity's involvement in VIEs/structured entities, including those that are not consolidated.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS has disclosure requirements for interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities which include the following: • Significant judgments and assumptions in determining if an investor has control or joint control/significant influence over another entity, and the type of joint arrangement • The composition of the group and interests that non-controlling interests have in the group's activities and cash flows • The nature and extent of any significant restrictions on the ability of the investor to access or use assets, and settle liabilities • The nature and extent of an investor's interest in unconsolidated structured entities • The nature of, and changes in, the risks associated with an investor's interest in consolidated and unconsolidated structured entities • The nature, extent and financial effects of an investors' interests in joint arrangements and associates,	Guidance applies to both nonpublic and public enterprises. The principal objectives of VIE disclosures are to provide financial statement users with an understanding of the following: • Significant judgments and assumptions made by an enterprise in determining whether it must consolidate a VIE and/or disclose information about its involvement in a VIE • The nature of restrictions on a consolidated VIE's assets and on the settlement of its liabilities reported by an enterprise in its statement of financial position, including the carrying amounts of such assets and liabilities • The nature of, and changes in, the risks associated with an enterprise's involvement with the VIE • How an enterprise's involvement with the VIE affects the enterprise's	Similar to IFRS. There are certain additional disclosure requirements required by Schedule III (Division II) of the Companies Act, 2013 with respect to consolidated financial statements: • Disclosure of other comprehensive income attributable to 'owners of the parent' and 'non-controlling interests' in the statement of profit and loss. • Disclosure of information regarding the percentage share in consolidated net assets, profit or loss, other comprehensive income and total comprehensive income of subsidiaries (Indian and foreign), non-controlling interests, associates and joint ventures.	Indian GAAP has several consolidation disclosure requirements, which include the following: • List of all subsidiaries/ associates and joint ventures including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held; • The nature of the relationship between the parent and a subsidiary, if the parent does not own, directly or indirectly through subsidiaries, more than one-half of the voting power of the subsidiary • The effect of the acquisition and disposal of subsidiaries on the financial position at the reporting date, the results for the reporting period and on the corresponding amounts for the preceding period

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
and the nature of the risks associated with those interests • The consequences of changes in ownership interest of a subsidiary that do not result in loss of control • The consequences of a loss of control of a subsidiary during the period An entity is required to consider the level of detail necessary to satisfy the disclosure objectives of enabling users to evaluate the nature and associated risks of its interests, and the effects of those interests on its financial statements. Additional detailed disclosure guidance is provided for meeting the objectives described above. If control of a subsidiary is lost, the parent shall disclose the gain or loss, if any, and: • Portion of that gain or loss attributable to recognizing any investment retained in former subsidiary at its fair value at date when control is lost • Line item(s) in the statement of comprehensive income in which the gain or loss is recognized (if not presented separately in the statement of comprehensive income) Additional disclosures are required in instances when separate financial statements are prepared for a parent that elects not to prepare	financial position, financial performance, and cash flows The level of disclosure to achieve these objectives may depend on the facts and circumstances surrounding the VIE and the enterprise's interest in that entity. Additional detailed disclosure guidance is provided for meeting the objectives described above. Specific disclosures are required for (1) a primary beneficiary of a VIE and (2) an entity that holds a variable interest in a VIE (but is not the primary beneficiary).		• The names of the subsidiary(ies) of which reporting date(s) is/are different from that of the parent and the difference in reporting dates • If a subsidiary/associate is not consolidated then the reasons for the same should be disclosed. • The name(s) of the associate(s) of which reporting date(s) is/are different from that of the financial statements of an investor and the differences in reporting dates should be disclosed in the consolidated financial statements. • In case an associate uses accounting policies other than those adopted for the consolidated financial statements for like transactions and events in similar circumstances and it is not practicable to make appropriate adjustments to the associate's financial statements, the fact should be disclosed along with a brief description of the differences in the accounting policies.

IFRS	US GAAP	Ind AS	Indian GAAP
consolidated financial statements, or when a parent, venturer with an interest in a jointly controlled entity, or investor in an associate prepares separate financial statements.			• A venturer should disclose the aggregate amount of the certain specified categories of commitments and contingent liabilities (unless the probability of loss is remote) separately. • A venturer should disclose a list of all joint ventures and description of interests in significant joint ventures. In respect of jointly controlled entities, the venturer should also disclose the proportion of ownership interest, name and country of incorporation or residence. • A venturer should disclose, in its separate financial statements, the aggregate amounts of each of the assets, liabilities, income and expenses related to its interests in the jointly controlled entities. There are certain additional disclosure requirements required by Schedule III (Division I) of the Companies Act, 2013 with respect to consolidated financial statements.

12.23. Recent/proposed guidance

12.23.1. FASB Accounting Standards Update, Business Combinations (Topic 805): Clarifying the Definition of a Business

In January 2017, the FASB issued final guidance that would revise the definition of a business. For more information on this new guidance, refer to the SD 13, Business Combinations.

12.23.2. FASB issued Accounting Standards Update 2017-02, Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity

The FASB issued final guidance that clarifies the model used by not-for-profit (NFP) entities to evaluate the consolidation of investments in limited partnerships (and limited liability companies that are similar to limited partnerships).

Under the new guidance, NFP investors in a limited partnership or similar entity will continue to apply a presumption that the general partner has control and should consolidate the investment unless substantive kick-out or participating rights held by any limited partners overcome that presumption.

If the general partner does not have control, the limited partners have to evaluate whether they have control. If a limited partner has control, consolidation is required unless the investment is part of a portfolio for which the NFP "portfolio-wide" fair value option has been elected. In that situation, the limited partner can instead report its interest at fair value, mirroring an exception that already exists for NFP general partners.

The new guidance should be adopted at the same time an NFP adopts the FASB's other new consolidation guidance, which is required for fiscal years beginning after 15 December 2016, and interim periods within fiscal years beginning after 15 December 2017. Early adoption is permitted.

12.23.3. FASB issued Accounting Standards Update 2016-17, Consolidation (Topic 810): Interests held through Related Parties that are under Common Control

The ASU alters how a decision maker needs to consider indirect interests in a variable interest entity (VIE) held through an entity under common control. The new guidance amends ASU 2015-02, issued in February 2015.

Under the new ASU, if a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party. Currently, ASU 2015-02 directs the decision maker to treat the common control party's interest in the VIE as if the decision maker held the interest itself (sometimes called the "full attribution approach"). Under ASU 2015-02, a decision maker applies the proportionate approach only in those instances when it holds an indirect interest in a VIE through a related party that is not under common control. The amendment eliminates this distinction.

The provisions are effective for public business entities for fiscal years beginning after 15 December 2016, including interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after 15 December 2016, and interim periods within fiscal years beginning after 15 December 2017. Early adoption is permitted, including adoption in an interim period.

12.23.4. FASB Accounting Standards Update 2016-07, Simplifying the Transition to the Equity Method of Accounting

The new guidance removes the requirement for retrospective application. Instead, the equity method of accounting should be applied prospectively from the date significant influence is obtained. Investors should add the cost of acquiring the additional interest in the investee (if any) to the current basis of their previously held interest.

The new standard also provides specific guidance for available-for-sale securities that become eligible for the equity method of accounting. In those cases, any unrealized gain or loss recorded within accumulated other comprehensive income should be recognized in earnings at the date the investment initially qualifies for the use of the equity method.

The new standard should be applied prospectively for investments that qualify for the equity method of accounting after the effective date. For all entities, public and nonpublic, the new standard is effective for interim and annual periods beginning after 15 December 2016. Early adoption is permitted.

12.23.5. IASB proposed amendments to IFRS 3, Business Combinations and IFRS 11, Joint Arrangements

In June 2016, the IASB issued a proposal to change the definition of a business that is substantially the same as the amendments proposed by the FASB. The IASB proposal clarifies the accounting for previously held interests in the assets and liabilities of a joint operation. For more information on this proposed standard, refer to SD 13, Business Combinations.

12.23.6. IASB amendments to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB issued an amendment to IFRS 10 and IAS 28 to clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures.

The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a business.

Full gain or loss would be recognized by the investor when the nonmonetary assets constitute a business. If the assets do not meet the definition of a business, the gain or loss would be recognized by the investor to the extent of the other investors' interests.

In December 2015, the IASB deferred the effective date of these amendments indefinitely.

12.23.7. IASB Annual Improvements to IFRS standards 2014-2016

Clarifying the scope of IFRS 12

The amendment clarified that the disclosures requirement of IFRS 12 *Disclosure of Interests in Other Entities* are applicable to interest in entities classified as held for sale except for summarized financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests.

The objective of IFRS 12 was to provide information about nature of interests in other entities, risks associated with these interests, and the effect of these interests on financial statements. The Board noted that this objective is relevant to interests in other entities regardless of whether they are classified as held for sale. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. An option to apply the amendments early is not necessary because disclosing additional information is not prohibited.

Clarifying measurement of investments under IAS 28

IAS 28 allows venture capital organizations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition.

These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2018. Early application is permitted.

The ICAI has issued an exposure draft containing similar amendments as above. The amendments will be effective for annual periods beginning on or after 1 April 2018, subject to MCA notification.

12.23.8. IASB has issued an exposure draft of annual improvements 2015-2017, IAS 28, Investments in Associates and Joint Ventures

In January 2017, the Board issued an exposure draft which proposes to clarify that an entity is required to apply IFRS 9 Financial Instruments, including its impairment requirements, to long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint venture but to which the equity method is not applied.

13. Business combinations

13.1. Business combinations

IFRS/Ind AS and US GAAP are largely converged in this area. The business combinations standards under US GAAP and IFRS/Ind AS are close in principles and language. However, some differences remain between US GAAP and IFRS/Ind AS pertaining to (1) the definition of control, (2) recognition of certain assets and liabilities based on the reliably measurable criterion, (3) accounting for contingencies, and (4) accounting for non-controlling interests. Significant differences also continue to exist in subsequent accounting. Different requirements for impairment testing and accounting for deferred taxes (e.g., the recognition of a valuation allowance) are among the most significant.

In comparison, there is no comprehensive accounting standard under Indian GAAP dealing with all business combinations, and accounting is driven by legal form. The guidance for amalgamations is prescribed in AS 14 *Accounting for Amalgamations*. AS 21 deals with investment in subsidiaries and guidance is obtained from AS 10 (Revised) and AS 26 when assets are acquired in a business. Under Indian GAAP, amalgamations can be accounted using the pooling-of-interests method, if it meets certain criteria, or the purchase method. Further, there are significant differences in application of purchase method under Indian GAAP when compared to IFRS/Ind AS and US GAAP, for example the acquired assets and liabilities can be incorporated at their existing carrying amounts or fair value.

Technical references

US GAAP

ASC 205-20, ASC 350-10, ASC 350-20, ASC 350-30, ASC 360-10, ASC 805, ASC 810

IFRS

IAS 12, IAS 38, IAS 39, IFRS 2, IFRS 3, IFRS 10, IFRS 13

Ind AS

Ind AS 103, Ind AS 109, Ind AS 110, Ind AS 113

Indian GAAP

AS 10, AS 14, AS 21, AS 26, AS 28

PwC Guide

Business combinations and non-controlling interests, 2015 global second edition

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

Determining whether the acquisition method should be applied

13.2. Definition of control

Determining whether the acquisition method applies to a transaction begins with understanding whether the transaction involves the acquisition of one or more businesses and whether it is a business combination within the scope of the business combinations guidance.

The business combinations guidance states that for a business combination to occur, an acquirer must obtain control over a business. US GAAP, IFRS/Ind AS and Indian GAAP define control differently. Consequently, the same transaction may be accounted for as a business combination under US GAAP, but not under IFRS/Ind AS, or vice versa. The table below highlights various considerations in determining control under the different frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
An investor has control over an investee when all of the following elements are present: • Power over the investee • Exposure, or rights, to variable returns from its involvement with the investee • Ability to use power to affect the returns See SD 12 for further information on the concept of control and the consolidation model under IFRS.	Consolidation decisions are evaluated first under the variable interest entity model. Qualitatively assess if the variable interest meets both criteria: • Power to direct activities that most significantly impact economic performance • Potential to receive significant benefits or absorb significant losses All other entities are evaluated under the voting interest model. See SD 12 for further information on the concept of control and the consolidation model under US GAAP.	Similar to IFRS.	With respect to investment in subsidiary the guidance given in AS 21 would apply which defines control as follows: • An investor has control over an investee when one of the following elements are present: – the ownership, directly or indirectly through subsidiary(ies), of more than one-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. Under Indian GAAP, it is possible that an entity may be

IFRS	US GAAP	Ind AS	Indian GAAP
			controlled by two parents, one may be controlling the voting interest and other may control the board of directors, resulting in both the parents consolidating that entity.
Accounting for business combinations: The acquirer in a business combination within the scope of IFRS 3 shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. See SD 13.7 for further information on Combinations involving entities under common control under IFRS.	Similar to IFRS, except in case of combinations of entities under common control which are accounted for in accordance with the guidance in ASC Topic 850. See SD 13.7 for further information on Combinations involving entities under common control under US GAAP.	Similar to IFRS, except that in case of common control transactions, the business combination is accounted for at book values; fair value option is not available.	In comparison, there is no single accounting standard under Indian GAAP dealing with business combinations and accounting is driven by legal form and applicable accounting standards. The guidance for amalgamations is prescribed in AS 14 and guidance for preparation of consolidated financial statements of the parent having subsidiaries is prescribed in AS 21. The guidance in AS 10 (Revised) and AS 26 is referred to when accounting for assets acquired in a business. ***AS 14:*** Amalgamations can be accounted using the pooling-of-interests method, if it meets certain criteria, or the purchase method. Further, there are significant differences in application of purchase method under Indian GAAP when compared to IFRS/Ind AS and US GAAP, for example the acquired assets and liabilities can be incorporated at

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
			their existing carrying amounts or fair value. In case of amalgamation in the nature of purchase, any excess of the amount of the consideration over the value of the net assets of the transferor company should be recognized as goodwill arising on amalgamation. If the amount of the consideration is lower than the value of the net assets acquired, the difference is accounted as capital reserve. ***AS 21:*** In case of acquisition by way of investment in subsidiaries, the accounting of the acquisition in the consolidated financial statements is performed using carrying value of the assets and liabilities of the subsidiary as at the date of acquisition. Any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, is accounted as goodwill to be recognized as an asset in the consolidated financial statements; alternatively, where the cost to the parent is lower than its portion of equity of the subsidiary, the difference is accounted as capital reserve.

IFRS	US GAAP	Ind AS	Indian GAAP
			AS 10 (Revised) and AS 26: When assets in a business are acquired for a consolidated price, such price is allocated to those items based on their fair value. The excess of the consolidated price over the value of such assets is recognized as goodwill (intangible asset) as per AS 26.

Acquired assets and liabilities

13.3. Acquired contingencies

There are significant differences related to the recognition of contingent liabilities and contingent assets.

IFRS	US GAAP	Ind AS	Indian GAAP
The acquiree's contingent liabilities are recognized at the acquisition date provided their fair values can be measured reliably. The contingent liability is measured subsequently at the higher of the amount initially recognized less, if appropriate, cumulative amortization recognized under the revenue guidance (IAS 18) or the best estimate of the amount required to settle (under the provisions guidance—IAS 37). Contingent assets are not recognized.	Acquired assets and liabilities subject to contingencies are recognized at fair value if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies using existing guidance. If recognized at fair value on acquisition, an acquirer should develop a systematic and rational basis for subsequently measuring and accounting for assets and liabilities arising from contingencies depending on their nature.	Similar to IFRS.	No specific guidance exists, however contingent liabilities and contingent assets both are not recognized as per guidance in AS 29.

13.4. Assignment/allocation and impairment of goodwill

The definition of the levels at which goodwill is assigned/allocated and tested for impairment varies between the frameworks and might not be the same.

Additional differences in the impairment testing methodologies could create further variability in the timing and extent of recognized impairment losses.

IFRS	US GAAP	Ind AS	Indian GAAP
Goodwill is allocated to a cash-generating unit (CGU) or group of CGUs that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Goodwill is tested for impairment at least on an annual basis and between annual tests if an event occurs or circumstances change that may indicate an impairment. Goodwill impairment testing is performed using a one-step approach: • The recoverable amount of the CGU or group of CGUs (i.e., the higher of its fair value less costs of disposal and its value in use) is compared with its carrying amount. • Any impairment loss is recognized in operating results as the excess of the carrying amount over the recoverable amount. The impairment loss is allocated first to goodwill and then on a pro rata basis to the other assets of the CGU or group of CGUs to the extent that the impairment loss exceeds the carrying value of goodwill.	Goodwill is assigned to an entity's reporting units, as defined within the guidance. Goodwill is tested for impairment at least on an annual basis and between annual tests if an event occurs or circumstances change that may indicate an impairment. When performing the goodwill impairment test, an entity may first assess qualitative factors to determine whether the two-step goodwill impairment test is necessary. If the entity determines, based on the qualitative assessment, that it is more likely than not that the fair value of a reporting unit is below its carrying amount, the two-step impairment test is performed. An entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to Step 1 of the two-step goodwill impairment test: • In Step 1, the fair value and the carrying amount of the reporting unit, including goodwill, are compared. If the fair value of the reporting unit is less than the carrying	Similar to IFRS.	There are different amortization/impairment models for goodwill depending on the relevant accounting standard applicable to the transaction. Goodwill on consolidation under AS 21 is not amortized and an assessment whether there is any indication of the goodwill being impaired is done at every balance sheet date. Goodwill arising on amalgamation under AS 14 is amortized over a period not exceeding five years unless a somewhat longer period can be justified. Such goodwill is tested for impairment when there is any indication of impairment pursuant to AS 28. Goodwill arising from acquisition of business is recognized and accounted in accordance with AS 26 read with AS 28. Goodwill is allocated to a cash-generating unit (CGU), as defined within the guidance under AS 28

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
The reversal of impairments relating to goodwill is not permitted.	amount, Step 2 is completed to determine the amount of the goodwill impairment loss, if any. • Goodwill impairment is measured as the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill—calculated in the same manner that goodwill is determined in a business combination—is the difference between the fair value of the reporting unit and the fair value of the various assets and liabilities included in the reporting unit. Any loss recognized is not permitted to exceed the carrying amount of goodwill. The impairment charge is included in operating income. For reporting units with zero or negative carrying amounts, an entity must first perform a qualitative assessment to determine whether it is more likely than not that a goodwill impairment exists. An entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that goodwill impairment exists. In January 2014, the FASB issued new guidance for private companies. Private companies will have the option to amortize goodwill on a straight-line basis over a period of up to ten years, and apply a trigger-		(e.g. bottom-up/top-down approach). An impairment loss is recognized for a cash-generating unit if, and only if, its recoverable amount is less than its carrying amount. The impairment loss is allocated to reduce the carrying amount of the assets of the CGU in the following order: (a) first, to goodwill allocated to the cash-generating unit (if any); and (b) then, to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not subsequently reversed unless; (a) the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur; and (b) subsequent external events have occurred that reverse the effect of that event.

IFRS	US GAAP	Ind AS	Indian GAAP
	based, single-step impairment test at either the entity level or the reporting unit level at the company's election. The single-step impairment test compares the fair value of the entity (or reporting unit) to its carrying amount.		

13.5. Contingent consideration—seller accounting

Entities that sell a business that includes contingent consideration might encounter significant differences in the manner in which such contingent considerations are recorded.

IFRS	US GAAP	Ind AS	Indian GAAP
Under IFRS, a contract to receive contingent consideration that gives the seller the right to receive cash or other financial assets when the contingency is resolved meets the definition of a financial asset. When a contract for contingent consideration meets the definition of a financial asset, it is measured using one of the measurement categories specified in the financial instruments guidance.	Under US GAAP, the seller should determine whether the arrangement meets the definition of a derivative. If the arrangement meets the definition of a derivative, the arrangement should be recorded at fair value. If the arrangement does not meet the definition of a derivative, the seller should make an accounting policy election to record the arrangement at either fair value at inception or at the settlement amount when the consideration is realized or is realizable, whichever is earlier.	Similar to IFRS.	No specific guidance, however, guidance for contingent assets under AS 29 would apply, which requires recognition based on meeting the virtual certainty threshold.

Other

13.6. Non-controlling interests

Non-controlling interests are measured at full fair value under US GAAP whereas IFRS/Ind AS provides two valuation options, which could result in differences in the carrying values of non-controlling interests. Under Indian GAAP, there is no valuation option.

IFRS	US GAAP	Ind AS	Indian GAAP
Entities have an option, on a transaction-by-transaction basis, to measure non-controlling interests at their proportion of the fair value of the identifiable net assets or at full fair value. This option applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. The use of the full fair value option results in full goodwill being recorded on both the controlling and non-controlling interest.	Non-controlling interests are measured at fair value.	Similar to IFRS.	Non-controlling or minority interests are measured at their proportion of the book value of the identifiable net assets of consolidated subsidiaries.

13.7. Combinations involving entities under common control

Under US GAAP and Ind AS, there are specific rules for common-control transactions.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not specifically address such transactions. In practice, entities develop and consistently apply an accounting policy; management can elect to apply the acquisition method of accounting or the predecessor value method to a business combination involving entities under common control. The accounting policy can be changed only when criteria for a change in an accounting policy are met in the applicable guidance in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (i.e., it	Combinations of entities under common control are generally recorded at predecessor cost, reflecting the transferor's carrying amount of the assets and liabilities transferred.	Appendix C of Ind AS 103 *Business Combinations* deals with accounting for business combinations of entities or businesses under common control. Business combinations involving entities or businesses under common control are accounted for using the pooling of interests method. Acquisition method of accounting is prohibited. For	No specific guidance. Combination of entities under common control are accounted just like any other business combination/acquisition. For example, amalgamations in the nature of merger are accounted for using the pooling of interests method, if it meets certain criteria under AS 14.

IFRS	US GAAP	Ind AS	Indian GAAP
provides more reliable and more relevant information).		details on pooling of interests method refer SD 13.12. Further, Appendix C of Ind AS 103 also applies to acquisition of an interest in a joint operation when the parties sharing joint control, including the entity acquiring the interest in the joint operation, are under the common control of the same ultimate controlling party or parties both before and after the acquisition, and that control is not transitory.	

13.8. *Identifying the acquirer*

Different entities might be determined to be the acquirer when applying purchase accounting.

Impacted entities should refer to the consolidation chapter for a more detailed discussion of differences related to the consolidation models between the frameworks that might create significant differences in this area.

IFRS	US GAAP	Ind AS	Indian GAAP
The acquirer is determined by reference to the consolidation guidance, under which generally the party that holds greater than 50 percent of the voting rights has control. In addition, control might exist when less than 50 percent of the voting rights are held, if the acquirer has the power to most significantly affect the variable returns of the entity in accordance with IFRS 10.	The acquirer is determined by reference to ASC 810-10 *Consolidation*, under which generally the party that holds greater than 50 percent of the voting shares has control, unless the acquirer is the primary beneficiary of a variable interest entity in accordance with ASC 810.	Similar to IFRS.	The acquirer is determined by the legal form and is the legal entity (e.g. the surviving entity) that obtains control. There is no specific guidance on reverse acquisitions.

13.9. Push-down accounting

The lack of push-down accounting under IFRS/Ind AS and Indian GAAP can lead to significant differences in instances where push down accounting is utilized under US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
There is no discussion of pushdown accounting under IFRS. There may be situations in which transactions, such as capital reorganizations, common control transactions, etc., may result in an accounting outcome that is similar to pushdown accounting where the new basis of accounting established by the parent, including goodwill and purchase price adjustments, is reflected in the company's standalone financial statements.	Companies have the option to apply pushdown accounting in their separate financial statements upon a change-in-control event. The election is available to the acquired company, as well as to any direct or indirect subsidiaries of the acquired company. If an acquired company elects to apply pushdown accounting, the acquired company should reflect the new basis of accounting established by the parent for the individual assets and liabilities of the acquired company arising from the acquisition in its standalone financial statements. Goodwill should be calculated and recognized consistent with business combination accounting. Bargain purchase gains, however, should not be recognized in the income statement of the acquired company that applies pushdown accounting. Instead, they should be recognized in additional paid-in capital within equity. Debt (including acquisition related debt) and any other liabilities of the acquirer should be recognized by the acquired company only if they represent an obligation of the	There is no discussion of pushdown accounting under Ind AS. However, there is specific guidance provided in Appendix C to Ind AS 103, as to how the pooling of interest accounting is to be done in case of common control transactions. This could result in certain differences with IFRS and US GAAP, when applied in practice.	No specific guidance on push down accounting and therefore not applicable under Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
	acquired company pursuant to other applicable guidance in US GAAP.		

13.10. Acquisition of business

IFRS	US GAAP	Ind AS	Indian GAAP
The acquisition of business is accounted for just like any other business combination assuming that it meets the definition of a business under IFRS 3. IFRS 3 defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants.	Similar to IFRS. The FASB has recently amended the definition of business. Refer SD 13.19 below.	Similar to IFRS.	Indian GAAP does not contain any specific definition of business, unlike IFRS, US GAAP and Ind AS. As mentioned above, business acquisitions/amalgamations, are accounted for either under AS 14, AS 21 or other accounting standards such as AS 10, AS 26.

13.11. Amalgamations

Under Indian GAAP, amalgamations fall into two broad categories. In the first category are those amalgamations where there is a genuine pooling not merely of the assets and liabilities of the amalgamating companies but also of the shareholders' interests and of the businesses of these companies. Such amalgamations are amalgamations which are in the nature of 'merger'. In the second category are those amalgamations which are in effect a mode by which one company acquires another company and, as a consequence, the shareholders of the company which is acquired normally do not continue to have a proportionate share in the equity of the combined company, or the business of the company which is acquired is not intended to be continued. Such amalgamations are amalgamations in the nature of 'purchase'. IFRS, US GAAP and Ind AS do not contain such distinctions, which require all business combinations (other than common control transactions) to be accounted using the acquisition method basis fair value of acquired assets and liabilities assumed.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
The acquisition of business by way of amalgamations would be accounted for just like any other business combination, assuming it meets the definition of a business combination under IFRS 3.	Similar to IFRS.	Similar to IFRS.	AS 14 deals with accounting for amalgamations involving legal mergers. Amalgamations in the nature of merger are accounted for using the pooling of interests method. For details on pooling of interest method refer section 13.12 below. Amalgamations in the nature of purchase are accounted using the purchase method. Under the purchase method, the transferee company accounts for the amalgamation either by incorporating the assets and liabilities at their existing carrying amounts or their fair values at the date of amalgamation. The identifiable assets and liabilities may include assets and liabilities not recorded in the financial statements of the transferor company. Goodwill arising on amalgamation in the nature of purchase under AS 14 is amortized over a period not exceeding five years unless a somewhat longer period can be justified.

IFRS	US GAAP	Ind AS	Indian GAAP
Acquisition date: The business combination is accounted for at the acquisition date, whether the combination is a single step or achieved in stages. The stage at which the acquirer gains control is the acquisition date. If the business combination occurs after the reporting date but before the date of approval of financial statements, business combination is not considered as an adjusting event and is accounted for the year in which the acquisition date falls.	Similar to IFRS.	Similar to IFRS.	With respect to amalgamations involving legal mergers, the appointed date may be defined under the scheme of arrangement, as determined by the transferor/transferee. The effective date will generally be the date of receiving the order of the National Company Law Tribunal (under Companies Act, 2013). Such amalgamations are accounted upon the scheme becoming effective as per the scheme of arrangement. If the amalgamation becomes effective after the reporting date but before the date of approval of financial statements, it is usually considered as an adjusting event and is accounted with effect from the appointed date as specified in the scheme of arrangement.

13.12. Pooling of interest method

IFRS	US GAAP	Ind AS	Indian GAAP
Pooling (uniting) of interests method: Prohibits the use of this method of accounting, if the transaction meets the definition and scope of a business combination under IFRS 3. It is	Similar to IFRS. However, ASC Topic 805 *Business Combinations* refers to the application of method similar to the pooling-of-interests method for common control transactions that	Applies to business combinations under common control.	The use of the pooling of interests method is permitted only in circumstances which meets the specific criteria in AS

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
permitted in respect of common control transactions.	result in a change in reporting entity (i.e., the transfer of a business).	The accounting procedure is similar to the Indian GAAP, except that: • The effects of any changes in accounting policies should be reported in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. • Any difference between the share capital issued plus any additional consideration and the amount of share capital of the transferor company is adjusted against capital reserve. • The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information shall be restated only from that date.	14 for an amalgamation in the nature of merger. The assets, liabilities and reserves are incorporated at their existing carrying amounts, after making adjustments to eliminate conflicting accounting policies. The effects of any changes in accounting policies should be reported in accordance with AS 5 *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies*. The identity of the reserves is preserved and they appear in the financial statements of the transferee company in the same form in which they appeared in the financial statements of the transferor company. Any difference between the share capital issued plus any additional consideration and the amount of share capital of the transferor company is adjusted in reserves of the transferee company and no goodwill can be recognized.

13.13. Negative goodwill (bargain purchase)

IFRS	US GAAP	Ind AS	Indian GAAP
If the amount of goodwill determined is negative, the acquirer reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after reassessment is recognized immediately in the income statement.	Similar to IFRS.	Ind AS 103 requires bargain purchase gain to be recognized in other comprehensive income and accumulate the same in equity as capital reserve provided there is a clear evidence for the underlying reasons for classifying the business combination as a bargain purchase. Where there is no clear evidence for the underlying reason for classifying the business combination as a bargain purchase, the gain shall be recognized directly in equity as capital reserve.	Negative goodwill is termed as capital reserve. This is applicable to both negative goodwill arising on consolidation under AS 21 and amalgamation in the nature of purchase under AS 14.

13.14. Step acquisitions (investor obtaining control through more than one purchase)

IFRS	US GAAP	Ind AS	Indian GAAP
For business combinations achieved in stages, if the acquirer increases an existing equity interest so as to achieve control of the acquiree, the previously-held equity interest is remeasured at acquisition date fair value and any resulting gain or loss is recognized in statement of profit and loss.	Similar to IFRS.	Similar to IFRS.	As per AS 21, if two or more investments are made over a period of time, the equity of the subsidiary at the date of investment is generally determined on a step-by-step basis; however, where numerous small investments are made over a period of time and then an investment is made resulting in control, as a practicable measure, the date of the latest investment,

IFRS	US GAAP	Ind AS	Indian GAAP
			may be considered as the date of investment. Difference between the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, is determined as goodwill or capital reserve. Equity represents the carrying value of the residual interest in the assets of the subsidiary after deducting all its liabilities.

13.15. Contingent consideration—accounting by the acquirer

IFRS	US GAAP	Ind AS	Indian GAAP
Contingent consideration payable in a business combination is measured at fair value on acquisition date and is included as part of computation of goodwill/bargain purchase. Contingent consideration that meets the definition of a financial instrument is classified as debt or equity. Contingent consideration is subsequently remeasured as follows:	Similar to IFRS.	Similar to IFRS.	There is no specific guidance on contingent consideration under AS 21. However, AS 14 specifies that adjustments may have to be made to the consideration in the light of one or more future events. When the additional payment is probable and can reasonably be estimated at the date of amalgamation, it is included in the calculation of the consideration. In all other cases, the adjustment is recognized as soon as the amount is determinable.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
• Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. • Other contingent consideration is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.			

13.16. Acquisition-related costs

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
Acquisition-related costs are recorded as expenses in the periods in which the costs are incurred and the services are received, with the below exception. The costs related to issue of debt securities is deducted from the carrying amount and is amortized over the term of the debt based on effective interest rate. Costs related to issuance of equity securities is reduced from the proceeds received.	Similar to IFRS.	Similar to IFRS.	No specific guidance. Generally, the cost of an investment includes acquisition charges such as brokerage, fees and duties pursuant to AS 13 and consequentially gets added to the amount of goodwill/deducted from capital reserve when preparing consolidated financial statements under AS 21.

13.17. Measurement period adjustment

In September 2015, the FASB issued guidance that simplifies the accounting for measurement period adjustments. Prior to the new guidance, US GAAP and IFRS were converged with respect to the treatment of measurement period adjustments. The new guidance has created a difference between US GAAP and IFRS. Guidance under Ind AS is similar to IFRS, whereas Indian GAAP does not contain any specific guidance in this area.

IFRS	US GAAP	Ind AS	Indian GAAP
An acquirer has up to one year from the acquisition date (referred to as the measurement period) to finalize the accounting for a business combination. An acquirer should retrospectively record measurement period adjustments made to provisional amounts as if the accounting was completed at the acquisition date. The acquirer should revise comparative information for prior periods presented in the financial statements as needed, including making any change in depreciation, amortization, or other income effects recognized in completing the initial accounting.	An acquirer has up to one year from the acquisition date (referred to as the measurement period) to finalize the accounting for a business combination. If during the measurement period, the measurements are not finalized as of the end of a reporting period, the acquirer should record the cumulative impact of measurement period adjustments made to provisional amounts in the period that the adjustment is determined. However, the acquirer should present separately on the face of the income statement or disclose in the notes the portion of the adjustment to each income statement line items that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date.	Similar to IFRS. However, acquired deferred tax benefits recognized within the measurement period that results from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognized in other comprehensive income and accumulated in equity as capital reserve or recognized directly in capital reserve.	No specific guidance. All subsequent adjustments are accounted in accordance with AS 5, except for deferred taxes discussed below. In situations where deferred tax assets, including in respect of unabsorbed depreciation and carry forward of losses, were not recognized by the transferor entity, because the conditions relating to prudence were not satisfied, the transferee entity can recognize those assets in revenue reserves (in case of amalgamation in the nature of merger) or as an adjustment to goodwill/capital reserve (in case of amalgamation in the nature of purchase), if conditions relating to prudence are satisfied by the first annual balance sheet date subsequent to the amalgamation. Thereafter, such adjustments are recognized in the income statement.

13.18. Employee benefit arrangements and income tax

Accounting for share-based payments and income taxes in accordance with separate standards not at fair value might result in different results being recorded as part of purchase accounting.

13.19. Recent/proposed guidance

13.19.1. FASB Accounting Standards Update 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business

In January 2017, the FASB issued final guidance that revised the definition of a business.

Under the new guidance, when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. This introduces an initial required screen that, if met, eliminates the need for further assessment.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organized workforce. The Board noted that outputs are a key element of a business and included more stringent criteria for sets without outputs.

The new guidance also narrows the definition of the term “outputs” to be consistent with how it is described in Topic 606. Under the final definition, an output is the result of inputs and substantive processes that provide goods or services to customers, other revenue, or investment income, such as dividends and interest.

The effective date is 2018 for all public entities with calendar year end with one additional year for all other entities. Early adoption is permitted.

13.19.2. IASB proposed amendments to IFRS 3, Business Combinations and IFRS 11, Joint Arrangements

In June 2016, the IASB issued a proposal to change the definition of a business that are substantially the same as the amendments proposed by the FASB.

The IASB also proposed to clarify the accounting for previously held interests in the assets and liabilities of a joint operation. When an entity obtains control of a business that is a joint operation, the entity should apply IFRS 3, including remeasuring previously held interests in the joint operation. When an entity obtains joint control of a business that is a joint operation, the entity should not remeasure the previously held interests in the joint operation.

13.19.3. FASB Accounting Standards Update 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment

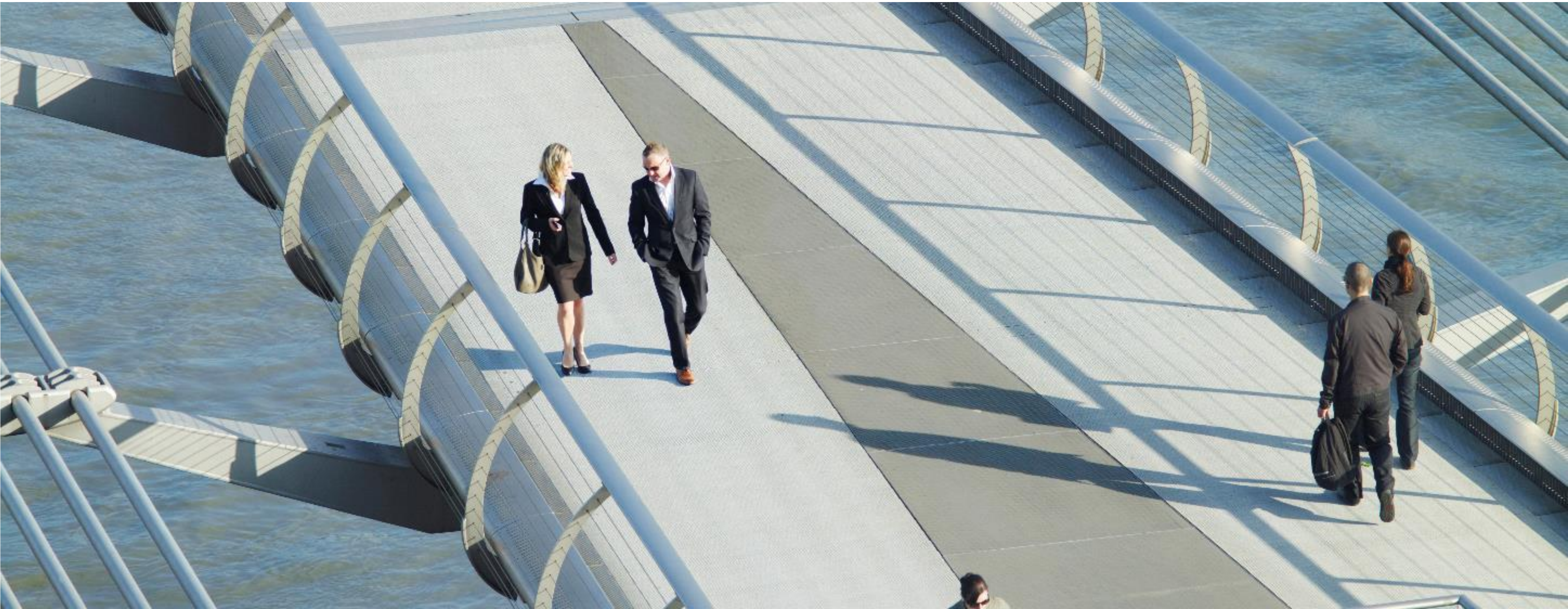
In January 2017, the FASB issued guidance to simplify the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill at reporting units with zero or negative carrying amounts.

The revised guidance will be more similar to IFRS, which also has a single-step goodwill impairment test. However, other differences (e.g., the unit of account) will remain.

The revised guidance will be applied prospectively, and is effective for calendar year-end SEC filers in 2020. Other public business entities will have an additional year. All other entities that have not elected the private company goodwill alternative are required to adopt in 2022. Special transition guidance is provided for private companies that have elected the private company goodwill alternative. Early adoption is permitted for any impairment tests performed after 1 January 2017.

14. Other accounting and reporting topics



14.1. Other accounting and reporting topics

In addition to areas previously discussed, differences exist in a multitude of other standards, including translation of foreign currency transactions, calculation of earnings per share, disclosures regarding operating segments, and discontinued operations. Differences also exist in the presentation and disclosure of annual and interim financial statements. However, the standard setters has several projects in progress which may impact some of these differences.

Technical references

US GAAP

ASC 205, ASC 205-20, ASC 230, ASC 260, ASC 280, ASC 360-10, ASC 830, ASC 830-30-40-2 through 40-4, ASC 850, ASC 853

IFRS

IAS 1, IAS 8, IAS 21, IAS 23, IAS 24, IAS 29, IAS 33, IFRS 5, IFRS 8

Ind AS

Ind AS 1, Ind AS 8, Ind AS 21, Ind AS 23, Ind AS 24, Ind AS 29, Ind AS 33, Ind AS 105, Ind AS 108

Indian GAAP

AS 1, AS 3, AS 5, AS 11, AS 16, AS 17, AS 18, AS 20, AS 24

Note

The following discussion captures a number of the more significant GAAP differences. It is important to note that the discussion is not inclusive of all GAAP differences in this area.

14.2. Balance sheet—offsetting assets and liabilities

Differences in the guidance covering the offsetting of assets and liabilities under master netting arrangements, repurchase and reverse-repurchase arrangements, and the number of parties involved in the offset arrangement could change the balance sheet presentation of items currently shown net (or gross) under US GAAP. Consequently, more items are likely to appear gross under IFRS/Ind AS and Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Under the guidance, a right of setoff is a debtor's legal right, by contract or otherwise, to settle or otherwise eliminate all or a portion of an amount due to a creditor by applying against that amount an amount due from the creditor. Two	The guidance states that "it is a general principle of accounting that the offsetting of assets and liabilities in the balance sheet is improper except where a right of setoff exists". A right of setoff is a debtor's legal	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
conditions must exist for an entity to offset a financial asset and a financial liability (and thus present the net amount on the balance sheet). The entity must both: • Currently have a legally enforceable right to set off • Intend either to settle on a net basis or to realize the asset and settle the liability simultaneously In unusual circumstances, a debtor may have a legal right to apply an amount due from a third party against the amount due to a creditor, provided that there is an agreement among the three parties that clearly establishes the debtor's right of setoff. Master netting arrangements do not provide a basis for offsetting unless both of the criteria described earlier have been satisfied. If both criteria are met, offsetting is required.	right, by contract or otherwise, to discharge all or a portion of the debt owed to another party by applying against the debt an amount that the other party owes to the debtor. A debtor having a valid right of setoff may offset the related asset and liability and report the net amount. A right of setoff exists when all of the following conditions are met: • Each of two parties owes the other determinable amounts • The reporting party has the right to set off the amount owed with the amount owed by the other party • The reporting party intends to set off • The right of setoff is enforceable by law Repurchase agreements and reverse-repurchase agreements that meet certain conditions are permitted, but not required, to be offset in the balance sheet. The guidance provides an exception to the previously described intent condition for derivative instruments executed with the same counterparty under a master netting arrangement. An entity may offset (1) fair value amounts recognized for derivative instruments and (2) fair value amounts (or amounts that approximate fair value) recognized for the right to reclaim cash collateral		

IFRS	US GAAP	Ind AS	Indian GAAP
	(a receivable) or the obligation to return cash collateral (a payable) arising from derivative instruments recognized at fair value. Entities must adopt an accounting policy to offset fair value amounts under this guidance and apply that policy consistently.		

14.3. Balance sheet—disclosures for offsetting assets and liabilities

While differences exist between IFRS/Ind AS and US GAAP in the offsetting requirements, the boards were able to reach a converged solution on the nature of the disclosure requirements.

IFRS	US GAAP	Ind AS	Indian GAAP
The disclosure requirements are applicable for (1) all recognized financial instruments that are set off in the financial statements and (2) all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in the financial statements.	The balance sheet offsetting disclosures are limited to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (1) offset in the financial statements or (2) subject to an enforceable master netting arrangement or similar agreement.	Similar to IFRS.	No specific requirement.

14.4. Balance sheet: classification—post-balance sheet refinancing agreements

Under IFRS, the classification of debt does not consider post-balance sheet refinancing agreements. As such, more debt is classified as current under IFRS as compared to US GAAP, Ind AS and Indian GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
If completed after the balance sheet date, neither an agreement to refinance or reschedule payments on a long-term basis nor the negotiation of a debt covenant	Entities may classify debt instruments due within the next 12 months as noncurrent at the balance sheet date, provided that agreements	Similar to IFRS, except that presentation of a classified balance sheet is required pursuant to Schedule III	No specific guidance in the accounting standards. However, presentation of a classified balance sheet is required

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
waiver would result in noncurrent classification of debt, even if executed before the financial statements are issued. The presentation of a classified balance sheet is required, except when a liquidity presentation is more reliable and more relevant.	to refinance or to reschedule payments on a long-term basis (including waivers for certain debt covenants) get completed before the financial statements are issued. SEC registrants subject to S-X Article 5 for commercial and industrial companies are required to present a classified balance sheet, but no other Articles within S-X contain this requirement. ASC 210-10-05-4 notes that most reporting entities present a classified balance sheet.	(Division II) to the Companies Act, 2013. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach as this is considered as an adjusting event.	pursuant to Schedule III (Division I) to the Companies Act, 2013. Definition of current assets and liabilities are included in the Schedule. As per Schedule III (Division I) to the Companies Act, 2013 a liability shall be classified as current when the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The Guidance Note on Schedule III to the Companies Act, 2013 issued by the ICAI states that in the Indian context, the criteria of a loan becoming repayable on demand on breach of a covenant, is generally added in the terms and conditions as a matter of abundant caution. Also, banks generally do not demand repayment of loans on such minor defaults of debt covenants. Therefore, in such situations, the companies generally continue to repay the loan as per its original terms and conditions. Hence, considering that the practical implications of such minor breach are negligible in the Indian scenario, an entity could continue to classify the loan as "non-current" as on the Balance Sheet date since the loan is not actually demanded by the bank at any time prior to the date on

IFRS	US GAAP	Ind AS	Indian GAAP
			which the Financial Statements are approved. However, in case a bank has recalled the loan before the date of approval of the accounts on breach of a loan covenant that occurred before the year-end, the loan will have to be classified as current.

14.5. Balance sheet: classification—refinancing counterparty

Differences in the guidance for accounting for certain refinancing arrangements may result in more debt classified as current under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
If an entity expects and has the discretion to refinance or roll over an obligation for at least 12 months after the reporting period under an existing loan financing, it classifies the obligation as noncurrent, even if it would otherwise be due within a shorter period. In order for refinancing arrangements to be classified as noncurrent, the arrangement should be with the same counterparty.	A short-term obligation may be excluded from current liabilities if the entity intends to refinance the obligation on a long-term basis and the intent to refinance on a long-term basis is supported by an ability to consummate the refinancing as demonstrated by meeting certain requirements. The refinancing does not necessarily need to be with the same counterparty. Also refer to SD 7.17.5 for proposed amendment to the existing guidance.	Similar to IFRS.	No specific guidance.

14.6. Income statement and statement of comprehensive income

The most significant difference between the frameworks is that under IFRS an entity can present expenses based on their nature or their function. There are certain additional differences also which are mentioned below.

IFRS	US GAAP	Ind AS	Indian GAAP
Presentation:			
Expenses may be presented either by function or by nature, whichever provides information that is reliable and more relevant depending on historical and industry factors and the nature of the entity. Additional disclosure of expenses by nature, including depreciation and amortization expense and employee benefit expense, is required in the notes to the financial statements if functional presentation is used on the face of the income statement. While certain minimum line items are required, no prescribed statement of comprehensive income format exists. Entities that disclose an operating result should include all items of an operating nature, including those that occur irregularly or infrequently or are unusual in amount, within that caption. Entities should not mix functional and nature classifications of expenses by excluding certain expenses from the functional classifications to which they relate.	The income statement may be presented in either (1) a single-step format, whereby all expenses are classified by function and then deducted from total income to arrive at income before tax, or (2) a multiple-step format separating operating and non-operating activities before presenting income before tax. SEC regulations require all registrants to categorize expenses in the income statement by their function. However, depreciation expense may be presented as a separate income statement line item. In such instances, the caption "cost of sales" should be accompanied by the phrase "exclusive of depreciation" shown below and presentation of a gross margin subtotal is precluded.	Ind AS only allows classification of expenses by nature. Further, the Schedule III (Division II) sets out the minimum requirements for disclosure in the financial statements i.e. Balance sheet, statement of changes in equity, statement of profit and loss and notes. Schedule III (Division II) requires disclosure as a separate line item, in the statement of profit and loss, any item of income or expenditure which exceeds 1% of the revenue from operations or INR 1,000,000, whichever is higher, in addition to the consideration of 'materiality'. Functional classification of expenses is prohibited. However, functional classification of expenses may be presented in the financial statements as additional information in the notes to the financial statements apart from the presentation by nature in statement of profit and loss.	The presentation is mainly driven by Schedule III (Division I) to the Companies Act, 2013. ICAI has issued a Guidance Note on Schedule III to the Companies Act, 2013, which provides guidance in preparation and presentation of financial statements in accordance with various aspects of the Schedule III (Division I). Schedule III (Division I) requires analysis of expenses by nature. Additional information regarding item of income or expenditure which is greater than 1% of revenue from operations or INR 100,000, whichever is higher needs to be given by way of notes. Functional classification of expenses is prohibited. However, functional classification of expenses may be presented in the financial statements as additional information in the notes to the financial statements apart from the presentation by nature in statement of profit and loss.

IFRS	US GAAP	Ind AS	Indian GAAP
Exceptional items:			
The term “exceptional items” is not used or defined. However, the separate disclosure is required (either on the face of the comprehensive/separate income statement or in the notes) of items of income and expense that are of such size, nature, or incidence that their separate disclosure is necessary to explain the performance of the entity for the period. “Extraordinary items” are prohibited.	Significant unusual or infrequently occurring items are not separately reported under US GAAP. All items included in other comprehensive income are subject to recycling. “Extraordinary items” are prohibited.	The Schedule III (Division II) requires presentation of exceptional items on the face of the statement of profit and loss. “Extraordinary items” are prohibited.	The term 'Exceptional item' has not been specifically defined under the notified accounting standards. However, reference can be made to AS 5, to disclose items under this head: “When items of income and expense within profit or loss from ordinary activities are of such size, nature or incidence that their disclosure is relevant to explain the performance of the enterprise for the period, the nature and amount of such items should be disclosed separately.” Under Indian GAAP, the presentation of extraordinary items is permitted. AS 5 defines an extraordinary items as items which are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly. The nature and the amount of each extraordinary item is separately disclosed in the statement of profit and loss in a manner that its impact on current profit or loss can be perceived. Under Indian GAAP and consequently Schedule III

IFRS	US GAAP	Ind AS	Indian GAAP
			(Division I), there is no concept of other comprehensive income.
Single statement vs two statement approach: IFRS provides an option either to follow the single statement approach or to follow the two statement approach. It provides that an entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections or an entity may present the profit or loss section in a separate statement of profit or loss which shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.	Entities are permitted to present items of net income and other comprehensive income either in one single statement of profit or loss and other comprehensive income or in two separate, but consecutive, statements.	Ind AS allows only a single statement approach for presentation of statement of profit and loss and other comprehensive income.	There is no concept of other comprehensive income.

14.7. Statement of changes in equity

IFRS/Ind AS requires a statement of changes in equity to be presented as a primary statement for all entities.

IFRS	US GAAP	Ind AS	Indian GAAP
A statement of changes in equity is presented as a primary statement for all entities.	Permits the statement of changes in shareholders' equity to be presented either as a primary statement or within the notes to the financial statements.	Similar to IFRS.	A statement of changes in equity as a primary statement is not required.

14.8. Statement of cash flows

Differences exist between the frameworks for the presentation of the statement of cash flows that could result in differences in the actual amount shown as cash and cash equivalents in the statement of cash flows as well as changes to each of the operating, investing, and financing sections of the statement of cash flows.

IFRS	US GAAP	Ind AS	Indian GAAP
As per IAS 7 *Statement of Cash Flows*, a company can present cash flows from operating activities using either the direct method or the indirect method. Cash and cash equivalents may also include bank overdrafts repayable on demand that form an integral part of an entity's cash management. Short-term bank borrowings are not included in cash or cash equivalents and are considered to be financing cash flows. Only expenditures that result in a recognized asset are eligible for classification as investing activities. Interest and dividends received should be classified in either operating or investing activities. Interest and dividends paid should be classified in either operating or financing cash flows. IFRS does not specify where interest capitalized under IAS 23 is classified. The total amount of interest paid during a period, whether expensed or capitalized, is disclosed in the statement of cash flows. Once an accounting policy election is made, it should be followed consistently.	ASC Topic 230 *Statement of Cash Flows* allows a reporting entity to prepare and present its statement of cash flows using either the direct or indirect method (discussed in detail in the next section), though the guidance encourages using the direct method. Bank overdrafts are not included in cash and cash equivalents; changes in the balances of bank overdrafts are classified as financing cash flows. There is no requirement for expenditures to be recognized as an asset in order to be classified as investing activities. The guidance is specific on the cash flow classification of certain items, requiring dividends paid to be classified in the financing section of the cash flow statement and requiring interest paid (and expensed), interest received, and dividends received to be classified as cash flows from operations. Interest capitalized relating to borrowings that are directly attributable to property, plant, and equipment is classified as cash flows from investing activities. If the indirect method is used, amounts of interest	Similar to IFRS. However, Regulation 34(2) and 53(b) of the SEBI Listing Regulations, 2015 requires listed companies to use only the indirect method. Similar to IFRS except the following in case of entities other than financial institutions: • Interest paid and interest and dividends received to be classified as item of financing activity and investing activity, respectively; and • Dividend paid is to be classified as a part of financing activity only.	Similar to IFRS except AS 3 does not apply to SMCs. However, Regulation 34(2) and 53(b) of the SEBI Listing Regulations, 2015 requires listed companies to use only the indirect method. Bank overdrafts are not included in cash and cash equivalents; changes in the balances of bank overdrafts are classified as financing cash flows. There is no specific requirement for expenditures to be recognized as an asset in order to be classified as investing activities. Similar to Ind AS, cash flows arising from interest paid and interest and dividends received in the case of a financial enterprise should be classified as cash flows arising from operating activities. In the case of other enterprises, cash flows arising from interest paid should be classified as cash flows from financing activities while interest and dividends received should be classified as cash flows from investing activities. Dividends paid should be classified as cash flows from financing activities.

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
	paid (net of amounts capitalized) during the period must be disclosed.		
Taxes: Taxes paid should be classified within operating cash flows unless specific identification with a financing or investing activity exists.	Taxes paid are generally classified as operating cash flows; specific rules exist regarding the classification of the tax benefit associated with share-based compensation arrangements. Refer to SD 14.54 Recent/proposed guidance, for details on the changes in classification on the statement of cash flows due to the issuance of ASU 2016-09 If the indirect method is used, amounts of taxes paid during the period must be disclosed.	Similar to IFRS.	Similar to IFRS.
Changes in ownership interest: Cash flows from changes in ownership interest without loss of control treated as financing activities.	Cash paid to acquire a non-controlling interest, or cash received from the sale of a non-controlling interest, should be presented as a financing activity when the parent maintains control of the subsidiary.	Similar to IFRS.	AS 3 does not contain any specific guidance. Generally, the aggregate cash flows arising from acquisitions and disposals of subsidiaries or other business units are presented separately and classified as investing activities.
Foreign operations: Under IAS 7, cash flows of foreign subsidiary should be translated using the exchange rate on the date of cash flows. However, as a practical measure, average rates can be used.	Cash flows of operations in foreign subsidiary should be reported in the reporting currency using the exchange rates in effect at the time of the cash flows. If the pattern of cash flows and exchange rates are relatively consistent throughout the period, the reporting entity may use	Similar to IFRS.	No specific guidance on consolidated cash flows. However, in practice the accounting/presentation would be similar to IFRS.

IFRS	US GAAP	Ind AS	Indian GAAP
	an average exchange rate for translation, as the cash flow results would not be significantly different from the result if actual exchange rates on the day of the cash flows were used.		
Extraordinary items: Presentation of extraordinary items is not permitted. Hence, the cash flow statement does not reflect any items of cash flow as extraordinary.	Similar to IFRS.	Similar to IFRS.	Cash flows arising from extraordinary items should be classified as arising from operating, investing or financing activities as appropriate and separately disclosed.
Acquisition of equipment for use or for rental to others: Entities sometimes acquire or produce equipment for use or for rental to others for a short period and then sold. In those circumstances, the acquisition or production and subsequent sale of those assets shall be considered operating activities.	When the cash flow has aspects of both operating and investing activities, the entity would need to determine the nature of the activity that is likely to be the predominant source of cash flows in order to determine how that cash flows should be classified. For example assume an entity expects to rent new equipment for only a short period of time before selling them, and therefore the amount of cash flows that the entity expects to receive from rental income as compared to the proceeds expected to receive from the sale of the equipment is relatively small. In such circumstances, the equipment would appear to have the nature of an inventory item, and accordingly the cash flows related to the purchase and sale of the	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
	equipment should be classified as operating activities. If, however, the entity expects to rent the new equipment for a longer period of time before selling them, and the amount of cash flows that is expected to be received from rental income as compared to the proceeds received from the sale of the equipment is relatively large, then the equipment have the nature of a long-lived asset. In this case, the cash flows related to the purchase and sale of the equipment should be classified as investing activities.		

14.9. Comparative financial information

IFRS/Ind AS and Indian GAAP specifies the periods for which comparative financial information is required, which differs from both US GAAP and SEC requirements.

IFRS	US GAAP	Ind AS	Indian GAAP
One year of comparatives is required for all numerical information in the financial statements, with limited exceptions in disclosures. In limited circumstances, notes and the statement of equity (where a reconciliation of opening and closing positions are required), more than one year of comparative information is required. A third statement of financial position at the beginning of preceding period is required for first-time adopters of IFRS and in situations where a retrospective	Comparative financial statements are not required; however, SEC requirements specify that most registrants provide two years of comparatives for all statements except for the balance sheet, which requires only one comparative year.	Ind AS provides guidance similar to IFRS. Further, as per Schedule III (Division II), the financial statements shall also contain the corresponding amounts (comparatives) for the immediately preceding reporting period for all items in the financial statements including notes.	While the accounting standards do not require disclosure of corresponding amounts, as per Schedule III (Division I), the financial statements shall contain the corresponding amounts (comparatives) for the immediately preceding reporting period for all items in the financial statements including notes. Unlike IFRS/Ind AS, there is no requirement to provide third

IFRS	US GAAP	Ind AS	Indian GAAP
application of an accounting policy, retrospective restatement or reclassification having a material effect on the information in the statement of financial position at the beginning of the preceding period have occurred. Restatements or reclassifications in this context are in relation to errors, or changes in presentation of previously issued financial statements.			balance sheet in situations of retrospective application of an accounting policy, retrospective restatement or reclassification.

14.10. Disclosure of significant accounting policies and critical estimates

An increased prominence exists in the disclosure of an entity's significant accounting policies and disclosures of critical accounting estimates under IFRS/Ind AS in comparison to the requirements of US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
Within the notes to the financial statements, entities are required to disclose both: • The judgments that management has made in the process of applying its accounting policies that have the most significant effect on the amounts recognized in those financial statements • Information about the key assumptions concerning the future—and other key sources of estimation uncertainty at the balance sheet date—that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.	For SEC registrants, disclosure of the application of critical accounting policies and significant estimates is normally made in the Management's Discussion and Analysis section of Form 10-K. Financial statements prepared under US GAAP include a summary of significant accounting policies used within the notes to the financial statements.	Similar to IFRS.	All significant accounting policies adopted in the preparation and presentation of financial statements are to be disclosed in the financial statements.

14.11. Changes in accounting policies

IFRS	US GAAP	Ind AS	Indian GAAP
An entity can change an accounting policy only if the change: • is required by an IFRS; or • results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.	ASC 250 *Accounting Changes and Error Corrections* states that a reporting entity shall change an accounting principle only if either of the following apply: • The change is required by a newly issued Codification update. • The entity can justify the use of an allowable alternative accounting principle on the basis that it is preferable. An entity may change an accounting principle only if it justifies the use of an allowable alternative accounting principle on the basis that it is preferable. However, a method of accounting that was previously adopted for a type of transaction or event that is being terminated or that was a single, nonrecurring event in the past shall not be changed. For example, the method of accounting shall not be changed for a tax or tax credit that is being discontinued.	Similar to IFRS.	A change in an accounting policy should be made only if the adoption of a different accounting policy 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 presentation of the financial statements of the entity.
When there is a change in an accounting policy, the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy	Similar to IFRS.	Similar to IFRS.	No requirement for retrospective application of a change in an accounting policy. Any change in an accounting policy which has a material effect should be disclosed. The impact of, and the adjustments resulting from, such change, if material, should be shown in the financial

IFRS	US GAAP	Ind AS	Indian GAAP
had always been applied, unless it is impracticable to do so.			statements of the period in which such change is made, to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.

14.12. Prior-period errors

IFRS	US GAAP	Ind AS	Indian GAAP
Definition: Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: (a) was available when financial statements for those periods were approved for issue; and (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.	An error in recognition, measurement, presentation, or disclosure in financial statements resulting from mathematical mistakes, mistakes in the application of generally accepted accounting principles (GAAP), or oversight or misuse of facts that existed at the time the financial statements were prepared. A change from an accounting principle that is not generally accepted to one that is generally accepted is a correction of an error.	Similar to IFRS.	Prior period items are income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.

IFRS	US GAAP	Ind AS	Indian GAAP
Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.			
Accounting of prior-period errors: An entity is required to correct material prior period errors retrospectively except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error in the first set of financial statements approved for issue after their discovery by: • restating the comparative amounts for the prior period(s) presented in which the error occurred; or • if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.	Similar to IFRS.	Similar to IFRS.	When there is a prior period error, an entity is required to disclose the nature and amount of prior period items separately in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived. There is no retrospective restatement of comparative information, instead the identified errors are recorded in the income statement of the period in which such errors were identified and are disclosed appropriately in the financial statements.

14.13. Accounting policies—standards issued but not yet effective

IFRS	US GAAP	Ind AS	Indian GAAP
Under IFRS, when an entity has not applied a new standard that has been issued but is not yet effective, it shall disclose: • this fact; and • known or reasonably estimable information relevant to assessing	The SEC staff in the bulletin SAB 74 commented that entities should disclose the potential effects of adoption of recently issued accounting standards which have been issued but not yet adopted by the entities unless the impact on its financial position and results of	Similar to IFRS.	No such disclosure requirement.

IFRS	US GAAP	Ind AS	Indian GAAP
the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.	operations is not expected to be material. The staff suggested that the entities should evaluate each new accounting standard to determine the appropriate disclosures. In general, the following disclosures should be considered: • A brief description of the new standard, the date that adoption is required and the date that the registrant plans to adopt, if earlier. • A discussion of the methods of adoption allowed by the standard and the method expected to be utilized by the registrant, if determined. • A discussion of the impact that adoption of the standard is expected to have on the financial statements of the registrant, unless not known or reasonably estimable. In that case, a statement to that effect may be made. • Disclosure of the potential impact of other significant matters that the registrant believes might result from the adoption of the standard is encouraged.		

14.14. Events after the reporting period

If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. The disclosure requirements vary under Indian GAAP as compared to other frameworks.

IFRS	US GAAP	Ind AS	Indian GAAP
An entity shall disclose the following for each material category of non-adjusting event after the reporting period: (a) the nature of the event; and (b) an estimate of its financial effect, or a statement that such an estimate cannot be made.	Similar to IFRS. Further, an entity also shall consider supplementing the historical financial statements with pro forma financial data. Occasionally, a nonrecognized subsequent event may be so significant that disclosure can best be made by means of pro forma financial data. Such data shall give effect to the event as if it had occurred on the balance sheet date. In some situations, an entity also shall consider presenting pro forma statements, usually a balance sheet only, in columnar form on the face of the historical statements.	Similar to IFRS.	Events occurring after the balance sheet date which do not affect the figures stated in the financial statements would not normally require disclosure in the financial statements although they may be of such significance that they may require a disclosure in the report of the approving authority to enable users of financial statements to make proper evaluations and decisions.

14.15. Fair presentation

IFRS	US GAAP	Ind AS	Indian GAAP
An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the Framework, the entity shall depart from	Unlike IFRS, US GAAP does not recognize true and fair override. Further, under SEC regulation S-X Rule 4-01, financial statements filed with the SEC which are not prepared in accordance with generally accepted accounting principles will be presumed to be misleading or inaccurate, despite footnote or other disclosures, unless the Commission has otherwise provided.	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
that requirement in the specified manner if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.			

14.16. Capital management disclosures

Entities applying IFRS/Ind AS are required to disclose information that will enable users of its financial statements to evaluate the entity's objectives, policies, and processes for managing capital.

IFRS	US GAAP	Ind AS	Indian GAAP
Entities are required to disclose the following: • Qualitative information about their objectives, policies, and processes for managing capital • Summary quantitative data about what they manage as capital • Changes in the above from the previous period • Whether during the period they complied with any externally imposed capital requirements to which they are subject and, if not, the consequences of such non-compliance The above disclosure should be based on information provided internally to key management personnel.	There are no specific requirements of capital management disclosures under US GAAP. For SEC registrants, disclosure of capital resources is normally made in the Management's Discussion and Analysis section of Form 10-K.	Similar to IFRS.	No such disclosure requirement.

Earnings per share

14.17. Earnings per share—scope

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
IAS 33 *Earnings per Share* applies to entities: • whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or • that files, or is in the process of filing, its financial statements with a Securities Regulator or other regulatory organization for the purpose of issuing ordinary shares in a public market	ASC 260 *Earnings Per Share* requires presentation of EPS by all entities that have issued common stock or potential common stock (that is, securities such as options, warrants, convertible securities, or contingent stock agreements) if those securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market, including securities quoted only locally or regionally. Presentation of EPS is also required by an entity that has made a filing or is in the process of filing with a regulatory agency in preparation for the sale of those securities in a public market. Private companies may elect to report EPS provided they comply with the guidance in ASC 260.	Ind AS 33 *Earnings per Share* is applicable to all entities that have issued ordinary shares to which Ind AS applies.	AS 20 *Earnings Per Share* is mandatory for all companies. However, disclosure of diluted earnings per share (both including and excluding extra-ordinary items) is not mandatory for SMCs.

14.18. EPS—extraordinary items

IFRS	*US GAAP*	*Ind AS*	*Indian GAAP*
There is no concept of extraordinary items.	Similar to IFRS.	Similar to IFRS.	EPS with and without extraordinary items should be presented.

14.19. EPS—disclosure in separate and consolidated financial statements

IFRS	US GAAP	Ind AS	Indian GAAP
When an entity presents both separate and consolidated financial statements, EPS is required to be presented only in the consolidated financial statements. An entity may disclose EPS in its separate financial statements voluntarily.	Generally, entities do not present both separate and consolidated financial statements. Presentation of EPS is required by public companies including those in the process of filing with a regulatory agency in preparation for the sale of securities in a public market. Private companies may elect to report EPS provided they comply with the guidance in ASC 260.	Similar to Indian GAAP. Disclosure of basic and diluted EPS information is required both in the separate and consolidated financial statements of the parent.	AS 20 requires disclosure of basic and diluted EPS information both in the separate and consolidated financial statements of the parent.

14.20. EPS—discontinued operations

IFRS	US GAAP	Ind AS	Indian GAAP
Separate EPS information is disclosed for discontinued operations either in the statement of profit and loss or in the notes.	Separate EPS information is disclosed for discontinued operations.	Similar to IFRS.	EPS information for discontinued operations is not required to be disclosed.

14.21. EPS—contingently returnable shares

IFRS	US GAAP	Ind AS	Indian GAAP
IAS 33 requires that outstanding ordinary shares that are contingently returnable (i.e. subject to recall) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date the shares are no longer subject to recall.	Contingently returnable shares are treated in the same manner as contingently issuable shares i.e. considered in the denominator for basic EPS only when the contingent condition has been met and there is no longer a circumstance in which those shares would not be recalled.	Similar to IFRS.	There is no specific guidance on contingently returnable shares, though guidance on contingently issuable shares is generally similar to IFRS.

14.22. EPS—mandatorily convertible instrument

IFRS	US GAAP	Ind AS	Indian GAAP
Ordinary shares that will be issued upon conversion are considered outstanding in the calculation of basic EPS from the date the contract is entered into irrespective of whether the contract is participating.	Current practice is not to include shares issuable pursuant to conversion of a mandatorily convertible instrument in the computation of basic EPS as shares issuable for little or no consideration. However, based on the proposed guidance issued by FASB in 2008 in the form of an Exposure draft, shares issuable pursuant to a mandatorily convertible security should be included in the computation of diluted EPS using the if-converted method. Such shares would be included in the numerator of basic EPS only if the instrument was determined to be a participating security.	Similar to IFRS.	No specific guidance.

14.23. EPS—two-class method

IFRS	US GAAP	Ind AS	Indian GAAP
An entity might have a class of ordinary shares with a different dividend rate from that of another class of ordinary shares, but without prior or senior rights. Such instruments are termed 'two-class ordinary shares'. An entity with such shares would disclose a number of EPS figures, each attributable to different classes of ordinary shares.	The two-class method is applied by identifying the instruments that, in their current form (e.g., prior to exercise, settlement, conversion, or vesting), are entitled to receive dividends if and when declared on common stock. The entity is required to allocate any undistributed earnings between the common stockholders and the participating security holders based on their respective rights to receive dividends,	Similar to IFRS.	An enterprise should present basic and diluted earnings per share on the face of the statement of profit and loss for each class of equity shares that has a different right to share in the net profit for the period.

IFRS	US GAAP	Ind AS	Indian GAAP
	as if all undistributed earnings for the period were distributed. A participating security, including those which are noncumulative, will reduce EPS regardless of whether dividends are actually paid, because the two-class method allocates earnings away from common stockholders to the participating security holders.		

14.24. EPS—shares issuable after a passage of time

IFRS	US GAAP	Ind AS	Indian GAAP
Ordinary shares that are issuable solely after a passage of time are not treated as contingently issuable shares, because the passage of time is a certainty and therefore included in the calculation of basic EPS.	The delayed convertibility based solely on the passage of time does not avoid including the security immediately in the if-converted method in computing diluted EPS, even if the security is not convertible for many years. Refer SD 14.29 for discussion on diluted EPS.	Similar to IFRS.	No specific guidance.

14.25. EPS—items of income or expense directly adjusted to securities premium or reserves

IFRS	US GAAP	Ind AS	Indian GAAP
No such guidance.	No such guidance.	Where any item of income or expense which is otherwise required to be recognized in profit or loss in accordance with the Ind AS is debited/credited to securities premium account/other reserves, profit or	No such guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
		loss from continuing operations should be adjusted by the amount in respect thereof for the purpose of calculating basic earnings per share.	

14.26. EPS—additional disclosures

IFRS	US GAAP	Ind AS	Indian GAAP
As per IAS 33, entities are required to disclose instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented.	Similar to IFRS.	Similar to IFRS.	No such disclosure requirement.

14.27. Diluted EPS calculation—year-to-date period calculation

Differences in the calculation methodology could result in different denominators being utilized in the diluted earnings-per-share (EPS) year-to-date period calculation.

IFRS	US GAAP	Ind AS	Indian GAAP
The guidance states that dilutive potential common shares shall be determined independently for each period presented, not a weighted average of the dilutive potential common shares included in each interim computation.	In computing diluted EPS, the treasury stock method is applied to instruments such as options and warrants. This requires that the number of incremental shares applicable to the contract be included in the EPS denominator by computing a year-to-date weighted-average number of incremental shares by using the incremental	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
	shares from each quarterly diluted EPS computation.		

14.28. Diluted EPS calculation—contracts that may be settled in stock or cash (at the issuer's election)

Differences in the treatment of convertible debt securities may result in lower diluted EPS under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
Contracts that can be settled in either common shares or cash at the election of the issuer are always presumed to be settled in common shares and are included in diluted EPS if the effect is dilutive; that presumption may not be rebutted.	Certain convertible debt securities give the issuer a choice of either cash or share settlement. These contracts would typically follow the if-converted method, as US GAAP contains the presumption that contracts that may be settled in common shares or in cash at the election of the entity will be settled in common shares. However, that presumption may be overcome if past experience or a stated policy provides a reasonable basis to believe it is probable that the contract will be paid in cash.	Similar to IFRS.	No specific guidance.

14.29. Diluted EPS calculation

The treatment of contingency features in the dilutive EPS calculation may result in higher diluted EPS under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
The potential common shares arising from contingently convertible debt securities would be included in the	Contingently convertible debt securities with a market price trigger (e.g., debt instruments that contain a	Similar to IFRS.	Contingently issuable equity shares are considered outstanding and included in the

IFRS	US GAAP	Ind AS	Indian GAAP
dilutive EPS computation only if the contingency condition was met as of the reporting date. Ordinary shares issuable under such contingent share agreements are included in the diluted EPS calculation from the beginning of the period, or from the date of the contingent share agreement, if later. Contingently issuable shares should be included in the diluted EPS calculation only if the effect is dilutive.	conversion feature that is triggered upon an entity's stock price reaching a predetermined price) should always be included in diluted EPS computations if dilutive—regardless of whether the market price trigger has been met. That is, the contingency feature should be ignored. However, if the instrument's conversion is based on achieving a substantive contingency based on an event or index other than the entity's stock price, the entity would not include the instrument in diluted EPS until the non-market based contingency has been met or is being met based on circumstances at the end of the reporting period. For example, if the contingency was based on an IPO, and an IPO had not been completed by period end, the contingently convertible instruments would not be included in diluted EPS for the period.		computation of both the basic earnings per share and diluted earnings per share from the date when the conditions under a contract are met. If the conditions have not been met, for computing the diluted earnings per share, contingently issuable shares are included as of the beginning of the period (or as of the date of the contingent share agreement).

14.30. Diluted EPS calculation—application of treasury stock method to share-based payments—windfall tax benefits

Differences in the deferred tax accounting for share-based payments under US GAAP and IFRS/Ind AS could impact the theoretical proceeds that are assumed to have been used to repurchase the entity's common shares. As a consequence, a different number of potential shares would be included in the denominator for purposes of the diluted EPS.

Refer to the Expenses recognition—share-based payments section for a broader discussion of income tax effects associated with share-based payments.

IFRS	US GAAP	Ind AS	Indian GAAP
Tax benefits for vested options are already recorded in the financial statements because IAS 12, requires the deductible temporary differences to be based on the entity's share price at the end of the period. As a result, no adjustment to the proceeds is needed under the treasury stock method for EPS purposes. However, it is not clear whether the amount of tax benefit attributable to unvested stock options (which has not yet been recognized in the financial statements) should be added to the proceeds. As part of the IASB's deliberations on amending IAS 33 in May 2008, the IASB stated that it did not intend for IAS 33 to exclude those tax benefits and, therefore, this would be clarified when IAS 33 is amended. Either treatment would currently be acceptable.	ASC 260 requires the amount of windfall tax benefits to be received by an entity upon exercise of stock options to be included in the theoretical proceeds from the exercise for purposes of computing diluted EPS under the treasury stock method. This is calculated as the amount of tax benefits (both current and deferred), if any, that will be credited to additional paid-in-capital. The treatment is the same as for vested options (i.e., windfall tax benefits included in the theoretical proceeds). Refer to SD 14.54, Recent/proposed guidance, for the changes in the diluted EPS calculation due to the issuance of ASU 2016-09.	Similar to IFRS.	No specific guidance. Further, under IFRS, US GAAP and Ind AS in respect of share options and other share-based payment arrangements, when the treasury stock method is used, the assumed proceeds shall include the exercise price and the compensation cost attributable to future services and not yet recognized. There is no similar guidance under Indian GAAP for calculation of dilutive EPS.

14.31. Diluted EPS calculation—forward contracts/written put options

IFRS	US GAAP	Ind AS	Indian GAAP
IAS 33 provides specific guidance on treatment of contracts that require an entity to repurchase its own shares, such as forward purchase contracts and written put options, while computing diluted EPS. If these contracts are 'in the money' during the period (i.e. the exercise or settlement price is above the average market price for that period), the potential dilutive effect on earnings per	Similar to IFRS.	Similar to IFRS.	No specific guidance.

IFRS	US GAAP	Ind AS	Indian GAAP
share shall be calculated by using the reverse treasury stock method as follows: • it shall be assumed that at the beginning of the period sufficient ordinary shares will be issued (at the average market price during the period) to raise proceeds to satisfy the contract; • it shall be assumed that the proceeds from the issue are used to satisfy the contract (i.e. to buy back ordinary shares); and • the incremental ordinary shares (the difference between the number of ordinary shares assumed issued and the number of ordinary shares received from satisfying the contract) shall be included in the calculation of diluted earnings per share.			

Foreign exchange differences

14.32. Accounting for exchange differences

IFRS	US GAAP	Ind AS	Indian GAAP
General: Exchange differences are not capitalized to the cost of fixed assets, and are recognized in profit or loss except to the extent that exchange differences are considered as an adjustment to interest costs in accordance with IAS 23.	Unlike IFRS, eligible borrowing costs do not include exchange rate differences from foreign currency borrowings.	Similar to IFRS. However, on transition to Ind AS, an entity may continue the accounting policy adopted for accounting of exchange differences arising from long term foreign currency items recognized in the financial statements for the period ending	Recognized in profit or loss, except to the extent that exchange differences are considered as an adjustment to interest costs in accordance with AS 16. There is also an irrevocable option available to a corporate

IFRS	US GAAP	Ind AS	Indian GAAP
		immediately before the beginning of the first Ind AS financial reporting period as per Indian GAAP.	entity to capitalize the exchange differences on long term foreign currency monetary item related to depreciable fixed assets. Further, exchange differences arising on long term foreign currency items not related to depreciable fixed assets can be accumulated in equity i.e. Foreign Currency Monetary Item Translation Difference Account (FCMITDA) and amortized in profit or loss over the period of the said long term foreign currency monetary item. The above option is available for accounting periods commencing on or after 7 December 2006 and ending on or before 31 March 2020 or as a permanent accounting policy choice.
Net investment in a foreign operation: Exchange differences on monetary items that in substance form part of the net investment in a foreign operation, are recognized in profit or loss in the period in which they arise in the separate financial statements and in other comprehensive income in the consolidated financial statements and are reclassified to profit or loss on disposal of the net investment.	When management asserts that an intercompany balance will not be settled in the foreseeable future, the gains and losses from measuring the intercompany balance is removed from the income statement and recorded in the CTA account upon consolidation (i.e., the gains and losses are recorded in the same manner as translation adjustments). This accounting is appropriate only when management expects and intends that the loan will not be repaid in the foreseeable future, and	Similar to IFRS.	Exchange differences on monetary items that in substance form part of the net investment in a non-integral foreign operation, are recognized in foreign currency translation reserve both in the separate and consolidated financial statements and recognized as income or expense at the time of disposal of that net investment.

IFRS	US GAAP	Ind AS	Indian GAAP
	only when the entities to the transaction are consolidated, combined, or accounted for by the equity method in the reporting entity's financial statements. Further, foreign currency transaction gains and losses on intercompany balances of a long-term-investment nature should be recognized in net income in a foreign entity's separate financial statements.		

14.33. Trigger to release amounts recorded in the currency translation account

Different recognition triggers for amounts captured in the currency translation account (CTA) could result in more instances where amounts included in CTA are released through the income statement under IFRS/Ind AS and Indian GAAP compared with US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
The triggers for sale and dilution noted in the US GAAP column apply for IFRS, except for below: • When partial liquidation occurs e.g. repayment of capital/quasi equity loan without change in parent's proportionate ownership, an entity has an accounting policy choice whether to (1) treat such an event as a partial disposal and release a portion of the CTA on a proportionate basis or (2) not recognize any disposal as the parent continues to own the same percentage share of the subsidiary. • When significant influence or joint control is lost, the entire CTA	CTA is released through the income statement in the following situations where a parent sells its interest, sells the assets of its foreign operation, or its interest is diluted via the foreign operation's share issuance: • When control of a foreign entity, as defined, is lost, the entire CTA balance is released. • Complete or substantially complete liquidation of a foreign entity, as defined, results in full release of CTA. • When a portion of an equity method investment which is itself a foreign entity, as defined, is sold but significant	Similar to IFRS.	CTA is released when a parent disposes its interest in a non-integral foreign operation through sale, liquidation, repayment of share capital, or abandonment of all, or part of, that operation. In the case of a partial disposal, only the proportionate share of the related accumulated exchange differences is included in the gain or loss.

IFRS	US GAAP	Ind AS	Indian GAAP
balance is released into the income statement. • When there is a sale of a second-tier subsidiary, an entity has an accounting policy choice with regard to the release of CTA associated with that second-tier subsidiary even though ownership in the first-tier subsidiary has not been affected.	influence or joint control is retained, a portion of CTA is released, on a proportionate basis. • When significant influence or joint control over an equity method investee is lost, a proportionate amount of CTA is released into the income statement (through the level at which significant influence or joint control is lost) and the remaining CTA balance becomes part of the cost basis of the investment retained. • When a reporting entity has an investment in a foreign entity accounted for by the equity method, and the reporting entity increases its stake in the subject foreign entity such that control is acquired, all CTA is released. It is treated as if the equity method investment were sold, and used to purchase a controlling interest in the foreign entity.		

14.34. Translation in consolidated financial statements

IFRS/Ind AS does not require equity accounts to be translated at historical rates.

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS does not specify how to translate equity items. Management has a policy	Equity items are required to be translated at historical rates.	Similar to IFRS.	The method used to translate the financial statements of a foreign

IFRS	US GAAP	Ind AS	Indian GAAP
choice to use either the historical rate or the closing rate. The chosen policy should be applied consistently. If the closing rate is used, the exchange differences that result from re-translating equity items are recognized directly in equity as part of the CTA reserve. This effectively reduces the CTA that arises on re-translating the net assets. This will result in the CTA movement in equity not being equal the CTA recognized in total comprehensive income. The policy choice has no impact on the amount of total equity.			operation depends on the way in which it is financed and operates in relation to the reporting enterprise. For this purpose, foreign operations are classified as either "integral foreign operations" or "non-integral foreign operations". Equity items are generally translated at historical rates.

14.35. Determination of functional currency

Under US GAAP there is no hierarchy of indicators to determine the functional currency of an entity, whereas a hierarchy exists under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
Indicators: Primary and secondary indicators should be considered in the determination of the functional currency of an entity. If indicators are mixed and the functional currency is not obvious, management should use its judgment to determine the functional currency that most faithfully represents the economic results of the entity's operations by focusing on the currency of the economy that determines the pricing of transactions (not the currency in which transactions are denominated).	There is no hierarchy of indicators to determine the functional currency of an entity. In those instances in which the indicators are mixed and the functional currency is not obvious, management's judgment is required so as to determine the currency that most faithfully portrays the primary economic environment of the entity's operations.	Similar to IFRS.	Indian GAAP does not define functional or presentation currency. It also does not specify the currency in which an enterprise presents its financial statements. Schedule III (Division I) requires companies to present their financial statements in Indian Rupee. An enterprise normally uses the currency of the country in which it is domiciled. If it uses a different currency, it shall disclose the reason for using that currency.

IFRS	US GAAP	Ind AS	Indian GAAP
			Further, AS 11 requires identification of integral and non-integral foreign operations. All exchange differences arising on translation of an integral foreign operation is recognized in profit or loss. All exchange differences arising on translation of a non-integral foreign operation is recognized in foreign currency translation reserve and is reclassified to profit or loss on disposal of the operation.
Foreign currency: Currency other than the functional currency is foreign currency.	Similar to IFRS.	Similar to IFRS.	Foreign currency is a currency other than the reporting currency.
Presentation currency: Entity can report its financial statements in a currency other than functional currency (reporting currency). Presentation currency is the terminology used instead of reporting currency. IFRS provides specific procedures for translation of the results and financial position of an entity into a different presentation currency.	Similar to IFRS.	Similar to IFRS. Further, the presentation requirements are also determined by Schedule III (Division II) to Companies Act, 2013.	AS 11 does not specify the currency in which an enterprise presents its financial statements. However, it states that an enterprise normally uses the currency of the country in which it is domiciled. If it uses a different currency, disclosure of the reason for using that currency should be made. It also requires disclosure of the reason for any change in the reporting currency. Further, the presentation requirements are also determined by Schedule III (Division I) to Companies Act, 2013.

IFRS	US GAAP	Ind AS	Indian GAAP
Change in functional currency:			
Change in functional currency is applied prospectively. The fact of the change and reason should be disclosed.	All changes in functional currency are accounted for currently and prospectively from the date of the change. Since the exact date a change in functional currency occurred may be hard to determine, it is often recognized at the beginning of the reporting period that approximates the date of the change. As per ASC Topic 830, previously released financial information should not be restated for a change in functional currency.	Similar to IFRS. Further, date of change in functional currency is also disclosed.	Not applicable, as there is no concept of functional currency under Indian GAAP.

14.36. Hyperinflation

Basis of accounting in the case of hyperinflationary economies are different under US GAAP and IFRS/Ind AS. Under Indian GAAP, there is no guidance on reporting for hyperinflationary economies.

IFRS	US GAAP	Ind AS	Indian GAAP
Definition of hyper-inflationary economy:			
Generally, an economy is considered hyper-inflationary if the following indicators are present • the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency • the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency	ASC Topic 830 describes when an economy is considered highly inflationary. A highly inflationary economy is one that has cumulative inflation of approximately 100 percent or more over a 3-year period. However, if the calculation results in the cumulative rate of inflation being less than 100 percent, historical inflation rate trends (increasing or decreasing) and other pertinent	Similar to IFRS.	There is no equivalent standard which deals with hyper-inflationary economies.

IFRS	US GAAP	Ind AS	Indian GAAP
• sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period • interest rates, wages and prices are linked to a price index; and • the cumulative inflation rate over three years is approaching, or exceeds, 100%.	economic factors should be considered to determine whether such information suggests that classification of the economy as highly inflationary is appropriate. The definition of a highly inflationary economy shall be applied with judgment. In some instances, the trend of inflation might be as important as the absolute rate. In practice, SEC registrants are required (and private companies are encouraged) to follow the guidance provided by the International Practices Task Force (IPTF) of the SEC Regulations Committee of the Centre for Audit Quality to determine whether an economy is highly inflationary.		
General approach: IFRS require financial statements prepared in the currency of a hyper-inflationary economy to be stated in terms of the measuring unit current at the end of the reporting period. Prior year comparatives must be restated in terms of the measuring unit current at the end of the latest reporting period.	Under US GAAP inflation-adjusted financial statements are not permitted. Instead, the financial statements of a foreign entity in a highly inflationary economy shall be remeasured as if the functional currency were the reporting currency.	Similar to IFRS. Ind AS requires an additional disclosure regarding the duration of the hyperinflationary situation existing in the economy.	No equivalent standard and guidance.

Interim financial reporting

14.37. Interim financial reporting—impairment of goodwill

IFRS	US GAAP	Ind AS	Indian GAAP
Under IFRS, an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill in the subsequent interim period nor in the annual period.	Similar to IFRS.	Similar to IFRS.	AS 28 permits reversal of impairment losses on goodwill under certain circumstances in the annual financial statements, and this principle also applies by analogy to interim financial statements.

14.38. Interim financial reporting—allocation of costs in interim periods

IFRS/Ind AS requires entities to account for interim financial statements via the discrete-period method. The spreading of costs that affect the full year is not appropriate. This could result in increased volatility in interim financial statements. The tax charge under US GAAP, IFRS/Ind AS and Indian GAAP frameworks is based on an estimate of the annual effective tax rate applied to the interim results plus the inclusion of discrete income tax-related events during the quarter in which they occur.

IFRS	US GAAP	Ind AS	Indian GAAP
Interim financial statements are prepared via the discrete-period approach, wherein the interim period is viewed as a separate and distinct accounting period, rather than as part of an annual cycle.	US GAAP views interim periods primarily as integral parts of an annual cycle. As such, it allows entities to allocate among the interim periods certain costs that benefit more than one of those periods.	Similar to IFRS.	Similar to IFRS.

Non-current assets held for sale and discontinued operations

14.39. Definition—disposal group

IFRS	US GAAP	Ind AS	Indian GAAP
IFRS 5 defines a disposal group as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. A disposal group can be a single CGU or a group of CGUs or a part of the CGU. The disposal group includes goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated.	A disposal group for a long-lived asset or assets to be disposed of by sale or otherwise represents assets to be disposed of together as a group in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction. A disposal group may include a discontinued operation along with other assets and liabilities that are not part of the discontinued operation.	Similar to IFRS.	Under Indian GAAP, there is no concept of disposal group. AS 24 *Discontinuing Operations*, only deals with discontinuing operations.

14.40. Non-current asset held for sale—criteria for classification and presentation

IFRS	US GAAP	Ind AS	Indian GAAP
Definition: IFRS 5 requires a non-current asset (or a disposal group) to be classified as held-for-sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.	Similar to IFRS, long-lived assets will be classified as held for sale if specific criteria under ASC 360 *Property, Plant and Equipment* are met, which are generally similar to IFRS.	Similar to IFRS.	There is no standard dealing with noncurrent assets held for sale. However, AS 10 (Revised) deals with fixed assets retired from active use and held for disposal, which are stated at the lower of their net book value and net realizable value. Any expected loss is recognized immediately in the statement of profit and loss.
Measurement: Non-current assets to be disposed-off are classified as held for sale when the asset is available for immediate sale and the sale is highly probable. Depreciation ceases on the date when the assets are classified as held for sale. Non-current assets classified as held for sale are measured at the lower of its carrying value and fair value less cost to sell.	Similar to IFRS.	Similar to IFRS. However, there is a clarification that an asset (or disposal group) cannot be classified as a non-current asset (or disposal group) held for sale, if the entity intends to sell it in a distant future.	Basis above condition where assets have to be retired from active use, the timing of classification of such assets held for disposal under Indian GAAP could be different from that under other frameworks.
Presentation: Non-current assets held for sale or assets of a disposal group held for sale are presented separately from other assets. Liabilities of a disposal group held for sale are presented separately from other liabilities. Offsetting of the above amounts is not allowed. Balance sheet information of prior period is neither restated nor remeasured for discontinued operations (in common with other disposal groups and non-current assets held for sale).	Similar to IFRS. Reporting entities are not required, to reclassify the disposal group as held for sale in periods prior to the period in which the disposal group becomes held for sale unless the disposal group qualifies as a discontinued operation.	Similar to IFRS.	Items of fixed assets retired from active use and held for disposal are shown separately in the financial statements. Prior period information is not restated.

14.41. Non-current assets held for distribution to owners

The classification, presentation and measurement requirements applicable to a non-current asset (or disposal group) that is classified as held for sale apply also to a non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners (held for distribution to owners) under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
Non-current assets are classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable.	A long-lived asset to be disposed by distribution to owners in a spinoff shall continue to be classified as held and used until it is disposed of.	Similar to IFRS.	No specific guidance. AS 10 (Revised) states that items of property, plant and equipment retired from active use and held for disposal should be stated at the lower of their carrying amount and net realizable value.

14.42. Definition of discontinued/discontinuing operations

The definitions of discontinued operations under IFRS/Ind AS and US GAAP focus on similar principles and apply to a component of an entity that has either been disposed of or is classified as held for sale. Under US GAAP, to qualify as a discontinued operation, a disposal must result in a strategic shift that has a major effect on an entity's operations and financial results. While this concept may be implicit in the IFRS/Ind AS definition, the significance of the line of business or geographical area of operations will determine whether the disposal qualifies for discontinued operations presentation under US GAAP. US GAAP also includes several examples that provide guidance on how to interpret the definition of discontinued operations. The guidance available under Indian GAAP is different as compared to IFRS/Ind AS and US GAAP. The definitions under IFRS/Ind AS, US GAAP and Indian GAAP are summarized in the table below.

IFRS	US GAAP	Ind AS	Indian GAAP
A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and (a) represents a separate major line of business or geographic area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively with a view to resale.	A disposal of a component of an entity or a group of components of an entity shall be reported in discontinued operations if the disposal represents (a) a strategic shift that has (or will have) a major effect on an entity's operations and financial results or (b) a business that on acquisition meets the criteria to be classified as held for sale. A strategic	Similar to IFRS.	AS 24 defines a discontinuing operation as a component of an entity: (a) that the entity, pursuant to a single plan, is: (i) disposing of substantially in its entirety, such as by selling the component in a single transaction or by

IFRS	US GAAP	Ind AS	Indian GAAP
An operation to be abandoned cannot be treated as a discontinued operation before it has actually been abandoned. However, when the operation has actually been abandoned, IFRS 5 requires the operation's results and cash flows to be presented as discontinued operations provided that it meets the criteria to qualify as a discontinued operation set out above.	shift could include the disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity. The concept of strategic shifts is intended to be entity specific. Once an entity determines that a disposal constitutes a strategic shift, it must also determine whether the disposal has had or will have a major effect on the reporting entity's operations and financial results for the disposal to be considered a discontinued operation. The disposal of a business may represent a strategic shift, but if the disposal does not or will not have a major effect on the reporting entity's operations and financial results, it would not be treated as a discontinued operation. An entity should consider key financial metrics when evaluating the quantitative impact of a disposal, including assets, net assets, revenues, operating income, pre-tax income, net income, operating cash flows, and key non-GAAP measures. The guidance does not provide any "bright lines" on what qualifies as a major effect. However, it does include five examples of strategic shifts that have or will have a major effect on a reporting entity's operations and financial results. Those examples relate to the following:		demerger or spin-off of ownership of the component to the entity's shareholders; or (ii) disposing of piecemeal, such as by selling off the component's assets and settling its liabilities individually; or iii) terminating through abandonment; and (b) that represents a separate major line of business or geographical area of operations; and (c) that can be distinguished operationally and for financial reporting purposes.

IFRS	US GAAP	Ind AS	Indian GAAP
	• The sale of a product line that represents 15% of a reporting entity's total revenues • The sale of a geographical area that represents 20% of a reporting entity's total assets • The sale of all of a reporting entity's stores in one of its two types of store formats that historically provided 30 to 40% of the reporting entity's net income and 15% of current period net income • The sale of a component that is an equity method investment that represents 20% of the reporting entity's total assets • The sale of 80% of a product line that accounts for 40 percent of total revenue, but the seller retains 20% of its ownership interest.		

14.43. Discontinued/discontinuing operations—unit of account upon which to perform a discontinued/discontinuing operations assessment

IFRS/Ind AS, US GAAP and Indian GAAP all refer to a component of an entity when describing those operations that may qualify for discontinued/ discontinuing operations reporting. However, the definition of "component of an entity" for purposes of applying the discontinued operations guidance differs under IFRS/Ind AS, Indian GAAP and US GAAP. In practice, this difference generally does not result in different conclusions regarding whether or not a component of an entity that either has been disposed of, or is classified as held for sale, qualifies for discontinued/discontinuing operations reporting.

IFRS	US GAAP	Ind AS	Indian GAAP
A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.	A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable segment or an operating segment, a reporting unit, a subsidiary, or an asset group.	Similar to IFRS.	A component of an entity that can be distinguished operationally and for financial reporting purposes. A component can be distinguished operationally and for financial reporting purposes if all the following conditions are met: • the operating assets and liabilities of the component can be directly attributed to it; • its revenue can be directly attributed to it; • at least a majority of its operating expenses can be directly attributed to it.

14.44. Presentation—discontinued/discontinuing operations

IFRS	US GAAP	Ind AS	Indian GAAP
A single amount comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation is presented in the statement of comprehensive income. An analysis of the same (e.g. revenue, expenses, gain or loss recognized on the measurement to fair value less costs to	US GAAP includes several disclosures about the earnings, assets and liabilities, cash flows, and continuing involvement relating to discontinued operations. In the period during which a discontinued operation has been disposed of or is classified as held for sale, entities must disclose (i) the facts and circumstances leading to the disposal or expected disposal, (ii) the expected manner and timing of the disposal,	Similar to IFRS. However, Schedule III (Division II) requires presentation of pre-tax profit/(loss) from discontinued operations and related tax expense on the face of the statement of profit and loss.	Under AS 24, the amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, the income tax expense related thereto and the amount of the pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to the discontinuing operation is required to be

IFRS	US GAAP	Ind AS	Indian GAAP
sell or disposal and related income tax) is required which may be presented in the notes or separately in the statement of comprehensive income. The net cash flows attributable to the operating, investing and financing activities of discontinued operations is also required to be presented either in notes or separately in the financial statements. Further, an entity shall re-present the disclosures for discontinued operations for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.	(iii) the gain or loss recognized (if not presented separately on the face of the statement where net income is reported), and (iv) the segment in which the discontinued operation is reported, if applicable. For all discontinued operations other than equity method investments, the expanded disclosures include the following, if not already presented on the face of the financial statements: (i) pretax profit or loss of the discontinued operation, (ii) major line items constituting pretax profit or loss, (iii) if the discontinued operation includes a non-controlling interest, the pretax profit or loss attributable to the parent, and (iv) either total operating and total investing cash flows or depreciation, amortization, capital expenditures, and significant non-cash operating and investing items. These disclosures must be provided for all periods in which the results of the discontinued operation are reported in the statement where net income is reported. Further, reconciliation of the major line items constituting pretax profit or loss to the after-tax profit or loss from discontinued operations that is presented on the face of the statement where net income is reported is required. The reconciliation must be provided for all periods in which the results of the		presented on the face of profit and loss. This is presented by way of analysis of profit or loss into continuing and discontinuing operations i.e. the revenue and expenses are presented in total on face of the profit and loss and are not divided between continuing and discontinuing operations. In contrast, the requirements of Schedule III (Division I) to the Companies Act, 2013 is similar to Ind AS which requires presentation of pre-tax profit/(loss) from discontinued operations and related tax expense on the face of the statement of profit and loss—effectively dividing the income statement in two sections (continuing and discontinuing). Following information is required to be disclosed in notes for discontinuing operations: for periods up to and including the period in which the discontinuance is completed: • the carrying amounts, as of the balance sheet date, of the total assets to be disposed of and the total liabilities to be settled; • the amounts of revenue and expenses in respect of the ordinary activities attributable to the

IFRS	US GAAP	Ind AS	Indian GAAP
	discontinued operation are presented. US GAAP allows entities an option to disclose total operating and total investing cash flows or, alternatively, only depreciation, amortization, capital expenditures, and significant non-cash operating and investing items related to discontinued operations. The disclosures of financing cash flows are not required as the financing transactions are typically conducted at the parent level rather than at the component level. The new cash flow disclosures can either be presented on the face of the statement of cash flows or in the notes to the financial statements. Unlike IFRS, under US GAAP in the period(s) that a discontinued operation is classified as held for sale and for all prior periods presented, the assets and liabilities of the discontinued operation shall also be presented separately in the asset and liability sections, respectively, of the statement of financial position.		discontinuing operation during the current financial reporting period; and • the amounts of net cash flows attributable to the operating, investing, and financing activities of the discontinuing operation during the current financial reporting period. Comparative information for prior periods that is presented in financial statements prepared after the initial disclosure event should be restated to segregate assets, liabilities, revenue, expenses, and cash flows of continuing and discontinuing operations as specified in AS 24.

Related party disclosures

14.45. Related parties—definition

IFRS	US GAAP	Ind AS	Indian GAAP
A related party is a person or entity that is related to the entity that is preparing its financial statements. These include:	Related parties include: (a) Affiliates of the entity.	Similar to IFRS except for close family members given below. Refer SD 14.46.	Parties are considered to be related if at any time during the reporting period one party has

IFRS	US GAAP	Ind AS	Indian GAAP
(a) A person or a close member of that person's family is related to a reporting entity if that person: – has control or joint control of the reporting entity; – has significant influence over the reporting entity; or – is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if any of the following conditions applies: – The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). – One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member). – Both entities are joint ventures of the same third party. – One entity is a joint venture of a third entity and the other entity is an associate of the third entity. – The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the	(b) Entities for which investments in their equity securities would be required, absent the election of the fair value option under the fair value option subsection of section 825-10-15, to be accounted for by the equity method by the investing entity. (c) Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management (d) Principal owners of the entity and members of their immediate families. (e) Management of the entity and members of their immediate families. Management are persons who are responsible for achieving the objectives of the entity and who have the authority to establish policies and make decisions by which those objectives are to be pursued. (f) Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. (g) Other parties that can significantly influence the		the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions. The term "control" defined in AS 18 appears to be broader than AS 21. The definition of control in AS 18 *Related Party Disclosures* indicates that even a substantial interest (20 per cent or more) in voting power along with the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise would result in control for the purpose of related party disclosures. AS 18 deals with related party relationships described in (a) to (e) below: (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries); (b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;

IFRS	US GAAP	Ind AS	Indian GAAP
reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity. – The entity is controlled or jointly controlled by a person identified in (a). – A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). – The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.	management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.		(c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual; (d) key management personnel and relatives of such personnel; and (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

14.46. Related party disclosures—close/immediate member of the family

IFRS	US GAAP	Ind AS	Indian GAAP
Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: • That person's children and spouse or domestic partner	Immediate family means family members who might control or influence a principal owner or a member of management, or who might be controlled or influenced by a principal owner or a member of management, because of the family relationship.	Similar to IFRS, with the inclusion of father, mother, brother and sister in the definition.	No definition of close member of family. AS 18, defines the term 'relative'. Relative in relation to an individual includes the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual

IFRS	US GAAP	Ind AS	Indian GAAP
• Children of that person's spouse or domestic partner and • Dependents of that person or that person's spouse or domestic partner.			in his/her dealings with the reporting enterprise.

14.47. Post-employment benefit plans

IFRS	US GAAP	Ind AS	Indian GAAP
Considered as a related party.	Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management.	Similar to IFRS.	AS 18 does not specifically identify post-employment benefit plans as related parties. However, disclosure in respect of such plans are made in accordance with AS 15.

14.48. Related parties—disclosure of commitments

Disclosures of related party transactions under IFRS/Ind AS should include commitments to related parties.

IFRS	US GAAP	Ind AS	Indian GAAP
Disclosure of related party transactions includes commitments if a particular event occurs or does not occur in the future, including recognized and unrecognized executory contracts. Commitments to members of key management personnel would also need to be disclosed.	There is no specific requirement to disclose commitments to related parties under US GAAP.	Similar to IFRS.	Similar to US GAAP.

14.49. Related parties—key management personnel

Differences in the definition of key management personnel could result in more parties being considered as related parties under IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
IAS 24 *Related Party Disclosures* defines key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. As specified in SD 14.45, member of the key management personnel of a parent of the reporting entity is also a related party. Additionally, the entity, or any member of a group of which it is a part, which provides key management personnel services to the reporting entity or to the parent of the reporting entity is also a related party.	ASC Topic 850 defines management as those persons who are responsible for achieving the objectives of the entity and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management normally includes members of the board of directors, the chief executive officer, chief operating officer, vice presidents in charge of principal business functions (such as sales, administration, or finance), and other persons who perform similar policy making functions. Persons without formal titles also may be members of management.	Similar to IFRS.	AS 18 defines key management personnel as those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise. Further, it provides an explanation that a non-executive director of a company is not considered as a key management person by virtue of merely his being a director unless he has the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise.

14.50. Related parties—disclosure of management compensation

Under IFRS/Ind AS and Indian GAAP, a financial statement requirement exists to disclose the compensation of key management personnel.

IFRS	US GAAP	Ind AS	Indian GAAP
The compensation of key management personnel is disclosed within the financial statements in total and by category of compensation i.e.	Disclosure of the compensation of key management personnel is not required within the financial statements.	Similar to IFRS.	Compensation is disclosed in total as an aggregate of all category of compensation, except when a separate disclosure is necessary for an understanding

IFRS	US GAAP	Ind AS	Indian GAAP
(a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payment. Other transactions with key management personnel also must be disclosed.	SEC regulations require key management compensation to be disclosed outside the primary financial statements.		of the effects of the related party transactions on the financial statements.

14.51. Related parties—disclosure of transactions with the government and government-related entities

There are exemptions from certain related party disclosure requirements under IFRS/Ind AS and Indian GAAP that do not exist under US GAAP.

IFRS	US GAAP	Ind AS	Indian GAAP
A partial exemption is available to reporting entities from the disclosure requirements for related party transactions and outstanding balances with both: • A government that has control, joint control, or significant influence over the reporting entity • Another entity that is a related party because the same government has control, joint control, or significant influence over both the reporting entity and the other entity. The term "government" refers to government, government agencies and similar bodies whether local, national or international.	There are no exemptions available to reporting entities from the disclosure requirements for related party transactions with governments and/or government-related entities.	Similar exemptions as IFRS. Further, related party disclosure requirements do not apply in circumstances where providing such disclosures would conflict with the reporting entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority, including any such disclosures prohibited by those authorities.	No disclosure required in financial statements of a state-controlled enterprise as regards related party relationships or transactions with other state-controlled enterprises [State-controlled enterprise is an enterprise which is under the control of the Central Government and/or any State Government(s)] Accordingly, disclosure is required in financial statements of reporting entity as regards related party relationship and transactions with government entities which are not controlled by the government, but

IFRS	US GAAP	Ind AS	Indian GAAP
			government has significant influence or joint control. Similar to Ind AS, related party disclosure requirements do not apply in circumstances where providing such disclosures would conflict with the reporting entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority, including any such disclosures prohibited by those authorities.

14.52. Related parties—other disclosures

IFRS	US GAAP	Ind AS	Indian GAAP
General: IAS 24 requires that where an entity has related party transactions during the period, an entity shall disclose the amount of such transactions and the outstanding balances including commitments.	Similar to IFRS.	Similar to IFRS.	AS 18 requires that for related party transactions during the period, the entity can disclose the volume of the transactions either as an amount or as an appropriate proportion of the outstanding items.
Aggregation: Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.	In some cases, aggregation of similar transactions by type of related party may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship,	Similar to IFRS. Ind AS provides additional guidance on aggregation. Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar	Similar to Ind AS. It further specifies that in deciding whether an item or an aggregate of items is material, the nature and the size of the item(s) are evaluated together. Depending on the circumstances, either the nature or the size of the item could be

IFRS	US GAAP	Ind AS	Indian GAAP
	the name of the related party shall be disclosed.	nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.	the determining factor. As regards size, for the purpose of applying the test of materiality, ordinarily a related party transaction, the amount of which is in excess of 10% of the total related party transactions of the same type (such as purchase of goods), is considered material, unless on the basis of facts and circumstances of the case it can be concluded that even a transaction of less than 10% is material.
Disclosure of control: An entity discloses the name of its parent and, if different, the name of the ultimate controlling party. If neither the parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so must also be disclosed. This will be the first parent in the group above the immediate parent that produces consolidated financial statements available for public use. An entity also discloses the ultimate parent entity.	If the reporting entity and one or more other entities are under common ownership or management control and the existence of that control could result in operating results or financial position of the reporting entity significantly different from those that would have been obtained if the entities were autonomous, the nature of the control relationship shall be disclosed even though there are no transactions between the entities.	Similar to IFRS.	Name of the related party and nature of the related party relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties.

Segment reporting

14.53. Operating segments—segment reporting

Under Indian GAAP, segments are identified based on the risks and returns approach, whereas under US GAAP, IFRS and Ind AS segments are identified based on information reported to chief operating decision maker (CODM). Further, a principles-based approach to the determination of operating segments in a matrix-style organizational structure under US GAAP could result in entities disclosing different operating segments as compared to IFRS/Ind AS.

IFRS	US GAAP	Ind AS	Indian GAAP
Scope: Applies to entity whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market.	ASC 280 *Segment Reporting* applies to all public entities with certain exceptions such as non-profit entities.	Apply to companies to which Ind AS notified under the Companies Act, 2013 apply. Accordingly, there is no distinction between public and private.	Applies to all entities except SMCs.
Determination of Segments: Identification of segments under IFRS 8 *Operating Segments* is based on 'management approach' i.e., operating segments are identified based on the financial information regularly reviewed by the entity's chief operating decision maker to make decisions about resource allocation and performance measurement.	Similar to IFRS.	Similar to IFRS.	AS 17 *Segment Reporting* requires identification of two sets of segments—one based on business, 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, depending on which set predominately reflects the sources of risks and returns affecting the entity.
Segment reporting—Disclosure of segment result: An entity shall report a measure of profit or loss for each reportable segment. Specified amounts for each reportable	A public entity shall report a measure of profit or loss for each reportable segment. A public entity also shall	Similar to IFRS.	An enterprise should disclose

IFRS	US GAAP	Ind AS	Indian GAAP
segment, if they are either included in the measure of profit or loss that is reported to the CODM or they are otherwise provided to the CODM, even if they are not included in that measure of profit or loss. These amounts are: • revenues from external customers; • revenues from transactions with other operating segments of the same entity (inter-segment revenue); • interest revenue; • interest expense; • depreciation and amortization; • material items of income and expense disclosed in accordance with paragraph 97 of IAS 1 Presentation of Financial Statements; • the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method; • income tax expense or income; and • material non-cash items other than depreciation and amortization (such as impairment, which is covered by IAS 36).	disclose all of the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss: • revenues from external customers; • revenues from transactions with other operating segments of the same public entity; • interest revenue; • interest expense; • depreciation, depletion, and amortization expense; • unusual items; • equity in the net income of investees accounted for by the equity method; • income tax expense or benefit; • significant noncash items other than depreciation, depletion, and amortization expense. A public entity shall report interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segment and make decisions about		the following for each reportable segment: • segment revenue, classified into segment revenue from sales to external customers and segment revenue from transactions with other segments; • segment result; • total amount of expense included in the segment result for depreciation and amortization in respect of segment assets for the period; and • total amount of significant non-cash expenses, other than depreciation and amortization in respect of segment assets that were included in segment expense and, therefore, deducted in measuring segment result. The interest expense relating to overdrafts and other operating liabilities identified to a particular segment are not included as a part of the segment expense unless the operations of the segment are primarily of a financial nature or unless the interest is included as a part of the cost of inventories.

IFRS	US GAAP	Ind AS	Indian GAAP
	resources to be allocated to the segment. In that situation, a public entity may report that segment's interest revenue net of its interest expense and disclose that it has done so.		
Segment reporting—Disclosure of assets and liabilities: An entity shall report a measure of total assets and total liabilities for each reportable segment, if they are regularly provided to the CODM. Where certain specific asset balances are reviewed by the CODM, only the total of these balances is required to be disclosed as segment assets, and not the individual asset balances.	Similar to IFRS, except that segment liabilities do not have to be reported, even if they are reported to the CODM. However, an entity can elect to voluntarily make these disclosures.	Similar to IFRS.	An enterprise should disclose the following for each reportable segment: • the carrying amount of segment assets; • the carrying amount of segment liabilities; and • total cost incurred during the period to acquire segment assets that are expected to be used during more than one period (tangible and intangible fixed assets).
Segment reporting measurement: IFRS 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 segments and assessing its performance. An entity shall also provide an explanation (e.g. basis of accounting) of the measurement of segment profit or loss, assets and liabilities for each reportable segment, including nature of	Similar to IFRS.	Similar to IFRS.	AS 17 requires segment information to be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements.

IFRS	US GAAP	Ind AS	Indian GAAP
any differences between the measurements of corresponding amounts for the entity.			
Aggregation criteria: IFRS permits operating segments to be aggregated for reporting purposes even though they may be individually material, if they have similar economic characteristics. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar. Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of IFRS 8, the segments have similar economic characteristics, and the segments are similar in each of the following respects: • the nature of the products and services; • the nature of the production processes; • the type or class of customer for their products and services; • the methods used to distribute their products or provide their services; and • if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.	Similar to IFRS.	Similar to IFRS.	AS 17 does not specifically include guidance on aggregation of segments for reporting purposes. However, AS 17 includes guidance on evaluation of factors similar to IFRS in identifying whether a distinguishable component of an entity is engaged in providing an individual product or service or a group of related products or services subject to risks and returns different from those of other business segments. Similarly, AS 17 includes evaluation of certain factors while identifying geographical segments.

IFRS	US GAAP	Ind AS	Indian GAAP
Single reportable segment: There are certain entity-wide disclosures required even in case of entities having single reportable segment. These include: • Information about products and services; • Information about geographical areas; and • Information about major customers.	Similar to IFRS.	Similar to IFRS.	In case there is neither more than one business segment nor more than one geographical segment, segment information as per AS 17 is not required to be disclosed. However, this fact shall be disclosed in notes. Unlike other frameworks, there are no specific entity-wide disclosure requirements.
Matrix form of organizational structure: Entities that utilize a matrix form of organizational structure are required to determine their operating segments by reference to the core principle (i.e., an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates).	Entities that utilize a matrix form of organizational structure are required to determine their operating segments on the basis of products or services offered, rather than geography or other metrics.	Similar to IFRS.	Entities that utilize a matrix form of organizational structure should use business segments as its primary segment reporting format and geographical segments as its secondary reporting format.

14.54. Recent/proposed guidance

14.54.1. FASB and IASB insurance contracts projects

The FASB and IASB published in June 2013 their exposure drafts on the insurance contracts project. The boards began working together in 2008 on developing a comprehensive, converged standard on accounting for insurance contracts that would address recognition, measurement, presentation, and disclosure. The IASB project started a decade earlier, given that there is no comprehensive insurance standard under IFRS (IFRS 4 *Insurance Contracts* was an interim measure that allowed the use of existing local accounting practices with certain adjustments).

Following the 2013 comment letter period on an exposure draft of a converged standard, the FASB met in February 2014 and decided to take the project in a different direction by limiting the scope to insurance entities and making targeted improvements to US GAAP for insurers. This diverged from the IASB's plan, which is to continue with a proposal generally consistent with the exposure draft.

Since February of 2014, the FASB's project was divided into two components to separately address short-duration and long-duration insurance contracts.

For short-duration contracts (principally property/casualty and health insurance contracts), the FASB has limited the project to enhancing disclosures. The disclosures adopted by the FASB include annual disaggregated incurred and paid claims development tables that need not exceed 10 years, the incurred but not reported claim liabilities included within the incurred claim development table, claim count, and interim as well as year-end roll forwards of claim liabilities. The final standard on short-duration insurance contract disclosures, ASU-2015-09: *Disclosure about Short-Duration Contracts*, was issued in May 2015 and is effective for public business entities for calendar year end 2016 financial statements and for interim financial reporting thereafter. All other entities have an additional year.

For long-duration contracts (principally life and annuity contracts), the FASB is focusing on enhancements to both accounting and disclosures. Some of the tentative decisions made include the updating of assumptions used in calculating various insurance liabilities, simplifications to deferred acquisition cost amortization models, and reconsideration of the measurement model for minimum death benefits and income benefits. The board issued a revised exposure draft in September 2016 and held a public roundtable meetings in April 2017 to listen to the views of, and obtain information from, stakeholders.

IASB issues IFRS 17 Insurance Contracts:

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 *Insurance Contracts*. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard applies to annual periods beginning on or after 1 January 2021, with earlier application permitted if IFRS 15 and IFRS 9, are also applied.

Key provisions

Scope

IFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, entities have an accounting policy choice to account for them in accordance with either IFRS 17 or IFRS 15. Similar to the position under IFRS 4, financial guarantee contracts are allowed to be within the scope of IFRS 17 if the entity previously asserted explicitly that it regarded them as insurance contracts. Insurance contracts (other than reinsurance) where the entity is a policyholder are not within the scope of IFRS 17.

Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related IFRSs. Voluntary unbundling of other components is prohibited.

The measurement model

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability-weighted cash flows.

For presentation and measurement, entities are required at initial recognition to disaggregate a portfolio (that is, contracts that are subject to similar risks and managed together as a single pool) into three groups of contracts: onerous; no significant risk of becoming onerous; and remaining contracts. Contracts that are issued more than one year apart should not be in the same group.

Changes in cash flows related to future services should be recognized against the CSM. The CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss. Interest is accreted on the CSM at rates locked in at initial recognition of a contract. To reflect the service provided, the CSM is released to profit or loss in each period on the basis of passage of time.

Under IFRS 17, entities have an accounting policy choice to recognize the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income ('OCI'). The OCI option for insurance liabilities reduces some volatility in profit or loss for insurers where financial assets are measured at amortized cost or fair value through OCI under IFRS 9.

The variable-fee approach is required for insurance contracts that specify a link between payments to the policyholder and the returns on underlying items, such as some 'participating', 'with profits' and 'unit linked' contracts. The interest on the CSM for such contracts is accreted implicitly through adjusting the CSM for the change in the variable fee. The variable fee represents the entity's share of the fair value of the underlying items less amounts payable to policyholders that do not vary based on the underlying items. The CSM is also adjusted for the time value of money and the effect of changes in financial risks not arising from underlying items such as options and guarantees.

Requirements in IFRS 17 align the presentation of revenue with other industries. Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components (that is, amounts repaid to policyholders even if the insured event does not occur) are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts. The disclosure requirements are more detailed than currently required under IFRS 4.

On transition to IFRS 17, an entity applies IFRS 17 retrospectively to groups of insurance contracts, unless it is impracticable. In this case, the entity is permitted to choose between a modified retrospective approach and the fair value approach. In applying a modified retrospective approach, the entity achieves the closest outcome to retrospective application using reasonable and supportable information and choosing from a list of available simplifications. Alternatively, the CSM at transition can be based on fair value at transition. In practice, using different approaches to transition could result in significantly different outcomes that will drive profit recognized in future periods for contracts in force on transition.

14.54.1.1. Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to existing insurance contracts standard, IFRS 4, Applying IFRS 9 with IFRS 4. The amendments address issues that may arise from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard IFRS 17, which will replace current IFRS 4. The IASB decided to (1) permit entities whose activities are predominantly connected to insurance and that has not previously applied IFRS 9 (with limited exceptions) the option to defer the effective date of IFRS 9 Financial Instruments until 2021 (the deferral approach) and (2) permit entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, some of the additional accounting mismatches and temporary volatility that could occur when IFRS 9 is applied before the new insurance contracts standard is implemented (the overlay approach).

14.54.2. IASB Exposure Draft, Classification of Liabilities (Proposed amendments to IAS 1)

In February 2015, the IASB issued an exposure draft to amend IAS 1. The proposed amendments attempt to clarify that the classification of a liability as either current or noncurrent is based on the entity's rights at the end of the reporting period, and make a clear link between the settlement of the liability and the outflow of resources from the entity.

In January 2017, the FASB proposed new guidance for the balance sheet classification of debt. As proposed, debt would be classified as current or noncurrent based on the contractual rights of the lender and the borrower on the balance sheet date. Debt would only be classified as noncurrent if it is contractually due more than one year from the balance sheet date or the borrower has a contractual right to defer settlement for at least one year. With the exception of a waiver for a debt covenant violation, the proposed guidance would prohibit the consideration of events occurring after the balance sheet date when determining the classification of debt.

14.54.3. IASB Disclosure Initiative (amendments to IAS 7)

In January 2016, the IASB issued an amendment to IAS 7 as part of their Disclosure Initiative. The amendment requires an entity to disclose information that enables users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, as well as non-cash changes, such as acquisitions, disposals, and unrealized exchange differences. The disclosure is not limited to changes in debt but also includes changes in any other liabilities for which cash flows were, or future cash flows will be, classified as financing activities in the statement of cash flows. There is no specific format mandated but the amendment suggests that a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities would meet the disclosure requirement.
The amendment is effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

MCA recently issued an amendment to Ind AS 7 *Statement of Cash Flows* on similar matter consequent to amendment in corresponding IFRS as issued by IASB. This amendment shall come into force from 1 April 2017.

There are no specific disclosure requirements for changes in liabilities arising from financing activities under US GAAP.

14.54.4. IFRS Interpretations Committee Interpretation 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IFRS Interpretations Committee published a new interpretation IFRIC 22 on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The interpretation clarifies that the transaction date used to determine the exchange rate to use on initial recognition should be the date of initial recognition of the non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration. The interpretation also states that if there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

ICAI issued an exposure draft on similar matter to amend Ind AS 21 *The Effects of Changes in Foreign Exchange rates*.

There is no specific guidance for the determination of the foreign currency exchange rate to translate non-monetary asset or non-monetary liabilities under US GAAP.

14.54.5. Exposure draft on Improvements to IFRS 8, 'Operating segments', proposed amendments to IFRS 8 and IAS 34

In March 2017, the IASB issued proposed amendments that follow on from a post-implementation review (PIR) of IFRS 8 that was carried out to assess whether the standard works as intended. The PIR confirmed that the standard generally functions well but identified some areas that could benefit from improvements.

The proposed improvements in the exposure draft include amendments:

- to clarify and emphasize the criteria that must be met before two operating segments may be aggregated;
- to require companies to disclose the title and role of the person or group that performs the function of the chief operating decision maker; and
- to require companies to provide information in the notes to the financial statements if segments in the financial statements differ from segments reported elsewhere in the annual report and in accompanying materials.

The Board has also proposed to amend IAS 34 *Interim Financial Reporting*, to require companies that change their segments to provide restated segment information for prior interim periods earlier than they currently do.

Comments are due 31 July 2017.

14.54.6. *Exposure draft of Guidance Note on Division II – Ind AS Schedule III to the Companies Act 2013*

The ICAI has issued the exposure draft of the Guidance Note on Division II – Ind AS Schedule III to the Companies Act 2013 for companies adopting Ind AS. The objective of this guidance note is to provide guidance in the preparation and presentation of financial statements in accordance with various aspects of Ind AS Schedule III, for companies adopting Ind AS.

Comments/suggestions on the exposure draft were to be submitted by 30 April 2017.

14.54.7. *Accounting Standards Update 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*

In August 2016, the FASB issued ASU 2016-15 *Statement of Cash Flows (Topic 230)*, a consensus of the FASB's Emerging Issues Task Force. The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Each is summarized below:

Issue	***Consensus***
Issue 1—Payments for debt prepayment or extinguishment	Financing
Issue 2—Settlement of zero-coupon debt instruments	Operating (payment attributable to interest) and financing (payment attributable to principal)
Issue 3—Contingent consideration payments made after a business combination	Investing [Payments made soon after an acquisition consummation date (i.e. approximately three months or less). For payment made thereafter see below] Financing (payment upto original consideration liability) and operating (excess amount)
Issue 4—Proceeds from the settlement of insurance claims	Classify based on the nature of the insured loss
Issue 5—Proceeds from the settlement of corporate owned life insurance (COLI)	Investing; premiums can be classified as investing, operating or a combination of both
Issue 6—Distributions received from equity method investees	Accounting policy choice for classification (i) cumulative earnings approach (ii) nature of distribution approach
Issue 7(a)—Presentation of beneficial interests received in securitization transactions	Disclose beneficial interests received as noncash activity

Issue	*Consensus*
Issue 7(b)—Cash receipts from beneficial interests in securitized trade receivables	Investing
Issue 8—Application of the predominance principle	When there is a lack of specific guidance or cash flows contain elements of more than one class, classification should be based on the activity that is likely to be the predominant source or use of cash flow

For public business entities, the standard is effective for financial statements issued for fiscal years beginning after 15 December 2017, and interim periods within those fiscal years. For all other entities, the standard is effective for financial statements issued for fiscal years beginning after 15 December 2018, and interim periods within fiscal years beginning after 15 December 2019. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method.

IFRS does not provide specific guidance on the classification of the cash receipts and cash payments included in the Accounting Standards Update.

14.54.8. Accounting Standards Update 2016-18, Statement of Cash Flows: Restricted Cash

In December 2016, the FASB issued ASU 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash*, a consensus of the FASB's Emerging Issues Task Force. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions.

For public business entities, the guidance is effective for financial statements issued for fiscal years beginning after 15 December 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for financial statements issued for fiscal years beginning after 15 December 2018, and interim periods within fiscal years beginning after 15 December 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.

There is no guidance under IFRS that addresses the presentation of restricted cash on the statement of cash flows.

14.54.9. ASU 2016-09, Improvements to Employee Share-Based Payment Accounting

On 30 March 2016, the FASB issued ASU 2016-09 intended to simplify the accounting for share-based payment awards issued to employees. Refer to SD 4.20 for the changes to employee share-based payment accounting. As it relates to the presentation in the statement of cash flows, all tax effects will be presented as an operating activity as opposed to presenting gross windfall tax benefits as a financing activity. This is converged with IFRS, which requires taxes paid to be classified within operating cash flows unless there is a specific identification with a financing or investing activity.

In addition, when applying the treasury stock method for computing diluted EPS based on the ASU, the assumed proceeds will not include any windfall tax benefits. Differences between US GAAP and IFRS remain after the ASU is effective. Refer to SD 14.30 for the treatment of windfall tax benefits when applying the treasury stock method for computing diluted EPS under IFRS.

The ASU is effective for public business entities for annual periods beginning after 15 December 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after 15 December 2017, and interim periods within annual periods beginning after 15 December 2018. Early adoption is permitted.

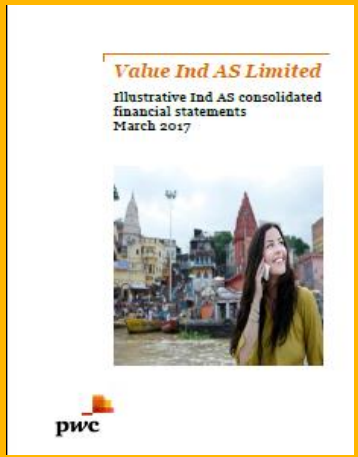
Appendix A: Abbreviations

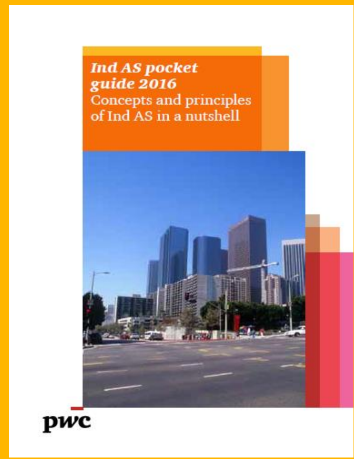
Abbreviations used in this publication are set out below.

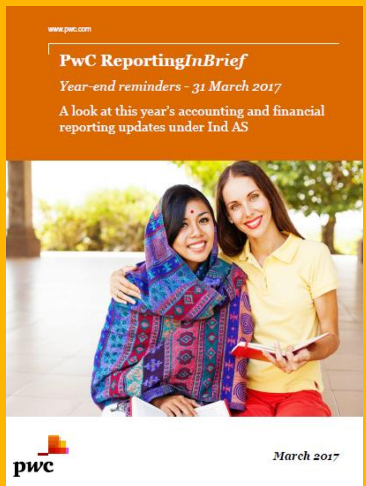
AICPA	American Institute of Certified Public Accountants
AS	Accounting Standard
ASB	Accounting Standards Board
ASU	Accounting Standards Update
CGU	Cash-Generating Unit
CODM	Chief operating decision maker
EAC	Expert Advisory Committee
EITF	Emerging Issues Task Force
EPS	Earnings per Share
ESOP	Employee Stock Ownership Plan
FASB	Financial Accounting Standards Board
FV	Fair value
FVOCI	(Financial assets/liabilities at) fair value through other comprehensive income
FVPL	(Financial assets/liabilities at) fair value through profit or loss
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAI	Institute of Chartered Accountants of India

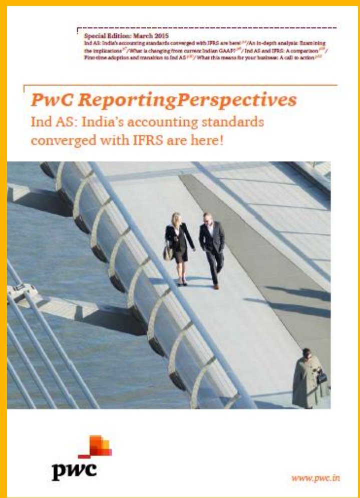
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
Ind AS	Indian Accounting Standards
KMP	Key management personnel
MCA	Ministry of Corporate Affairs
NCI	Non-controlling interest
OCI	Other comprehensive income
SAB	Staff Accounting Bulletin
SEBI	Securities and Exchange Board of India
SEC	US Securities and Exchange Commission
SMC	'Small and Medium Sized Company' as defined in the Companies (Accounting Standard) Rules, 2006
SPPI	Solely payments of principal and interest
VIE	Variable Interest Entity

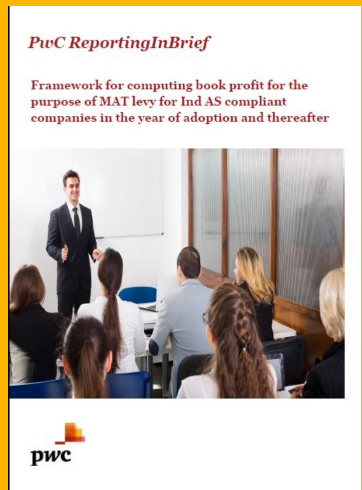
Previous publications

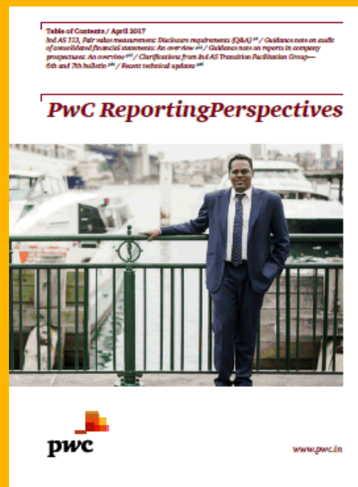












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