

# PwC Reporting *InBrief*

## Ind AS Transition Facilitation Group (ITFG) Clarification Bulletin 13



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## ***In brief***

The Ind AS Implementation Committee of the Institute of Chartered Accountants of India (ICAI) constituted the Ind AS Transition Facilitation Group (ITFG) to address issues faced by preparers, users and other stakeholders on applicability and implementation of Ind AS. ITFG issues clarifications in the form of periodic bulletins.

This *InBrief* provides an overview of the clarifications issued by the ITFG in its bulletin 13 and our insights on these clarifications and related interpretative issues.

## ***Let's talk***

1. Dividend distribution tax (DDT) on dividend payable on preference shares classified as liability in accordance with Ind AS 32, *Financial Instruments: Presentation* will be treated as borrowing cost eligible for capitalisation under Ind AS 23, *Borrowing Costs*.
  2. Ind AS 109, *Financial Instruments* does not provide any specific accounting for beneficiary of a financial guarantee. A personal guarantee provided by a director to the lenders of a company, without any premium or fees, is not required to be accounted by the company i.e. the beneficiary. The fair value of the borrowing is expected to be the face value of the loan proceeds received considering the unit of account as being the guaranteed loan.
  3. Disclosure specified in paragraph 34 of Ind AS 108, *Operating Segments* relating to information about the extent of reliance on major customers, also apply to an entity with a single reportable segment.
  4. A Company which carries on the activity of Non-Banking Financial Company (NBFC) but is not registered with the Reserve Bank of India (RBI) shall also comply with Ind AS as per the Ind AS roadmap for NBFCs.
  5. Ind AS and Ind AS Schedule III do not permit classification of expenses by function. Further, disclosure of operating profit would result in change in the format of statement of profit and loss as prescribed by Ind AS Schedule III. Accordingly, it may not be appropriate to present operating profit measure as a sub-total on face of statement of profit and loss. Entities may provide such additional information in the financial statements.
  6. Modification gain or loss arising on renegotiation of terms of borrowings should be recognised in profit or loss of the period in which the renegotiation has contractually taken place.
  7. A deemed disposal of a parent's equity interest in a subsidiary without loss of control (e.g. when another investor invests in the equity of the subsidiary thereby reducing the parent's ownership percentage) has no accounting impact in the separate financial statements of the parent. In the consolidated financial statements of the parent, such deemed disposal is accounted as an 'equity transaction'. No gain or loss is recognised in profit or loss.
  8. Market risk disclosures relating to foreign exchange risk, required by Ind AS 107, *Financial Instruments: Disclosures*, shall also be provided in respect of exchange differences capitalised with the cost of the asset as per paragraph D13AA of Ind AS 101, *First-time adoption of Ind AS*.
  9. Impact of dividend distribution tax (DDT) paid by a partly owned subsidiary in the consolidated financial statements of the parent:
    - (i) Where no dividend is declared by the parent company: In consolidated financial statements, dividend income earned by the parent from the subsidiary and the equivalent amount recorded by the subsidiary in its equity shall be eliminated. DDT paid by the subsidiary attributable to the parent's share of dividend (which is eliminated in the consolidated financial statements) shall be charged to the consolidated statement of profit and loss as 'tax expense'. Dividend paid by the subsidiary to non-controlling interests (NCI) along with the attributable DDT thereon would be recorded in the consolidated statement of changes in equity as a reduction in NCI balance;
    - (ii) Where dividend is declared by the parent company: DDT paid by the subsidiary claimed as set off against the DDT liability of the parent under tax laws shall be recognised in the consolidated statement of changes in equity. DDT not claimed/utilised as set off shall be charged to consolidated statement of profit and loss as 'tax expense'. Accounting of dividend paid by the subsidiary to NCI and DDT thereon shall be as per 9(i) above.
  10. DDT paid by an associate is not allowed as set off against the DDT liability of the investor under tax laws. Accordingly, investor's share of DDT paid by the associate would be accounted by the investor by crediting its investment in the associate and recording a corresponding debit adjustment towards its share of profit or loss from the associate.
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11. Debentures compulsorily convertible into fixed number of equity shares (CCDs) with mandatory interest payment is classified as compound financial instrument from the issuer's perspective. Such compound financial instrument is required to be separated into two components i.e. financial liability and equity. When allocating the initial carrying amount of the compound instrument into financial liability and equity, an entity first determines the fair value of the liability component. The fair value of the financial liability is determined with reference to the fair value of a similar stand-alone debt instrument. The amount allocated to the equity component is residual amount after deducting the fair value of the financial liability component from the fair value of the entire compound instrument. The above principle would also apply to CCDs issued at off-market coupon.

## **In detail**

### **1. Capitalisation of DDT on dividend payable on preference shares classified as liability**

Ind AS 32 states that classification of a financial instrument as a financial liability or an equity instrument determines whether interest, dividends, losses and gains relating to that instrument are recognised as income or expense in profit or loss or directly in equity as distributions. Interest, dividends, losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument shall be recognised directly in equity. Accordingly, dividend payments on preference shares classified as liability shall be recognised as interest expense.

Paragraph 8 of Ind AS 23 states that an entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

ITFG clarified that DDT on dividend payable on preference shares classified as liability is in the nature of an incremental cost incurred in connection with obtaining the borrowings. Accordingly, such DDT will form part of the effective interest rate (EIR) calculation to compute the effective interest expense under Ind AS 23. The preference dividend and DDT thereon shall form part of the cost of a qualifying asset, if the capitalisation requirements of Ind AS 23 are met.

PwC Insights: The Accounting Standard Board (ASB) of ICAI issued a FAQ on accounting of DDT under Ind AS. As per the FAQ, DDT in India is in substance of the nature of withholding tax. Accordingly, the above clarification is consistent with the FAQ issued by ASB.

### **2. Accounting of personal guarantee issued by a director in connection with the borrowings of a company**

Ind AS 109 defines financial guarantee contract as 'a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument'. A personal guarantee qualifies as a financial guarantee contract if it meets the following:

- (i) the reference obligation is a debt instrument (e.g. term loan);
- (ii) the holder i.e. lender is compensated only for a loss that it incurs on account of non-repayment of the debt; and
- (iii) the holder is not compensated for more than the actual loss incurred.

ITFG clarified that Ind AS 109 does not specifically address the accounting for financial guarantees by the beneficiary of the guarantee. In an arm's length transaction between unrelated parties, the beneficiary of a financial guarantee would recognise the guarantee fee or premium paid as an expense. Where a Company does not pay premium or fees to its director for providing financial guarantee in connection with its borrowing, the company is not required to account for such financial guarantee in its financial statements. The fair value of the borrowing is expected to be the face value of the loan proceeds received considering the unit of account as being the guaranteed loan. The transaction needs to be evaluated for disclosure under Ind AS 24, *Related Party Disclosures*.

Where the arrangement is not on arm's length basis, entities need to exercise judgement in assessing the substance of the transaction. For example, whether the director is being compensated otherwise for providing guarantee. All relevant facts and circumstances should be considered while determining the accounting treatment to be followed under Ind AS.

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PwC Insights:

We address below a similar issue often observed in practice.

Question:

Where a parent provides guarantee to a bank that has advanced a loan to its subsidiary, the subsidiary has obtained a benefit, in that it would pay a lower rate of interest on the loan than it would have otherwise paid for an un-guaranteed loan. How should the subsidiary account for the intra-group guarantee received from its parent?

Response:

Ind AS 109 does not address the accounting for financial guarantees by the borrower, and there is no requirement in Ind AS 24 to fair value non-arm's length related party transactions. Therefore, there is an accounting policy choice. The subsidiary could either:

- fair value the loan from the bank by reference to a normal market rate of interest that it would pay on a similar but un-guaranteed loan, and take the benefit of the interest differential to equity as a capital contribution from the parent; or
- view the unit of account as being the guaranteed loan, in which case the fair value of the borrowing is expected to be the face value of the loan proceeds that the subsidiary receives (as clarified by ITFG in the above question) .

### 3. Entity-wide segment disclosures

Ind AS 108 paragraph 34 requires entities to disclose information about its major customers i.e. those contributing 10% or more of its total amount of revenue. ITFG clarified that such disclosure also applies to an entity having a single reportable segment.

PwC Insights:

Ind AS 108 requires the following disclosures, even if the entity has a single reportable segment (i.e. entity wide disclosures):

- (i) Revenues from external customers for each product and service, or each group of similar products and services.
- (ii) Revenues from external customers attributed to the entity's country of domicile and attributed to all foreign countries from which the entity derives revenues.
- (iii) Revenues from external customers attributed to an individual foreign country, if material.
- (iv) Non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in the entity's country of domicile and in all foreign countries in which the entity holds assets.
- (v) Non-current assets in an individual foreign country, if material.
- (vi) Extent of reliance on major customers, including details if revenue from any customer is greater than 10% of the entity's revenue.

Revenue from external customers and non-current assets, attributed to an individual foreign country are disclosed separately, where they are material (refer (iii) and (v) above). Ind AS 108 does not define the term 'material' for this purpose. An entity should consider materiality from both quantitative and qualitative perspectives. When considering quantitatively, Ind AS 108 uses the threshold of 10% or more in determining whether an operating segment is a reportable segment or not, so it seems reasonable to apply the same test to determine whether an individual country's revenue or assets are material, for the purpose of separate disclosure. We consider that the materiality test would be applied by comparing the country's revenue or assets to entity's total external revenue or assets (including the country of domicile). However, entities may determine materiality at a lower level.

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#### 4. Applicability of Ind AS roadmap for NBFCs

ITFG clarified that Ind AS roadmap for NBFCs also applies to a company which performs the activity of NBFC although it may not be registered with RBI. As per the NBFC Ind AS roadmap, Ind AS shall apply to such a company as follows:

- (i) Accounting periods beginning 1 April 2018: Listed and unlisted NBFCs having a net worth of 500 crore INR or more and holding, subsidiary, joint venture or associate companies of such NBFCs
- (ii) Accounting periods beginning 1 April 2019: All other listed NBFCs, unlisted NBFCs having a net worth of 250 crore INR or more but less than 500 crore INR and holding, subsidiary, joint venture or associate companies of such NBFCs.

#### 5. Disclosure of operating profit on face of the statement of profit and loss

ITFG considered whether operating profit can be presented as a sub-total on face of the statement of profit and loss. It clarified that presentation of operating profit would result in change in the format of statement of profit and loss as prescribed by Ind AS Schedule III. Further, the group also noted that operating profit is an appropriate presentation measure for entities classifying expenses by function. Since classification of expenses by function is not permitted either by Ind AS or Ind AS Schedule III, it may not be appropriate to present operating profit measure as a sub-total in the statement of profit and loss. However, additional information may be disclosed in the financial statements.

##### PwC Insights:

The above clarification does not preclude a company to present Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) in the statement of profit and loss. Guidance Note on Ind AS Schedule III issued by ICAI states that a company may choose to present EBITDA as additional line item in the statement of profit and loss if it is considered as an important measure for understanding the financial performance of a Company by the users.

#### 6. Timing of recognition of debt modification gain or loss

While addressing question on timing of recognition of debt modification gain or loss, ITFG referred to paragraph 5.4.3 of Ind AS 109 which states that *whenever contractual cash flows of a financial instrument are renegotiated or otherwise modified* and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with Ind AS 109, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.

Extending the above guidance to financial liabilities, ITFG clarified that modification gain or loss on financial liabilities should be recognised in profit or loss in the period in which the renegotiation has contractually taken place. In other words, renegotiation of the terms of a financial liability, subsequent to the year end, is a non-adjusting subsequent event.

##### PwC Insights:

When a financial liability measured at amortised cost is modified without resulting in derecognition as per Ind AS 109, a gain or loss should be recognised in profit or loss in the period in which the terms are renegotiated or otherwise modified. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. (Ind AS 109, paragraph B5.4.6). Ind AS 109 does not permit such gains or losses to be amortised over the remaining term of the modified liability by adjusting the original effective interest rate.

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## 7. Deemed disposal of parent's equity interest in subsidiary without loss of control

ITFG considered the accounting of deemed disposal of parent's equity interest in subsidiary without loss of control (for example, when another party invests in equity shares of the subsidiary thereby reducing the parent's ownership percentage). In the given case, investment in subsidiary is measured at cost in the separate financial statements of the parent. ITFG clarified that such deemed disposal has no accounting impact in the parent's separate financial statements. Investment in the subsidiary will continue to be recognised at its carrying amount. In the consolidated financial statements of the parent, such deemed disposal will be accounted as an equity transaction (i.e. transactions with owners in their capacity as owners) in accordance with paragraph B96 of Appendix B to Ind AS 110, *Consolidated Financial Statements*. No gain or loss is recognised in profit or loss.

PwC Insights:

We explain this issue by way of an example:

### Question

Entity A has 100% equity interest in Entity C which is measured at cost in A's separate financial statements. Entity B infuses equity amounting to 200 million INR in C. As a result, Entity A's equity interest in C is reduced to 80%, however continues to control C. The carrying value of subsidiary's net assets is 600 million INR immediately before the investment by B.

How should deemed disposal of equity interest in C from 100% to 80% be accounted for separate and consolidated financial statements of A?

Response:

### **Separate financial statements of A:**

Entity A's investment in C will continue to be measured at the carrying amount i.e. cost. There is no accounting impact of the transaction. However, the fact that shareholding has declined from 100% to 80% should be appropriately disclosed.

### **Consolidated financial statements of A:**

Paragraph B96 of Appendix B to Ind AS 110 states that when the proportion of the equity held by non-controlling interests change, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

The choice of recording NCI either using the fair value or proportionate interest model applies on the date of business combination. Subsequent purchases or sale of ownership interests, when control is maintained, are recorded at the non-controlling interest's proportionate share of the net assets.

The proceeds of 200 million INR from investor B increases the net assets of subsidiary C to 800 million INR. The NCI is determined to be 160 million INR (800 million INR x 20%). The difference between the NCI of 160 million INR and fair value of the consideration of 200 million INR is recorded as an adjustment to equity as per paragraph B96 of Appendix B to Ind AS 110. No gain or loss is recognised in profit or loss.

Accounting entries:

		Debit (INR million)	Credit (INR million)
Cash	Dr	200	
NCI	Cr		160
Equity attributable to the parent	Cr		40

Entity A would be required to present a schedule that shows the effects on equity attributable to owners of parent of any changes in its ownership interest in a subsidiary C that does not result in a loss of control as per paragraph 18 of Ind AS 112, *Disclosure of Interests in Other Entities*.

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## 8. Applicability of market risk disclosure of Ind AS 107 (relating to foreign currency risk) to exchange differences capitalised under paragraph D13AA of Ind AS 101

Paragraph D13AA of Ind AS 101 allows a first-time adopter to continue the policy adopted for accounting exchange differences arising on long-term foreign currency monetary items recognised 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. Accordingly, a first-time adopter which had adopted the policy to capitalise exchange differences on long-term foreign currency monetary items under the previous Indian GAAP can continue with the same accounting policy under Ind AS with respect to long-term foreign currency monetary items recognised in the Previous Indian GAAP financial statements as at the beginning of the first Ind AS financial reporting period.

Paragraph 40(a) of Ind AS 107 requires disclosure of sensitivity analysis for each type of market risk (including foreign exchange risk) to which an entity is exposed to at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date.

Even if an entity capitalises the exchange differences with the cost of assets, it is exposed to foreign currency risk and there could be an indirect impact on the profit or loss and equity, for example through depreciation. Accordingly, the entity should provide market risk disclosures in accordance with Ind AS 107 for such foreign exchange differences which have been capitalised in accordance with Paragraph D13AA of Ind AS 101.

## 9. Accounting treatment of DDT paid by partly owned subsidiary in the consolidated financial statements of parent

### Scenario 1: Where no dividend is declared by the parent company

In the consolidated financial statements, dividend income of the parent from the subsidiary and the equivalent amount recorded by the subsidiary in its equity shall be eliminated. DDT paid by the subsidiary attributable to the parent's share shall be charged to the consolidated statement of profit and loss as 'tax expense'. Dividend paid by the subsidiary to non-controlling interests (NCI) along with the attributable DDT thereon would be recorded in the statement of changes in equity as a reduction of NCI balance.

#### Example:

H Limited (holding company) holds 12,000 equity shares (60% equity stake) in S Limited (Subsidiary of H Limited). During the year 2017-2018, S Limited paid a dividend @ 10 INR per share, amounting to 200,000 INR and DDT @ 20% amounting to 40,000 INR. H Limited has not declared any dividend.

How should H Limited account for DDT paid by S Limited in its consolidated financial statements?

#### Response:

Since H Limited is holding 12,000 equity shares, it has received dividend income of 120,000 INR from subsidiary S Limited. In the consolidated financial statements, dividend income earned by H Limited and dividend recorded by S Limited in its equity will get eliminated as result of consolidation adjustments as per Ind AS 110. Dividend paid by S Limited to the NCI will be recorded in the consolidated statement of changes in equity, as reduction of NCI balance.

DDT of 40,000 INR paid to tax authorities has two components - (i) 24,000 INR related to dividend paid to H Limited and (ii) 16,000 INR related to dividend paid to NCI. DDT of 16,000 INR related to the dividend paid to NCI will be recorded in the consolidated statement of changes in equity along with dividend paid to NCI. Since the dividend of 120,000 INR has been eliminated on consolidation, DDT of 24,000 INR paid thereon outside the consolidated group shall be charged as 'tax expense' in the consolidated statement of profit and loss of H Ltd.

### Scenario 2: Where dividend is declared by the parent company

DDT paid by the subsidiary claimed as set off against the DDT liability of the parent under the tax laws shall be recognised in consolidated statement of changes in equity. DDT not claimed/utilised as a set-off shall be charged to consolidated statement of profit and loss as 'tax expense'. Accounting of dividend paid by subsidiary to NCI and DDT thereon shall be as per scenario 1 above.

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Example:

Extending the situation given in scenario 1, H Limited also pays dividend of 300,000 INR to its shareholders and DDT liability @ 20% thereon amounts to 60,000 INR. As per the tax laws, DDT paid by S Limited of 24,000 INR is allowed as a set off against the DDT liability of H Limited, resulting in H Limited paying 36,000 INR (60,000 INR – 24,000 INR) as DDT to tax authorities.

Response: If DDT paid by the subsidiary, S Limited is allowed as a set off against the DDT liability of its parent H Limited (as per the tax laws), then the amount of such DDT should be recognised in the consolidated statement of changes in equity of parent H Limited.

In the given case, share of H Limited in DDT paid by S Limited is 24,000 INR and the entire 24,000 INR has been utilised by H Limited while paying DDT on dividend payment to its own shareholders. Accordingly, DDT of 76,000 INR (40,000 INR of DDT paid by S Limited (of which 16,000 INR is attributable to NCI) and 36,000 INR of DDT paid by H Limited) should be recognised in the consolidated statement of changes in equity of parent H Ltd. No amount will be charged to consolidated statement of profit and loss. The basis for such accounting would be that due to Parent H Limited's transaction of distributing dividend to its shareholders (a transaction recorded in Parent H Limited's equity) and the related DDT set-off, the DDT paid by the subsidiary is effectively a tax on distribution of dividend to the shareholders of the Parent company.

If H Limited pays dividend amounting to 100,000 INR with DDT liability @20% amounting to 20,000 INR and it utilises 20,000 INR out of its share of DDT paid by S Limited, 4,000 INR (24,000 INR - 20,000 INR ) should be charged to consolidated statement of profit and loss as 'tax expense'. DDT of 20,000 INR claimed as a set-off shall be recognised in the consolidated statement of changes in equity considering the guidance above.

PwC Insights:  
DDT impact on IFRS reporting entities

Under Ind AS, the Accounting Standard Board (ASB) of ICAI has issued a FAQ on accounting treatment of dividend distribution tax (DDT). As per the FAQ, presentation of DDT should be consistent with the presentation of dividend. Since dividend paid on equity instruments is presented in equity, DDT is also to be presented in equity.

The International Accounting Standards Board (IASB) issued 'Annual Improvements to IFRS Standards 2015 – 2017 Cycle' in December 2017. The IASB amended IAS 12, *Income Taxes*. The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.

Previously under IAS 12, it was unclear whether the income tax consequences of dividends should be recognised in profit or loss, or in equity, and the scope of the existing guidance was ambiguous. The IASB noted that the amendment to IAS 12 do not suggest that an entity recognises in profit or loss the income tax consequences of all payments on financial instruments classified as equity. Rather, the tax consequences are recognised in profit or loss only when an entity determines payments on such instruments are distributions of profits (that is, dividends). An entity may need to apply judgement in making this determination.

These amendments should be applied for annual periods beginning on or after 1 January 2019 to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Earlier application of the amendment is permitted. Consequently, IFRS reporting entities will need to evaluate the impact, if any, of these IAS 12 amendments to tax consequences of their dividend payments.

## 10. Accounting of DDT paid by associate in the books of investor

ITFG also clarified that under the present tax laws, DDT paid by an associate is not allowed to be set off against the DDT liability of the investor. Accordingly, the investor's share of DDT paid by associate would be accounted by the investor by crediting its investment in the associate and recording a corresponding debit towards its share of profit or loss from the associate.



## 11. Accounting for CCDs

CCDs with mandatory interest payment is classified as compound financial instrument from the issuer's perspective. A compound financial instrument must be separated into two components i.e. financial liability and equity.

When allocating the initial carrying amount of the compound instrument to the underlying financial liability and equity component, an entity first determines the fair value of the liability component. The fair value of the liability component is determined with reference to the fair value of a similar stand-alone debt instrument. The amount allocated to the equity component is residual amount after deducting the fair value of the financial liability component from the fair value of the entire compound instrument. The fair value of the liability shall be the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The above principle would also apply to CCDs issued at off-market coupon.

PwC Insights:

Let us understand this concept of allocation by way of an example:

An entity issues 600,000 convertible bonds at the start of year 1. The bonds have a three-year term, and they are issued at par with a face value of 100 INR per bond, resulting in total proceeds of 60 million INR, which is also the fair value of the bonds. Interest is payable annually in arrears at a nominal annual interest rate of 6%. Each bond is mandatorily convertible, at the end of the three-year term, into 25 equity shares of the entity. When the bonds are issued, the prevailing market interest rate for similar debt without conversion options is 9%. Assume that transaction costs are negligible.

How should the mandatorily convertible bond be accounted under Ind AS 32?

Response:

The liability component of the mandatorily convertible bond is measured first by discounting the contractually determined stream of future cash flows (interest only) to present value using a discount rate of 9% (that is, the market interest rate for similar bonds having no conversion rights)

	INR
PV of interest payable at the end of year 1 – 3,600,000 INR /1.09	3,302,752
PV of interest payable at the end of year 2 – 3,600,000 INR / (1.09) <sup>2</sup>	3,030,048
PV of interest payable at the end of year 3 – 3,600,000 INR / (1.09) <sup>3</sup>	2,779,860
Total liability component	9,112,660
Total equity component (residual)*	50,887,340


\*The difference between the proceeds of the bonds (60,000,000 INR) and the fair value of the liability component (as computed above 9,112,660 INR) – the residual – is assigned to the equity component. Transaction costs, if any, should be allocated between the liability and the equity components, in proportion to the allocation of the proceeds.

## The takeaway

Clarifications by ITFG is useful for the companies and other stakeholders as they navigate their journey through Ind AS. The current bulletin provides clarity on some of the key issues commonly faced by the stakeholders including eligibility of DDT as borrowing cost, deemed disposal of interest in subsidiary without loss of control, accounting of financial guarantee in the books of the beneficiary, accounting of DDT paid by a partly owned subsidiary in the consolidated financial statements of the parent and accounting of compulsory convertible bonds in the books of the issuer. This will promote consistency in interpretation and implementation of Ind AS. Entities should however exercise judgement and carefully evaluate the ITFG clarifications whilst applying them to their specific facts and circumstances.


# Previous publications

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July 2017

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



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