Similarities and Differences

A Comparison of IFRS, US GAAP and Indian GAAP*

*connectedthinking

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers' IFRS publications and tools 2009

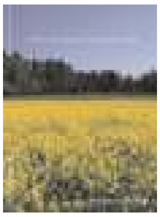
IFRS manual of accounting 2009
PwC's global IFRS manual provides comprehensive practical guidance on how to prepare financial statements in accordance with IFRS. Includes hundreds of worked examples, extracts from company reports and model financial statements.

Understanding new IFRSs for 2009 supplement to IFRS Manual of Accounting
455-page publication providing guidance on IAS 1R, IAS 27R, IFRS 3R and IFRS 8, helping you decide whether to early adopt. Chapters on the previous versions of these standards appear in the IFRS Manual.

IFRS pocket guide 2008
Provides a summary of the IFRS recognition and measurement requirements. Including currencies, assets, liabilities, equity, income, expenses, business combinations and interim financial statements.

A practical guide to new IFRSs for 2009
40-page guide providing high-level outline of the key requirements of new IFRSs effective in 2009, in question and answer format.

Illustrative consolidated financial statements
Banking, 2006
Corporate, 2008
Insurance, 2008
Investment funds, 2008
Investment property, 2006
Private equity, 2008
Realistic sets of financial statements for existing IFRS preparers in the above sectors illustrating the required disclosure and presentation.



IFRS disclosure checklist 2008
Outlines the disclosures required by all IFRSs published up to October 2008.

IFRS for SMEs (proposals) pocket guide 2007
Provides a summary of the recognition and measurement requirements in the proposed 'IFRS for Small and Medium-Sized Entities' published by the International Accounting Standards Board in February 2007.

Illustrative interim financial information for existing preparers
Illustrative information, prepared in accordance with IAS 34, for a fictional existing IFRS preparer. Includes a disclosure checklist and IAS 34 application guidance. Reflects standards issued up to 31 March 2008..

SIC-12 and FIN 46R The substance of control
Helps those working with special purpose entities to identify the differences between US GAAP and IFRS in this area, including examples of transactions and structures that may be impacted by the guidance.

A practical guide to segment reporting
Provides an overview of the key requirements of IFRS 8, 'Operating segments' and some points to consider as entities prepare for the application of this standard for the first time. Includes a question and answer section. See also 'Segment reporting an opportunity to explain the business' below.

Similarities & Differences

A Comparison of IFRS, US GAAP and Indian GAAP

May 2009

Preface

We welcome you to the fifth edition of our publication, which aims to give a bird's eye view of some of the accounting, disclosures and related requirements under the existing IFRS, US GAAP and Indian GAAP.

In the current times, on a global landscape where the accounting concepts (fair valuation) is also being blamed for compounding the global economic crisis it is difficult to engage in a meaningful conversation and to concentrate on the continuing changes over the accounting horizon. However, the change is imminent and hence the need to maintain the focus on those while combating the business challenges. Accounting concepts are being challenged, which we believe will only lead to more considered accounting guidance and should not be seen as a threat to the evolution of a uniform global GAAP.

We believe that an accounting framework should reflect the essence of the underlying business transaction, else it is a failure. Great amount of work is being done to rationalise any disconnect in this regard and convergence between different accounting frameworks is being pursued with more meaningful vigour.In India, there is a lot of undercurrent around the impending convergence of Indian GAAP with IFRS. This has been received with mixed reactions ranging from scepticism to enthusiasm and excitement. No board room discussion is complete without a reminder to be on the look out for any structural impacts of the convergence and the concerns they may bring about. The ICAI stands committed to the 1 April 2011 deadline to ensure convergence of Indian GAAP with IFRS and is working with various regulators to make the transition smooth.

Any change is going to be difficult. We congratulate the ICAI on pursuing the initiative in right earnest. Convergence will bring a lot of opportunity to the very talented accounting professionals in India and also provide businesses an opportunity to utilise the benefit of having a uniform accounting framework across their global operation. Lot needs to be done to make this happen; we believe in and support the cause of the ICAI.

While the new Indian GAAP tends to take shape and evolve around the central theme of having a uniform global framework, it would take a lot more to resolve amongst the regulators to make it happen. We have continued in our endeavour to present through this publication a reality check on where things stand in terms of evolution of a common global accounting language.

Looking ahead, corporates now need to participate in this evolution and prepare themselves to embrace the change. There would be lots of questions facing a CFO at this juncture such as “how do I get a sense of the potential impact for my company?”; “how do I prepare for this change?”; “how should I communicate the change both internally and externally since the business has remained the same but the accounting rules which has moved?” etc. We, at PricewaterhouseCoopers, have been working over the last few years to develop methodologies and tools to enable an efficient and effective transition. We don't leave you with what the rules are - we are ready to work with you and help you address “How do I get there?”. We have in this edition attempted to pre-empt a few questions that you may have at this stage and shared some thoughts on how you could confidently address this change.

Finally and more importantly, we take this opportunity to thank all of you for your continued feedback and encouragement. Based on the requests from various readers who have contacted us in the past we have updated this edition to present a more detailed insight into the GAAP differences. We are proud that this publication has managed to retain the interest of the industry and profession participants alike.

We take this opportunity to wish you the very best in this new journey and hope to walk the path together.

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Our sincere thanks to the following people for their contributions and review in leading the development of this edition of the publication, including designing this publication.

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The heart of the matter

IFRS: A reality for Indian business

Conversion at your door steps

Most of the world already talks to investors and stakeholders about corporate financial performance in the language of International Financial Reporting Standards (IFRS). With the use of IFRS financial statements, companies could gain access to a number of capital markets around the globe. India has also announced its intention of moving towards IFRS by 2011. In this pretext and discussion with various regulators in India, the CESR has exempted Indian companies accessing EU markets from reporting under IFRS and has accepted the use of Indian GAAP.

In the United States, the SEC has adopted the rules to permit filing of IFRS-compliant financial statements without requiring presentation of a reconciliation statement between US GAAP and IFRS; it has also proposed a road-map of convergence to IFRS for its domestic companies. In addition, the FASB and the IASB are working towards convergence of US GAAP and IFRS.

In India, the ICAI has issued a document titled "Concept paper of convergence with IFRS in India" to evaluate the need for Indian GAAP to change to IFRS. In the paper, the ICAI notes that as the world globalises, it has become imperative for India to make a formal strategy for convergence with IFRS with the objective of harmonise with globally accepted accounting standards.

The paper recognises that there are indeed many advantages arising from convergence to various stakeholders viz. the economy, industry, investors and accounting professionals. It does caution that the convergence would require some fundamental changes to the corporate laws and regulations currently guiding the accounting and reporting space in India. It is going to be a tough task. In view of the difficulties which may be perceived during adopting IFRS, the ICAI has decided that IFRS should be adopted for public interest entities from the accounting periods commencing on or after 1 April 2011.

The concept paper also evaluates the existing Indian GAAP in comparison with IFRS and presents that only two accounting standards are in line with IFRS. There are at least a dozen standards where there are conceptual differences and about ten which would require changes to regulation. Thus there is a lot that could change in the near future.

By acting now, well in advance of IFRS conversion deadlines, Indian companies have a unique opportunity to make time work for them. Early action will allow companies to control costs, understand and manage the challenging scope of implementation, and ensure a smooth transition plan.

Conversion experience in Europe and other jurisdictions shows that conversion projects often take more time and resources than anticipated. Historically, that has led some companies to rush and risk mistakes or outsource more work than necessary, driving up costs and hindering the embedding of IFRS knowledge within the company.

At the same time, conversion brings a one-time opportunity to comprehensively reassess financial reporting and take “a clean sheet of paper” approach to financial policies and processes. Such an approach recognises that major accounting and reporting changes may have a ripple effect impacting many aspects of a company's organisation.

Adopting IFRS will likely impact key performance metrics, requiring thoughtful communications plans for the Board of Directors, shareholders and other key stakeholders. Internally, IFRS could have a broad impact on a company's infrastructure, including underlying processes, systems, controls, and even customer or lender contracts and interactions.

Many of these business effects will require attention; others can be addressed at the discretion of the company. In both cases, companies that identify these impacts early will be in a better position to take appropriate action. No company will want to embrace every available change in connection with adopting IFRS, but insightful companies will want to understand their options so that they know what the possible changes are, which options are most appealing, and how best to pursue them.

The process of conversion demands robust change management, initiated and championed by a company's leadership. PricewaterhouseCoopers (PwC), drawing on its broad experience with conversion projects in dozens of countries, has a full spectrum of tools and publications aimed at providing insight for top executives as they confront IFRS conversion. Moving forward, PwC will continue to stand at the vanguard of IFRS conversion developments, providing guidance and assistance.

The conversion from Indian GAAP to IFRS brings a long list of technical accounting changes. This volume is designed to provide a broad understanding of the major differences between the accounting methods and to identify the impact those changes could have on individual companies. While this publication does not cover every difference, it focuses on a number of differences PwC considers most significant and/or most common. We have also provided a comparison to US GAAP to help Indian companies who prepare their financial statements based on Indian GAAP as well US GAAP.

This publication is a part of the firm's ongoing commitment to help companies navigate the switch from Indian GAAP to IFRS.

An in-depth discussion

Examining the implications

When businesses were simple, accounting standards were simple. Today, businesses have become complex and we need comprehensive accounting standards. Move towards IFRS is an attempt to bridge this gap. This move would lead to certain fundamental changes and would impact your business at large. You will have to examine the implication of this move on your performance and business.

It is important to note that conversion to IFRS will require the retroactive restatement[1] of certain historical periods presented within a company's first set of IFRS based financial statements. Those restated periods could show a host of changes to a company's key metrics, bottom-line performance and financial position. For instance,

- IFRS requires presenting consolidated financial statements as a primary set of financial statements and is not optional, unlike the existing standard under Indian GAAP.
- IFRS focuses on substance rather than legal form, and risks and rewards of the transaction. This would lead to accounting closer to the business and economics of the transaction.
  - In general, more entities will be consolidated under IFRS; as a parent would consolidate based on unilateral control with consideration to risks and reward, where control is not apparent, and not based on existing simple rule-driven definition of control. This difference could have a fundamental impact on the financial statements as a whole.
  - The conclusion as to whether a given financial instrument is accounted for as debt or as equity can vary under the two frameworks. These differences can have a profound effect on a company's capitalisation profile, reported earnings and debt covenants.

  On transition to IFRS, this could potentially break many existing legal structures and lead to substance driven accounting.
- More push is towards fair value driven accounting under IFRS. This will require adoption of appropriate policies else volatility may increase due to fair value option.
- IFRS will introduce detailed guidance in the areas such as business combinations, financial instruments, share-based payments.

[1] This is assuming that in India, IFRS will be introduced as issued by the IASB, including IFRS 1, with minor modifications. At present, the ICAI is working on the approach.

Implication of change in accounting would have a direct implication on the way businesses are run. For example, it could affect credit rating, debt covenants, dividend distribution, employee KPI and bonuses, managerial remunerations, financial-product's design, taxes, exit clause of your investors, contingent consideration (on acquisition).

IFRS may not bring significant accounting changes to businesses with noncomplex transactions. In contrast, the impact of the move could be quite significant for businesses with complex transactions. The impacts of change to IFRS need careful analysis. Prior to embracing full-fledged conversion, a preliminary study would help you (1) assess the level of complexities and challenges, and (2) prepare and plan for effective and efficient conversion exercise.

A broad impact

No overview can touch on the entire volume of differences between IFRS and Indian GAAP. A few illustrative examples of fundamental changes that can impact wider business considerations have been discussed below. The selection was designed to provide a glimpse of the potential breadth of the impact of changing to IFRS. Everything from reported revenues, expenses, assets, liabilities, equity, and even what entities are consolidated, is subject to change.

Revenue recognition

IFRS and Indian GAAP are broadly based on similar principles. IFRS provides more detailed guidance on recognition and measurement of revenue; whereas Indian GAAP is a basic recognition standard. In absence of comprehensive guidance under Indian GAAP, varied practices are being followed by corporate entities based on either legal form or substance of the transaction or past practices.

For instance, IFRS provides guidance on multiple-deliverable contracts especially on (1) the determination of when transactions with multiple deliverables should be separated into components and (2) with the way revenue gets allocated to the different components and focuses on economic substance of the transaction. It also requires revenue to be measured at the fair value of the consideration received or receivable.

There is no guidance under Indian GAAP in these areas. In absence of specific guidance, certain practices have evolved and become synonymous with GAAP.

Companies have an opportunity to closely analyse their business practices and to identify and evaluate potential GAAP differences. Even if a company's existing Indian GAAP policies are acceptable under

IFRS, a thorough analysis can suggest voluntary changes that better align the accounting with the economic substance and how management portrays the business to key stakeholders.

Consolidation

Under IFRS, a parent is required to present consolidated financial statements, with limited exception, and presents a standalone financial statements only for a specific purpose. In comparison, Indian GAAP requires use of the consolidation standard when consolidation financial statements are prepared; a requirement for entities listed on a stock exchange. Standalone financial statements are widely used, including for statutory filing and tax purposes.

Under IFRS, the conclusion regarding whether or not to consolidate is premised on the power a company has to govern the financial and operating policies of another, with consideration of risks and rewards where control is not apparent. In comparison, Indian GAAP follows a simple approach and requires consolidation if the parent entity has majority of voting rights or control over the composition of the board of directors or governing body.

Further, IFRS requires use of economic-entity model for consolidation versus parent-company model under Indian GAAP.

In general, the IFRS approach leads to increased consolidation. Becoming responsible for reporting and explaining the performance of newly consolidated entities and use of new economic-entity approach for consolidation can have a fundamental impact on how a company portrays itself to key stakeholders.

Business combination

IFRS provides extensive guidance on accounting for business combination and requires looking beyond the legal form of the transaction. All business combinations, within the standards, are considered as acquisitions and accounted using the purchase method. In comparison, there is no comprehensive accounting standard under Indian GAAP and accounting is driven by legal form. Business combinations can be accounted using the pooling-of-interests method, if it meets certain criteria, or the purchase method.

There are significant differences even in the application of purchase method. Unlike Indian GAAP, IFRS requires substantial use of fair values, allocation of values to identifiable intangible assets separately from goodwill, and annual impairment test of goodwill (no amortisation).

This radical change will lead to fair value computation, different goodwill number and probably a higher charge to income statement. Finance leaders, deal makers and senior executives need to be aware of the impact the differences will have on their business and future transactions.

Financial instruments

IFRS provides extensive guidance on identification, classification, recognition and measurement of financial instruments. In addition, it provides guidance on derecognition of financial instruments, hedge accounting and has extensive disclosure requirements. At present, there is no comprehensive guidance on financial instruments under Indian GAAP. However, the ICAI has approved introduction of standards on financial instruments similar to IFRS effective from 1 April 2011 (recommendatory from 1 April 2009).

This will bring a fundamental shift from historical cost to fair value accounting resulting in potentially more volatility in the income statement and/or equity. Certain differences within the financial liabilities and equity arenas are so significant that they may impact how a company chooses to finance its operations.

Some financial instruments considered as equity under Indian GAAP will need to be treated as debt when reporting under IFRS for example in the case of mandatory redeemable preference shares. The classification of these instruments as debt will not only impact net assets and debt to equity relationships, but will also result in increased interest expense.

For some companies, finding the appropriate debt/equity capitalisation ratio under a new accounting definition of what qualifies as debt will require careful study. Managing through the process while considering current debt covenant requirements may add to the complexity.

Others

The move to IFRS will provide extensive guidance and lead to fundamental change in many other areas, such as share-based payments or a change in accounting policy. For example, a change in accounting policy will no longer be discretionary. Change to a new accounting policy, with limited exception, will be applied retrospectively with restatement of prior period financials.

In addition certain standards do not provide guidance in preparation of consolidation financial statements for example, standards on borrowing costs, cash flows, deferred taxes, earning per share, foreign exchange translation.

Making complexity simple

A strategic conversion

Mapping the conversion

Successful conversion efforts are characterised by a thorough strategic assessment, creation of a robust step-by-step plan, alignment of resources to the efficient execution of the plan, and smooth integration of the change into normal business operations.

In a business-wide conversion, all departments that contribute to the creation of financial information, or that use financial information in their daily activities, should be involved to ensure a complete assessment and to gain buy-in. The bottom line: An IFRS conversion should establish sustainable processes the company can repeat and should produce meaningful information long after the conversion takes place.

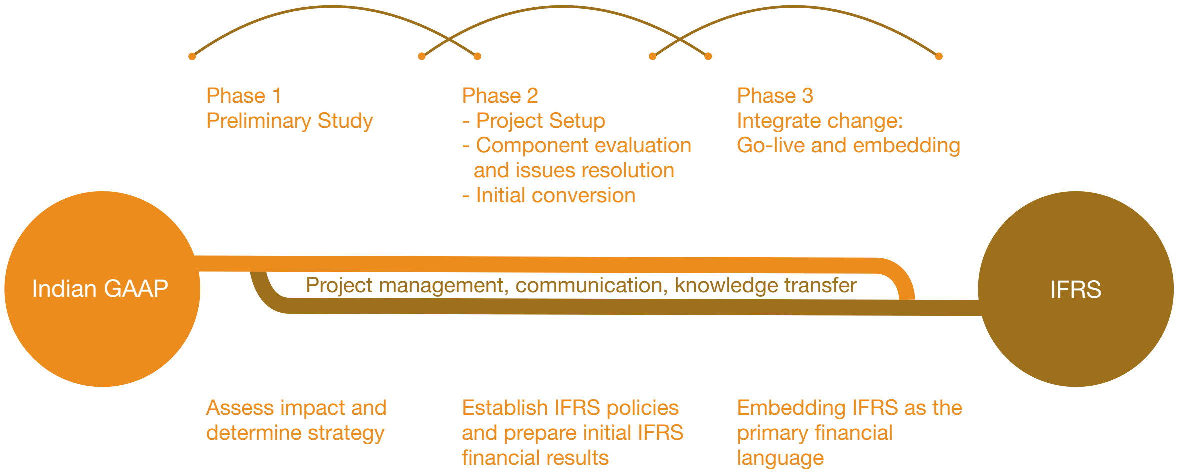
At PwC, we have deep experience helping companies to convert from one accounting framework to another. Our involvement in large-scale accounting conversions for global companies began more than a decade ago, building a global practice with hundreds of full-time conversion specialists. Members train together, use a common methodology, and regularly collaborate on projects all over the world, sharing experiences and best practices learned from work with thousands of companies.

PwC suggests a three-stage IFRS conversion methodology a proven approach to performing a high-quality, well-controlled implementation of IFRS. It is flexible and scalable, enabling it to work effectively in organisations of any size. Over last 12 years, we have successfully applied this methodology on number of US GAAP conversion projects and now, is being applied on IFRS projects. The principles of managing such a change remain the same and provide us an opportunity to leverage our experience the most.

Although each company's timeline will vary, a well-planned IFRS conversion project may take as long as one to three years from start to finish. But the first phase, a preliminary study, can take less than a few months, can be done at any time, and allows a company to assess the scope of IFRS impact and gather necessary information to decide next steps.

Although the approach is organised around the phases of a conversion, it is important to recognise that the phases tend to overlap one anothercompanies do not need to wait for one phase to end before beginning another.

Transition to IFRS methodology



Phase 1: Preliminary Study : During this phase, companies perform a broad-based assessment of the impact of IFRS on financial reporting, long-term contracts, supporting business processes, systems and controls, and income tax compliance, planning and reporting. They also determine a strategy for the road ahead.

Phase 2: Initial Conversion : This phase includes much of the legwork of a conversion effortsetting up and launching the project, thoroughly evaluating the IFRS and Indian GAAP differences for specific financial statement line items, evaluating accounting policy alternatives, selecting IFRS accounting policies, performing the initial conversion, and creating IFRS financial statements during the dual reporting period. In-depth assessments of operational issues, such as the IFRS impact on significant business contracts (e.g., financing, leasing, joint venture agreements), and income tax compliance and reporting issues also take place during initial conversion. Stakeholder communication should be a constant consideration throughout this phase.

Phase 3: Integrate Change : Critical to the conversion process is incorporating IFRS changes into the day-to-day operations, processes, and systems of the business (known as “embedding”). This phase helps to ensure a smooth transition to the new reporting framework so the company can use its new IFRS language on a sustainable basis in a well-controlled environment as of the IFRS adoption date.

How can PwC help?

We have the ability to provide you with advice on all aspects of your IFRS implementation strategy from start to finish.

We can discuss and draw an appropriate strategy to meet your objective. A preliminary study can provide you an insight into complexities involved in the making the change to IFRS and helps you to draw a strategy for the road ahead.

In addition to assisting you in a preliminary study or a complete conversion exercise, including embedding, discussed above, we can help you in following ways:

- IFRS accounting advisory services: IFRS is principles based and complex. We provide technical accounting advisory service relating to the practical application or interpretation of IFRS and the international standards impact on existing or proposed transactions.

  Our IFRS champions can advise on structuring stock options, assess implications of group restructuring, revenue and lease contracts, other business arrangements and implications from mergers and acquisitions of businesses.

- Adoption of AS 30, financial instruments or IAS 39: AS 30 or IAS 39 is one of the complex accounting standards. We analyse the accounting implication of financial instruments and provide technical explanation to companies on relevant areas of AS 30/IAS 39.

  Our financial instrument experts can assist in the design of appropriate policies and procedures to support the management's strategy for AS 30 adoption and in identifying areas where companies can apply hedge accounting to reduce the income statement volatility.

  We can also assist in the design of appropriate models to support advanced effectiveness testing, calculation of fair values for derivatives and embedded derivatives and valuation of financial instruments on fair value and amortised cost basis.

- Training or Workshops: Our IFRS training specialists can design and execute a training plan for all levels of a company staff from audit committees to board members, finance teams sales and products teams etc, to appraise them on the new accounting language and/or train them on the key aspects of IFRS.

These workshops provide examples of real life scenarios that a company will encounter when interpreting IFRS in practice. These workshops can run from one day to 22 days, depending upon your requirement.

- Valuations: Fair value application is a fundamental change in applying IFRS. Our valuation specialists can assist with valuation of contingent liabilities, other long-term obligations, financial instruments, fixed assets, and other assets as necessary based on the impact of applying IFRS accounting principles.

- System changes: Companies option for IFRS conversions are often surprised by the volume of disclosures and how different they are from their national GAAP. They find that their current systems are not collecting the type or the amount of data that IFRS will require. In almost every case, some alteration to systems will be needed, but the actual amount and type of data required will depend on the individual company's circumstances. PwC can provide ready templates, formats, schedules, programmes/ work packages and report formats as per IFRS requirements and can help expedite the IFRS conversion process.

  Since IFRS reporting is for the entire corporate group, legal consolidation as per IFRS would also be required, in which case our IT system experts can provide system solutions. While contemplating this wide spread change in your accounting and business processes, your organisation may take this opportunity to adopt a unified solution for multi-GAAP reporting, budgeting, planning, legal and management consolidation, dashboards and business user owned managed reporting solution providing a single version of the truth.

- Taxation: As companies progress into conversion, it is critical to keep tax implications in mind. Involving the tax department in the assessment of policy options is essential to gaining a complete picture of the potential benefits and drawbacks of policy changes.

  Our tax specialists will analyse the tax implications upon conversion, including impact on the effective tax rate, tax accounting methods, domestic and international tax planning and transfer pricing. Our team can work along with company's tax function to identify solutions to potential issues and develop an action plan so as to implement IFRS within specific timelines.

Depending on the industry and level of in-house expertise, a company may need to use other external specialists. Balancing the use of specialists with internal resources should be considered carefully. A key goal is to make IFRS reporting repeatable and sustainable. To that end, effective knowledge transfer from specialists to company personnel is critical.

What this means for your business

A call to action

Ask the important questions now

PwC suggests a three-stage IFRS conversion methodology, customisable to the unique needs of individual companies and tested by real world experience. Included within the methodology is the close examination of how IFRS will change a company's accounting policies and how those changes ripple through general business practices and into areas of concern for senior leadership.

The conclusions of that review will vary, depending on the circumstances of each company and its industry. Forward-thinking executives can expect that IFRS conversion could affect business fundamentals such as communications with key stakeholders, operations and infrastructure, tax and human capital strategies.

For each of those areas, there are important questions for high-level executives to ask and be prepared to answer.

Communications with key stakeholders

- Are we prepared to manage the board communication/education process with respect to changes in the key metrics historically communicated?
- How do we best engage the board from the onset?
- How will we communicate our findings with our shareholders, analysts and others?
- What are our competitors doing? How do we compare? How will others compare with us?

Operations and infrastructure

- Are we considering IFRS in our current negotiations and dealings with customers and vendors? What long-term contract discussions should be shaped today with the requirements of IFRS in mind?

- What change management structures are in place? Will they get the job done?
- Can we consolidate legacy systems, processes and controls under IFRS? Are we buying or implementing new systems based on an Indian GAAP world? Will they provide us with the information we need under IFRS?
- What are the IFRS implications for our tax planning strategies?

Human capital strategies

- Are all appropriate functional disciplines and business locations sufficiently engaged?
- Which incentives will work best in ensuring a business-wide conversion?
- How does this change affect our employee compensation strategy?
- What level of in-house experience/expertise do we have?
- What types of training will it require?

By addressing these questions early, companies increase their chances of enjoying a smooth, economical and effective conversion. This thorough approach helps companies "bake-in" rather than "bolt-on" the IFRS changes. Failure to do that may lead to ongoing conversion efforts, each aiming to correct the previous effort. A smart investment now can minimise the chances of that happening and can help companies realise the benefits of standardised global accounting.

For more detailed self evaluation, refer to our publication *Rising to the Challenge of IFRS* that comprise a series of questions that would assist the management and board in assessing the status of IFRS transition in the organisation.

A further study

Similarities and Differences

A Comparison of IFRS, US GAAP and Indian GAAP

About this publication

This publication is for those who wish to gain a broad understanding of the significant differences between IFRS, US GAAP and Indian GAAP. By no means, however, is it all-encompassing. Instead, PricewaterhouseCoopers has focused on a selection of those differences most commonly found in practice.

When applying the individual accounting frameworks, companies should consult all of the relevant accounting standards and, where applicable, national law. Listed companies should also follow relevant securities regulations for example, the US Securities and Exchange Commission (SEC) requirements, the Securities and Exchange Board of India (SEBI) requirements and local stock exchange listing rules.

The goals of this publication's executive summary are to put into context how conversion to IFRS has ramifications far beyond the accounting department, to provide insight into fundamental accounting changes between IFRS and Indian GAAP and to encourage early consideration of what IFRS means to your organisation.

The remainder of the document provides further details on the differences between the three sets of standards, taking into account authoritative pronouncements issued under IFRS, US GAAP and Indian GAAP up to 31 March 2009. It is based on the most recent version of those pronouncements even where an earlier version of a pronouncement is still effective at the date of this publication. We have noted certain developments within the detailed text. However, not all recent developments or exposure drafts have been included.

Under Indian GAAP, a Small and Medium Sized Company (SMC) is exempted from application of certain accounting standards (in part or full) and these have been discussed in the publication. A SMC is a company

(i) Other than a bank, financial institution or an insurance company

(ii) Whose securities are neither listed nor in the process of listing

(iii) Whose turnover does not exceed Rs. 500 million or borrowing not in excess of Rs. 100 million

(iv) Which is not a holding or subsidiary company of a company which is not a SMC

Content

IFRS 1: First-time adoption of IFRS

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

This section is intended to provide an overview of the standard. PricewaterhouseCoopers' publication Adopting IFRS serves as an excellent companion piece to this guide by helping companies understand, in greater detail, the requirements of IFRS 1 and by providing answers to common questions in relation to the implementation of IFRS.

What is IFRS 1?

The key principle of IFRS 1 is full retrospective application of all IFRS standards that are effective as of the closing balance sheet or reporting date of the first IFRS financial statements. IFRS 1 requires companies to:

- Identify the first IFRS financial statements;
- Prepare an opening balance sheet at the date of transition to IFRS;
- Select accounting policies that comply with IFRS and to apply those policies retrospectively to all of the periods presented in the first IFRS financial statements;
- Consider whether to apply any of the 15 optional exemptions from retrospective application;
- Apply the five mandatory exceptions from retrospective application; and
- Make extensive disclosures to explain the transition to IFRS.

There are 15 optional exemptions to ease the burden of retrospective application. There are also 5 mandatory exceptions where retrospective application is not permitted. The exemptions provide limited relief for first-time adopters, mainly in areas where the information needed to apply IFRS retrospectively may be most challenging to obtain. There are, however, no exemptions from the demanding disclosure requirements of IFRS and companies may experience challenges in collecting new information and data for retroactive footnote disclosures.

Many companies will need to make significant changes to existing accounting policies in order to comply with IFRS, including in such key areas as revenue recognition, financial instruments and hedging, employee benefit plans, impairment testing, provisions and stock-based compensation.

When to apply IFRS 1?

Most companies will apply IFRS 1 when they transition from their previous GAAP to IFRS and prepare their first IFRS financial statements. These are the first financial statements to contain an explicit and unreserved statement of compliance with IFRS.

The opening IFRS balance sheet

The opening IFRS balance sheet is the starting point for all subsequent accounting under IFRS 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. For example, preparing IFRS financial statements for the three years ending 31 December 2011, would have a transition date of 1 January 2009. That would also be the date of the opening IFRS balance sheet.

IFRS 1 requires that the opening IFRS balance sheet:

- Include all of the assets and liabilities that IFRS requires;
- Exclude any assets and liabilities that IFRS does not permit;
- Classify all assets, liabilities and equity in accordance with IFRS; and
- Measure all items in accordance with IFRS.

These general principles are followed except where one of the optional exemptions or mandatory exceptions does not require or permit recognition, classification and measurement in accordance with IFRS.

Some important takeaways

The transition to IFRS 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 the change to IFRS, including:

Consideration of data gaps - Preparation of the opening IFRS balance sheet may require the calculation or collection of information that was not calculated or collected under Indian GAAP. Companies should plan their transition and identify the differences between IFRS and Indian GAAP early so that all of the information required can be collected and verified in a timely way.

Consolidation of additional entities - IFRS consolidation principles differ from those of Indian GAAP, and those differences may cause some companies to consolidate entities that were not consolidated under Indian GAAP. Subsidiaries that were previously 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 will also have to consider the potential data gaps of investees in order to comply with IFRS informational and disclosure requirements.

Consideration of accounting policy choices - A number of IFRS 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 approach their IFRS accounting policies with a clean-sheet-of-paper mind-set. Although many accounting policies under Indian GAAP will be acceptable under IFRS and, therefore, would not require change, companies should not overlook the opportunity to explore alternative IFRS accounting policies that may better reflect the economic substance of their transactions and enhance their communications with investors.

Accounting framework

Accounting framework

IFRS, US GAAP and Indian GAAP each have a conceptual framework. The principles set out in the three frameworks provide a basis for setting accounting standards and a point of reference for the preparation of financial information where no specific guidance exists.

IAS 8 and FAS 162 provide the source of accounting principles and the framework for selecting the principles used in the preparation of financial statements in conformity with IFRS and US GAAP, respectively (the GAAP hierarchy). In cases where there is no specific guidance that applies to a transaction, event or condition, professional judgement is applied under all three frameworks. In applying professional judgement, IFRS allows the entities to make use of most recent pronouncements set by other standard-setting bodies with similar conceptual framework, provided the pronouncements do not conflict with IFRS; US GAAP inter alia allows use of IFRS, as issued by the IASB. In rare practice, while preparing financial statements under Indian GAAP, entities have used reference from IFRS in such circumstances.

IFRS	US GAAP	Indian GAAP
Historical cost or fair valuation		
Historical cost is the main accounting convention. However, **IFRS** permits the revaluation of intangible assets, property, plant and equipment, investment property, inventories in certain industries (e.g. commodity broker/dealer). **IFRS** also requires certain categories of financial instruments and certain biological assets to be reported at fair value.	Similar to **IFRS** but prohibits revaluations except for certain categories of financial instruments, which are carried at fair value.	Historical cost is the main accounting convention. However, **Indian GAAP** permits the revaluation of property, plant and equipment. Certain derivatives are carried at fair value. On adoption of AS 30 and AS 31, certain categories of financial instruments will be reported at fair value.
Compliance with GAAP		
Entities should make an explicit and unreserved statement in the notes that the financial statements comply with **IFRS**. An entity cannot describe financial statements as complying with **IFRS** unless they comply with all the requirements of each applicable standard and interpretation.	The SEC registrants should comply with **US GAAP**, and the SEC's rules and regulations and financial interpretations. Refer to page 24 for an update. It does not require an explicit and unreserved statement of full compliance. However, the SEC will not accept any reserved statement in the financial statements or audit report.	Indian companies should comply with **Indian GAAP**, the Companies Act, 1956 and industry-specific regulatory requirements. Additionally, listed companies should comply with the rules, regulations and financial interpretations of the SEBI. The law requires entities to disclose whether the financial statements comply with applicable accounting standards and to give details of non-compliance. There is a presumption that compliance with accounting standards is necessary to give a true and fair view.

IFRS	US GAAP	Indian GAAP
Fair presentation override		
An entity may depart from a standard under **IFRS,** extremely rare in practice, if the management of that entity concludes that compliance with the standard or interpretation would render financials to be misleading. Reasons for such conclusion and departure along with the financial impact needs to be disclosed. This override does not apply where there is a conflict between local company law and **IFRS**. **IFRS** are applied in such a situation.	Extremely rare in practice. The SEC will generally not accept such an override.	**Indian GAAP** prohibits departure from applicable accounting standards. If there is a conflict between the accounting standards and the Companies Act, 1956 or industry regulations, the latter would prevail with adequate disclosures.
First-time adoption of accounting framework		
IFRS includes a specific standard on how to apply **IFRS** for the first time. It introduces certain relief and imposes certain requirements and disclosures. First-time adoption of **IFRS** as the primary accounting basis requires full retrospective application of **IFRS** effective at the reporting date for an entity's first IFRS financials, with certain optional exemptions and limited mandatory exceptions. Comparative information is prepared and presented on the basis of **IFRS**. Almost all adjustments arising from the first-time application of **IFRS** are adjusted against opening retained earnings of the first period presented on an **IFRS** basis. Some adjustments are made against goodwill or other classes of equity. In an entity's first IFRS financials, it must present reconciliations of income statement in respect of the last period reported under previous GAAP, of equity at the end of that period and of equity at the start of the earliest period presented in comparatives in those first IFRS financial statements.	Accounting principles should be consistent for financial information presented in comparative financial statements. **US GAAP** does not give specific guidance on first-time adoption of its accounting principles. However, first-time adoption of **US GAAP** requires full retrospective application. Some standards specify the transitional treatment upon first-time application of a standard. Specific rules apply for carve-out entities and first-time preparation of financial statements for the public. There is no requirement to present reconciliations of equity or income statement on first-time adoption of **US GAAP**.	Similar to **US GAAP**. No rules for carve-out entities or first-time preparation of financial statements for the public.

IFRS	US GAAP	Indian GAAP
Accounting for Non-publicly Accountable Entities (NPAEs)		
The IASB is in the process of publishing a distinct standard that provides guidance about the accounting for Non-publicly Accountable Entities (NPAEs).	Non-public companies in the United States are not subject to any statutory requirements to prepare external financial statements under **US GAAP**.	Provides exemption from applying accounting standards (in full or part) to Small and Medium sized Company (SMC), as defined under the Companies (Accounting Standards) Rules 2006. However, there is no separate standard for SMC.
Technical references		
IFRS	Framework, IAS 1R, IAS 8, IAS 16, IAS 38, IAS 39, IAS 40, IAS 41, IFRS 1.	
US GAAP	CON 1-7, SAB 107, FAS 115, FAS 130, FAS 133, FAS 154, FAS 162.	
Indian GAAP	Framework, AS 1, AS 10, AS 11R.	

Imminent changes in the United States of America

Foreign Private Issuers

The SEC allows foreign private issuers that prepare financial statements in accordance with the English language version of IFRS as published by the IASB to file those financial statements with the SEC without reconciling them to US GAAP.

Domestic Issuers

The SEC is proposing a Roadmap for the potential use of financial statements prepared in accordance with IFRS as issued by the IASB by U.S. issuers for purposes of their filings with the Commission. This Roadmap sets forth several milestones that, if achieved, could lead to the required use of IFRS by U.S. issuers in 2014 if the Commission believes it to be in the public interest and for the protection of investors. This Roadmap also includes discussion of various areas of consideration for market participants related to the eventual use of IFRS in the United States. As part of the Roadmap, the Commission is proposing amendments to various regulations, rules and forms that would permit early use of IFRS by a limited number of US issuers where this would enhance the comparability of financial information to investors. Only an issuer whose industry uses IFRS as the basis of financial reporting more than any other set of standards would be eligible to elect to use IFRS, beginning with filings in 2010. The Commission is extending the time period in which to provide the Commission with comments on that release until 20 April 2009.

Imminent changes in India

The ICAI has decided that IFRS should be adopted by public interest entities from the accounting periods commencing on or after 1 April 2011. IFRS-equivalent AS will be issued with the only changes permitted being **a)** Removal of alternatives and **b)** Additional disclosures, where required. The adoption of IFRS may lead to changes in law / regulatory requirements, where appropriate.

Recent proposal - IFRS

The IASB has published an exposure draft (ED) of an IFRS for *Non-publicly Accountable Entities* (NPAEs) (formerly IFRS for *Small and Medium-sized Entities or Private Entities*) and is expected to publish a final standard at the end of June 2009.

The aim of the proposed standard is to meet the financial reporting requirement of entities that

(a) Do not have public accountability and

(b) Publish general purpose financial statements for external users.

Examples of such external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies.

The proposed standard removes choices for accounting treatment, eliminating topics that are not generally relevant to NPAEs, simplifying methods for recognition and measurement and reducing disclosure requirements, the resulting draft standard reduces the volume of accounting guidance applicable to NPAEs substantially when compared to the full set of IFRS. The Board discussed issues relating to several sections of the ED and made tentative decisions with respect to associates, jointly controlled entities (JCEs), investment property, intangible assets other than goodwill, post-employment benefits, income taxes, hyperinflationary economies, foreign currency translation, related parties, agriculture, classification as held-for-sale, consolidations temporary control, options such as hedging instrument, share-based payments, etc. Once issued in final form, it may be available for use by subsidiaries in preparing their single entity accounts even though they are part of a large listed group. The final authority for the standard when issued will come from national regulatory authorities and standard-setters.

Recent Proposal - US GAAP

On 27 March 2009, the FASB issued an exposure draft to modify the US GAAP hierarchy created by FAS 162, The Hierarchy of Generally Accepted Accounting Principles, by establishing only two levels of GAAP: authoritative and non-authoritative. This would be accomplished by authorising the FASB *Accounting Standards Codification* to become the single source of authoritative US accounting and reporting standards, except for rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants. All other nongrandfathered, non-SEC accounting literature not included in the Codification would become non-authoritative.

The Board's primary goal in developing the Codification is to simplify user access to authoritative GAAP by providing in one place authoritative literature related to a particular topic.

The Board does not believe the changes to the GAAP hierarchy proposed in this Statement would result in any other accounting changes that require specific transitional provisions. Accordingly, the Board decided that the effective date for this proposed Statement would be 1 July 2009, except for non public entities affected by this change. The Board decided to provide specific transition provisions for nonpublic entities affected by this change. Those nonpublic entities would be required to apply the guidance prospectively for revenue arrangements entered into or materially modified in annual periods beginning on or after 15 December 2009, and interim periods within those years. This transition provision would be applicable only for nonpublic entities that had not previously applied this guidance.

On 9 October 2008, the Board issued a proposed Statement, Going Concern for a 60-day comment period. The comment period ended on 8 December 2008. This proposed Statement would provide guidance on the preparation of financial statements as a going concern and on management's responsibility to evaluate a reporting entity's ability to continue as a going concern. It also would require certain disclosures when either financial statements are not prepared on a going concern basis or when there is substantial doubt as to an entity's ability to continue as a going concern.

The Board decided to carry forward the going concern guidance from AU Section 341, subject to several modifications to align the guidance with International Financial Reporting Standards (IFRSs). One of those modifications is to change the time horizon for the going concern assessment. The Board decided to use the time horizon in IAS 1 because it avoids the inherent problems that a bright-line time horizon would create for events or conditions occurring just beyond the one-year time horizon that are significant and most likely would have to be disclosed.

The other modifications to align the going concern guidance with IFRSs include (1) using the wording in IAS 1 with respect to the type of information that should be considered in making the going concern assessment (*all available information about the future*) and (2) requiring an entity to disclose when it does not present financial statements on a going concern basis. The Board thinks there is no substantial difference between the wording in IAS 1 and the wording previously included in AU Section 341 with respect to the type of information that should be considered in making the going concern assessment. Therefore, the Board does not expect this modification to result in a change to practice.

The FASB has recently issued a proposal for rescission of FASB Technical Bulletin No. 01-1, Nullification of EITF Topics No. D-33 and No. D-67, Amendments, and Technical Corrections and thereby proposed a FAS.

The objective in issuing this proposed Statement is to (1) address certain inconsistencies in existing accounting pronouncements, (2) provide certain clarifications to reflect the Board's intent in previously issued pronouncements, (3) eliminate certain outdated guidance, and (4) make technical corrections considered to be non-substantive in nature to an authoritative pronouncement.

This proposed Statement would be effective upon issuance. Because this proposed Statement would be effective before 1 July 2009 the date the FASB Accounting Standards Codification is expected to officially become the single source of authoritative non-governmental US GAAP it would amend existing accounting pronouncements, and the amendments would be reflected in the Codification. Also, the proposed Statement would apply to all entities within the scope of the affected pronouncements.

Financial statements

Financial statements

Components of financial statements

A set of financial statements under IFRS, US GAAP and Indian GAAP comprises the following components.

Component	Page	IFRS	US GAAP	Indian GAAP
Balance sheet	30	Required[1e]	Required	Required
Income statement	33	Required	Required	Required
Statement of comprehensive income	35	Required[1]	Other comprehensive income and accumulated other comprehensive income[2]	Not required
Statement of changes in equity	35	Required[1]	Required	Required[3]
Cash flow statement	37	Required	Required[4]	Required[3]
Accounting policies	-	Required	Required	Required
Notes to financial statements	-	Required	Required	Required

1 **IFRS**: Currently, this is referred as statement of recognised income and expense (SoRIE). Either a SoRIE or a statement of changes in shareholders' equity is presented as a primary statement. For certain pensions accounting, it is mandatory to present a SoRIE as a primary statement. Where a SoRIE is presented as a primary statement, supplemental equity information is displayed in the notes. Recognised income and expense can be separately highlighted in the statement of changes in shareholders' equity if a SoRIE is not presented as a primary statement.

The IASB has issued IAS 1R, effective from the annual reporting period beginning on or after 1 January 2009. On adoption of IAS 1R, the following changes will apply:

(a) A statement of changes in equity (all owner changes) and a statement of comprehensive income (all non-owner changes) will be presented as primary statements.

(b) All non-owner changes will be presented in single statement of comprehensive income or two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

(c) Components of other comprehensive income are presented either gross (before taxes), with the total tax on those components shown as a separate line item, or net of taxes with tax components disclosed in notes.

(d) Disclosure of reclassification adjustments recognised in the current year's income statement that were recognised as other comprehensive income in the previous periods.

(e) A statement of financial position as at the beginning of the earliest comparative period will be presented when an entity applies an accounting policy retrospectively or makes a retrospective restatement, as defined in IAS 8, or when it reclassifies items in its financial statements.

[2] **US GAAP**: The statements of other comprehensive income and accumulated other comprehensive income may be combined with the income statement, the statement of changes in stockholders' equity, or presented as a separate primary statement.

[3] **Indian GAAP**: No separate statement of changes in shareholders' equity is required. Changes are disclosed in separate schedules of 'Share capital' and 'Reserves and surplus'. Cash flows statements are not mandatory for SMC.

[4] Except for certain entities, such as investment companies and defined benefit plans.

IFRS	US GAAP	Indian GAAP
Comparatives		
One year of comparatives is required for all numerical information in the financial statements, with limited exceptions in disclosures. In limited note disclosures, more than one year of comparative information is required. On adoption of IAS 1R, opening balance sheet of earliest comparative period will be required on a retrospective change in an accounting policy, retrospective restatement, or reclassification of items in its financial statements.	Comparative financial statements are not required. However, the SEC requirements specify that most registrants provide two years of comparatives for all statements except for the balance sheet, which requires one comparative year. In certain circumstances for foreign private issuers, one year of comparatives is acceptable for all numerical information in the financial statements.	One year of comparatives is required for all numerical information in the financial statements, with limited exceptions in disclosures.
Preparation and presentation		
Financial statements are presented on a consolidated basis. In limited circumstances or on a voluntary basis, an entity may present single-entity parent company (standalone) financial statements along with its consolidated financial statements.	Similar to **IFRS**.	Financial statements are presented on a single-entity parent company (standalone) basis. Pursuant to the listing agreement with stock exchanges, public listed companies are required to present consolidated financial statements along with their standalone annual financial statements. It is not mandatory to prepare consolidated financial statements but must use the consolidation standard if prepared.

Balance sheet

Each framework requires prominent presentation of a balance sheet as a primary statement.

IFRS	US GAAP	Indian GAAP
Format		
The presentation of current and non-current assets and liabilities (a classified balance sheet) is required, except when a liquidity presentation is more relevant. All assets and liabilities are presented broadly in order of liquidity in such cases. Otherwise there is no prescribed balance sheet format, and management may use judgment regarding the form of presentation in many areas. However, as a minimum, **IFRS** requires presentation of certain items on the face of the balance sheet.	The presentation of a classified balance sheet is required, with the exception of certain industries. Assets and liabilities are generally presented in decreasing order of liquidity. The balance sheet detail should be sufficient to enable identification of material components. Public entities should follow specific SEC guidance.	Accounting standards do not prescribe a particular format, except presentation of certain items on the face of the balance sheet. The Companies Act, 1956 prescribes a format of the balance sheet under Schedule VI, which is not strictly a classified balance sheet. Other industry regulations prescribe industry-specific formats of the balance sheet.
Current/non-current distinction		
Current assets include accounts receivable due within 12 months, cash and cash equivalents, assets held for trading, other assets held for sale or consumed in the normal course of the entity's operating cycle etc. Current liabilities would include liabilities held for trading or expected to be realised within 12 months of the balance sheet date. Interest-bearing liabilities are classified as current when they are due to be realised or settled within 12 months of the balance sheet date, even if the original term was for a period of more than 12 months.	The requirements are similar to **IFRS** if a classified balance sheet is presented with few exceptions.	No strict distinction between current and non-current. Companies follow formats prescribed by the Companies Act, 1956 or industry regulations. Long term loans are classified between secured loan and unsecured loan on the balance sheet date. However, the current and non-current portion is disclosed in notes.

<table>
<tr><th>IFRS</th><th>US GAAP</th><th>Indian GAAP</th></tr>
<tr><td>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 waiver would result in non-current classification of debt, even if executed before the financial statements are issued.</td><td>Entities may classify debt instruments due within the next 12 months as non-current at the balance sheet date provided that agreements to refinance or to reschedule payments on a long-term basis (including waivers for certain debt covenants) are completed before the financial statements are issued.</td><td>No specific guidance.</td></tr>
<tr><td>Deferred taxes are classified as non-current on the balance sheet with current and non-current break up discussed in notes.</td><td>Deferred taxes are classified between current and non-current on the balance sheet.</td><td>Deferred tax is classified as deferred tax asset or liability, net, is disclosed without segregation between current and non- current.</td></tr>
<tr><td colspan="3">Offsetting assets and liabilities</td></tr>
<tr><td>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 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:
• Currently have a legally enforceable right to set off the recognised amounts and
• Intend either to settle on a net basis or to realise 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 between 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.</td><td>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 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 setoff the amount owed with the amount owed by the other party.
• The reporting party intends to setoff.
• The right of setoff is enforceable by law.</td><td>In absence of specific guidance practice varies.
On adoption of AS 30, AS 31 and AS 32, the offsetting guidance for financial assets and liabilities would be similar to IFRS.</td></tr>
</table>

IFRS	US GAAP	Indian GAAP
	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 recognised for derivative instruments and (2) Fair value amounts (or amounts that approximate fair value) recognised for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instruments recognised at fair value. Entities must adopt an accounting policy to offset fair value amounts under this guidance and apply that policy consistently.	
Other balance sheet classification		
Minority interests are presented as a component of equity.	Minority interests cannot be presented as equity. On adoption of FAS 160, minority interests will be presented as a component of equity.	Minority interests are presented separately from liabilities and equity.

Income statement

Each framework requires prominent presentation of an income statement as a primary statement. On adoption of IAS 1R, income statement can be presented as a part of a single statement of comprehensive income.

IFRS	US GAAP	Indian GAAP
Format		
No prescribed format for the income statement. Entities can present their expenses either by function or nature. Additional disclosure of expenses by nature is required if functional presentation is used. At least the following items have to be disclosed: • Revenue • Finance costs • Share of post-tax results of associates and joint ventures accounted for using the equity method • Tax expense • Post-tax gain or loss attributable to the results and to remeasurement of discontinued operations • Income statement for the period. Entities should not mix functional and natural classifications of expenses by excluding certain expenses from the functional classifications to they relate. An entity that discloses 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.	The income statement can be presented in: (1) A single-step format where 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. The SEC regulations require registrants to categorise expenses 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.	There is no prescribed format for the income statement. However, the accounting standards and the Companies Act, 1956 prescribe disclosure norms for certain income and expenditure items. In practice, the expenses are presented by either function or nature. Other industry regulations prescribe industry-specific format of the income statement.
The portion of income statement attributable to the minority interest and to the parent entity is separately disclosed on the face of the income statement as allocations of income statement for the period.	Amounts attributable to the minority interest are presented as a component of net income or loss.	Similar to **US GAAP**.
Fringe benefit tax is included as a part of related expense (fringe benefit) which gives rise to incurrence of tax.	Similar to **IFRS**.	Disclosed as a separate item after profit before tax on the face of income statement.

IFRS	US GAAP	Indian GAAP
Exceptional (significant) items		
The term exceptional items is not used or defined. However, separate disclosure is required (either on the face of the 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.	Although **US GAAP** does not use the term exceptional items, significant, unusual or infrequently occurring items are reported as components of income separate from continuing operations either on the face of the income statement or in the notes.	Similar to **IFRS**, except that the Companies Act, 1956 uses the term non-recurring transactions or transactions of exceptional nature.
Extraordinary items		
Disclosure of items as extraordinary item is prohibited.	These are defined as being both infrequent and unusual and are rare in practice. Negative goodwill arising in a business combination is written off to income statement as an extraordinary gain, presented separately on the face of the income statement, net of taxes. Disclosure of the tax impact is either on the face of the income statement or in the notes. On adoption of FAS 141R, the negative goodwill would no longer be classified as an extraordinary item.	These are defined as events or transactions clearly distinct from the ordinary activities of the entity and are not expected to recur frequently and regularly. Disclosure of the nature and amount of each extraordinary item is required in the income statement in a manner that its impact on current income statement can be perceived.

Statement of changes in equity (SoCIE), SoRIE, statement of comprehensive income, Other comprehensive income and statement of accumulated other comprehensive income.

IFRS	US GAAP	Indian GAAP
On adoption of IAS 1R, the SoRIE will be eliminated. A statement of changes in equity (all owner changes) and a statement of comprehensive income (all non-owner changes) will be presented as primary statements. All non-owner changes will be presented in single statement of comprehensive income or two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income).	A statement of shareholders' equity is presented as a primary statement. However, the SEC rules permit it to be presented either as a primary statement or in the notes. Entities may utilise one of three formats in presentation of comprehensive income: (a) A single primary statement of income, other comprehensive income and accumulated other comprehensive income containing both net income, other comprehensive income and a roll-forward of accumulated other comprehensive income or (b) A two-statement approach (a statement of income and a statement of comprehensive income and accumulated other comprehensive income) or (c) A separate category highlighted within the primary statement of changes in stockholders' equity.	No separate statement of changes in shareholders' equity is required. Movement in equity accounts are disclosed in separate schedules of 'Share Capital' and 'Reserves and Surplus'. Presentation of SoRIE or comprehensive or accumulated comprehensive income is not required.
Statement of changes in shareholders' equity would present: (a) Total comprehensive income for the period; showing separately the total amounts attributable to owners of the parent and to minority interest (b) For each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8	The existing guidance is similar to IAS 1R, except minority's share of transactions, income or equity do not form part of the SoCIE or statement of comprehensive income. On adoption of FAS 160, minority would form part of the SoCIE and statement of comprehensive income, eliminating the existing differences.	Same as above

IFRS	US GAAP	Indian GAAP
(c) The amounts of transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and (d) For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each change.		
The components of other comprehensive income would include: (a) Changes in revaluation surplus (on account of PPE and intangibles) (b) Actuarial gains and losses on defined benefit plans recognised in full in equity, if the entity elects the option available under IAS 19 (c) Gains and losses arising from translation of a foreign operation (d) Gains and losses on re-measuring available-for-sale financial assets (e) Effective portion of gains and losses on hedging instruments in a cash flow hedge.	Similar to IAS 1R, except that revaluations of PPE and intangibles are prohibited under **US GAAP**. Actuarial gains and losses (when amortised out of accumulated other comprehensive income) are recognised through the income statement.	Same as above

Cash flow statement

All three frameworks require statement of cash flows, except under US GAAP for certain entities, such as investment companies and defined benefit plans, and under Indian GAAP for SMC. The standard under Indian GAAP does not address preparation and presentation of consolidated cash flows.

At present Indian GAAP may not address items (non exhaustive) such as cash paid or received on acquisition or disposal of subsidiaries or other business (an investing activity) and set-off of cash and cash equivalents acquired or disposed off as a part of such transactions; cash flow arising from changes in ownership interests in a subsidiary that do not result in loss of control (a financing activity); adjustment of undistributed profits of associates and minority interests within the operating activities while using the indirect method; guidance with respect to joint ventures accounted using proportionate consolidation method; guidance on foreign currency cash flows translation of a foreign operation using the rate on the transaction date or an average rate as an approximate to actual.

IFRS	US GAAP	Indian GAAP
Definition of cash and cash equivalents		
Cash is cash on hand, and demand deposits and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a maturity of three months or less from its acquisition date. Cash may also include bank overdrafts repayable on demand but not short-term bank borrowings; these are considered to be financing cash flows.	The definition of cash equivalents is similar to that in **IFRS**, except bank overdrafts are not included in cash and cash equivalents; changes in the balances of overdrafts are classified as financing cash flows, rather than being included within cash and cash equivalents.	Similar to **US GAAP**.
Direct/indirect method		
Inflows and outflows of 'cash and cash equivalents' are reported in the cash flow statement. The cash flow statement may be prepared using the direct method (cash flows derived from aggregating cash receipts and payments associated with operating activities) or the indirect method (cash flows derived from adjusting net income for transactions of a non-cash nature such as depreciation). The indirect method is more common in practice. Non-cash investing or financing transactions are to be disclosed.	Similar to **IFRS**, either the direct method or indirect method may be used. The latter is more common in practice. A reconciliation of net income to cash flows from operating activities is disclosed if the direct method is used. Significant non-cash transactions are disclosed.	Similar to **IFRS**. However, only indirect method is prescribed for listed enterprises and direct method is prescribed for insurance companies.

IFRS	US GAAP	Indian GAAP
Acquisition and subsequent rental of equipment		
The acquisition and sale of equipment to be used by the enterprise or rented to others generally are investing activities. However, equipment sometimes is acquired or produced to be used by the enterprise or rented to others and then sold. In those circumstances, the acquisition or production and subsequent sale of those assets shall be considered as operating activities.	Similar to **IFRS**.	No specific guidance, hence, the acquisition and sale of equipment gets classified as investing activities in all circumstances.

Classification of specific items

All the three frameworks require the classification of interest, dividends and tax within specific categories of the cash flow statement. These are set out below.

Item	IFRS	US GAAP	Indian GAAP
Interest paid	Financial enterprises: Operating; Others: Operating or financing	Operating[1]	Financial enterprises: Operating; Others: Financing
Interest received	Financial enterprises: Operating; Others: Operating or investing	Operating	Financial enterprises: Operating; Others: Investing
Dividends paid	Operating or financing	Financing	Financing
Dividends received	Financial enterprises: Operating; Others: Operating or investing	Operating	Financial enterprises: Operating; Others: Investing
Taxes paid	Operating unless specific identification with financing or investing	Operating[1, 2]	Similar to **IFRS**
Extraordinary item	Not applicable	No specific guidance but similar to **Indian GAAP**	Separately disclosed in respective activity of associated transaction

1 **US GAAP** has additional disclosure rules regarding supplemental disclosure of certain non-cash and cash transactions at the bottom of the cash flow statement.

2 **US GAAP** has specific rules regarding the classification of the tax benefit associated with share-based compensation arrangements.

Changes in accounting policy and other accounting changes

IFRS	US GAAP	Indian GAAP
Changes in accounting policy		
Changes in accounting policy are accounted for retrospectively. Comparative information is restated, and the amount of the adjustment relating to prior periods is adjusted against the opening balance of retained earnings of the earliest year presented. Effect of retrospective adjustments on equity items is presented separately in the SoCIE. An exemption applies when it is impracticable to change comparative information. Policy changes made on the adoption of a new standard are accounted for in accordance with that standard's transition provisions. The method described above is used if transition provisions are not specified.	Similar to **IFRS**.	The cumulative amount of the change is recognised and disclosed in the income statement in the period of the change. Transition provisions of certain new standards require adjustment of the cumulative amount of the change to opening retained earnings (reserves).
Disclosure of accounting policies and critical estimates		
In addition to summary of accounting policies, entities are required to disclose: • The judgments that management has made in the process of applying its accounting policies • Key assumptions concerning that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and • An impending change in accounting policy, before implementing a new standard, interpretation or amendment under **IFRS**, which has been issued but is not yet effective, is required to be disclosed under IAS 8. The disclosure includes the title of the pronouncement, nature	The entity which is a registrant is required to make disclosures in their financial statement of: • Impending changes in accounting principles in situations where current principle would no longer be acceptable for future reporting period and would result in a restatement of financial statement. • Recently issued accounting standards, where change to the new standard would result in financial statements being adjusted prospectively or on a cumulative catch-up adjustment. The disclosure should encompass the description of the new standard and the date of	No such disclosure required. However, in practice, if a standard is early adopted, it gets disclosed in the notes.

IFRS	US GAAP	Indian GAAP
of the change, application date, date when the entity is likely to apply, and discussion of the impact on initial application or a statement to the effect that impact is not known.	adoption; if the entity plans to to early adopt then such date needs to be disclosed. A discussion of method and impact of adoption needs to be made. If the impact is unknown or cannot be reasonably estimated a statement to that effect should be made. A disclosure of potential impact of other significant matters that the entity believes might result from the adoption of the standard should also be made. The MD&A should disclose the impending accounting changes and its effect on revenue to inform the reader of the financial statement about expected impacts in future periods as per the MD&A requirements.	
Correction of errors (Prior period items)		
The nomenclature used in **IFRS** is Prior period errors which covers all items in the financial statements including assets and liabilities.	Prior period adjustments under **US GAAP** are limited to material adjustments (in relation to income from continuing operations of the current year) determined as specifically identifiable to the business activities of a particular prior period, which are not attributable to economic events occurring after the date of the financial statements of that prior period, and which depend mainly on determinations by persons other than management, that are not susceptible of reasonable estimation prior to such determination.	Unlike **IFRS**, the definition of 'Prior period items' is restricted to income or expenses in current period occurring as a result of errors or omissions in the preparation of financial statements of prior period(s).

IFRS	US GAAP	Indian GAAP
The reporting requirements are similar to changes in accounting policy (see page 39).	Similar to **IFRS**, reported as a prior-period adjustment; restatement of comparatives is mandatory.	Reported as a prior-period adjustment separately in the income statement in a manner that its impact on the income statement can be perceived. Restatement of comparatives is prohibited.
Changes in accounting estimates		
Changes in accounting estimates are accounted for in the income statement when identified.	Similar to **IFRS**.	Similar to **IFRS**. However, the impact of change in depreciation method is determined by retrospectively computing depreciation under the new method, and is recorded in the period of change whereas on revision of asset life, the unamortised depreciable amount is charged over the revised remaining asset life.

Technical references

IFRS	IAS 1, IAS 1R, IAS 7, IAS 8, IAS 21, IAS 32.
US GAAP	CON 1-7, FAS 16, FAS 95, FAS 130, FAS 141R, FAS 154, APB 30, ARB 43, The SEC Regulation S-X, FIN 39.
Indian GAAP	The Companies Act, 1956, AS 1, AS 3, AS 5, AS 6, AS 10, AS 11.

Recent proposal - Indian GAAP

In 2008, the ICAI has issued an exposure draft of AS 3R, *Statement of Cash Flows*, on the lines of IAS 7, *Statement of Cash Flows*, and it requires more disclosures as compared to existing AS 3, Cash Flow Statements. The exposure draft provides guidance in preparation and presentation of consolidated cash flows and certain other changes that will eliminate most of the differences between Indian GAAP and IFRS. The exposure draft differs from IAS 7 in the following major respects: **a)** Classification of interest paid and interest and dividends received in case of other than financial entities; and **b)** Classification of dividend paid.

Notes

Revenue recognition

Revenue recognition

IFRS has two primary revenue standards and three revenue focused interpretations. The broad principles laid out in IFRS are generally applied without further guidance or exceptions for specific industries. US GAAP revenue recognition guidance is extensive and includes a significant number of standards issued by the FASB, EITF, the AICPA and the SEC. The guidance tends to be highly detailed and is often industry specific. Indian GAAP, in comparison, has two primary revenue standards and two industry-specific guidance notes. The accounting standard on revenue recognition is a recognition standard and does not provide guidance on measurement of revenue.

It is worth noting that in absence of comprehensive guidance under Indian GAAP, varied practices are being followed by corporate entities based on either legal form or substance of the transaction or past practices. These practices may be different from IFRS and US GAAP, but may not necessarily qualify as GAAP difference when compared to IFRS and US GAAP.

A detailed discussion of industry-specific differences is beyond the scope of this publication. However, for illustrative purposes only, we note that US GAAP guidance on software revenue recognition requires the use of vendor-specific objective evidence (VSOE) of fair value before revenue can be recognised. IFRS does not have an equivalent requirement. Indian GAAP is silent in this regard. Besides, US GAAP has a complex set of rules dedicated to the software industry whereas IFRS and Indian GAAP has focused more on the principles, leaving greater scope for judgment.

One of the most common general revenue recognition issues has to do with (1) the determination of when transactions with multiple deliverables should be separated into components and (2) with the way revenue gets allocated to the different components. While the broad concepts in this area are similar and often result in similar conclusions under both US GAAP and IFRS, the potential for significantly different conclusions also exists; whereas there is no guidance under Indian GAAP.

US GAAP focuses on detailed separation and allocation criteria, whereas IFRS focuses on the economic substance of the transaction(s). For example, US GAAP separation criteria indicate that VSOE of fair value is preferable in all circumstances in which it is available. When VSOE is not available, third-party vendor objective evidence may be used. Consideration should be allocated based on relative fair value, but can be allocated based on the residual method in a determination of the fair value of the delivered item. IFRS is not as restrictive in terms of how to obtain sufficient evidence of fair value. For example, IFRS allows the use of cost plus a reasonable margin to determine fair value, which is typically not allowed for US GAAP purposes. This could lead to differences in both the separation and allocation of consideration in multiple deliverable arrangements.

The other difference could be in accounting for customer loyalty programs, service transactions, or construction contracts, etc.

In general, due to the significant differences in the overall volume of revenue-related guidance, a detailed analysis of specific fact patterns is necessary to identify and evaluate the potential GAAP differences.

Further details on the foregoing and other selected differences are described in the following tables.

IFRS	US GAAP	Indian GAAP
Revenue recognition - general		
Two primary revenue standards capture all revenue transactions within one of four broad categories: • Sale of goods • Rendering of services • Other's use of an entity's assets (yielding interest, royalties etc) • Construction contracts Revenue recognition criteria for each of these categories includes a 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.	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 realised or realisable (either converted into cash or cash equivalents, or the likelihood of its receipt being reasonably certain) and earned (no material transaction pending & the related performance has occurred) and revenue recognition is considered to involve an exchange transaction that is, revenue should not be recognised until an exchange transaction has occurred. These rather straightforward concepts are, however, augmented with detailed rules. A detailed discussion of industry-specific differences is beyond the scope of this publication.	Similar to **IFRS**, except that in certain circumstances, revenue from the rendering of services is recognised only on completion of service. Further, unlike **IFRS**, the accounting standard on revenue recognition does not provide guidance on measurement of revenue.
Sale of goods - recognition criteria		
It is probable that economic benefit will flow to the entity.	Vendor's price to the buyer is fixed or determinable and collectibility is reasonably assured.	Implied in the definition of revenue.
The amount of revenue can be measured reliably.	Vendor's price to the buyer is fixed or determinable.	Similar to **IFRS**.
The entity has transferred to the buyer the significant risks and rewards of ownership of the goods.	Persuasive evidence that an arrangement exists, and delivery has occurred.	Similar to **IFRS**.
The entity retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods.	Delivery has occurred.	Similar to **IFRS**.
The costs incurred or to be incurred in respect of the transaction can be measured reliably.	Vendors price to the buyer is fixed or determinable, and collectibility is reasonably assured.	Uncertainty in the determination of associated cost may influence the timing of revenue recognition.

IFRS	US GAAP	Indian GAAP
Sales of services - general		
IFRS requires that service transactions be accounted for under the percentage of completion method, when the outcome of the transaction involving the rendering of services can be estimated reliably. Revenue may be recognised on a straight line basis if the services are performed by an indeterminate number of acts over a specified period of time. When the outcome of a service transaction cannot be measured reliably, revenue may be recognised to the extent of recoverable expenses incurred. That is, a zero-profit model would be utilised, 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, while the cost incurred is recognis ed as expense. Revenue may have to be deferred in instances where a specific act is much more significant than any other act.	**US GAAP** prohibits the use of the percentage of completion (input measure driven) model to recognise revenue under service arrangements unless the contract is within the scope of specific guidance for construction or certain production type contracts. Generally, companies would have to apply the proportional performance (based on output measures) model or the completed-performance model. In limited circumstances where output measures do not exist, input measures, which approximate progression toward completion, may be used. Revenue is recognised based on a discernible pattern and if none exists, then the straight line approach may be appropriate. Revenue is deferred where the outcome of a service transaction cannot be measured reliably.	Similar to **IFRS**, except completed service contract method is used in certain circumstances, such as where performance consists of the execution of the single act, or where performance of incomplete services are so important that performance cannot be deemed complete until sole or final act takes place and the services become chargeable. A zero-profit model is not used.
Sales of Services - right of refund		
Service arrangements that contain a right of refund must be considered in order 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 recognised only to the extent of the costs incurred that are probable of recovery.	A right of refund may preclude recognition of revenues from a service arrangement until the right of refund expires. In certain circumstances, companies may be able to recognise revenues over the service period net of an allowance if the strict criteria within the guidance are met.	No specific guidance. However, in practice the evaluation of a right to refund would be similar to **IFRS**, but a zero profit model is not used.

IFRS	US GAAP	Indian GAAP
Multiple-element arrangements		
The revenue recognition criteria are usually applied separately to each transaction. In certain circumstances, however, it is necessary to separate a transaction into identifiable components in order 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 whole 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**. Under rare circumstances, a reverse residual methodology may be acceptable. The incremental valuation methods available under **IFRS** may allow for the separation of more components or elements than would be achieved under **US GAAP**.	Revenue arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet specified criteria outlined in EITF 00-21, with revenue recognition criteria then evaluated independently for each separate unit of accounting. The concept of separating potential units of accounting and identifying or measuring the fair value of a potential unit of accounting looks to market indicators of fair value and does not allow, for example, an estimated internal calculation of fair value based on costs and an assumed or reasonable margin. When there is objective and reliable evidence of fair value for all units of accounting in an arrangement, the arrangement consideration should be allocated to the separate units of accounting based on their relative fair values. When fair value is known for some, but not all potential elements, a residual approach can be used subject to certain restrictions; one restriction being that there is objective and reliable evidence of the fair value of undelivered items. The reverse residual method, when objective and reliable evidence of the fair value of an undelivered item or items does not exist is 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.	No specific guidance.

IFRS	US GAAP	Indian GAAP
Multiple-element arrangements - Contingencies		
IFRS maintains its general principles and would look to key concepts including, but not limited to, the following: • Revenue should not be recognised 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 delivery of additional items, **IFRS** might impose a limitation on the amount allocated to the first item. It is important to note, however, that said limitation would not be automatic. 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 fulfillment 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.	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 lesser of the amount otherwise allocable in accordance with the standard and the non-contingent amount.	No specific guidance.
Multiple-element arrangements - Customer loyalty programme		
On adoption of IFRIC 13 (effective for annual periods beginning on or after 1 July 2008), **IFRS** requires that award, loyalty or similar programmes 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 recognised separately upon achieving all applicable criteria for revenue recognition.	In absence of a consensus in EITF 00-22, divergence exists under **US GAAP** in the accounting for customer loyalty programmes. Some companies utilise a multiple element accounting model wherein revenue is allocated to the award credits based on relative fair value. Other companies utilise an incremental cost model wherein the cost of fulfilment is treated as an expense and accrued for as a cost to fulfill, as opposed to deferred	In absence of specific guidance, practice varies. Generally revenue is not split and only an estimated liability for redemption of goods or services is recorded.

IFRS	US GAAP	Indian GAAP
The above outlined guidance applies whether the credits can be redeemed for goods or services supplied by the entity itself or a different entity. In situations where the credits can be redeemed through a different entity, a company should also 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 as a principal in each aspect of the transaction.	based on relative fair value. The two models can drive significantly different results.	
Construction of real estate		
IFRIC 15 (effective from annual periods beginning on or after 1 January 2009, early adoption is permitted) provides guidance on agreement for the construction of real estate. The interpretation requires determining whether the construction activity falls within the scope of IAS 11or IAS 18 (further in the nature of sale of goods or sale of services); and provides detailed guidance of such determination and evaluation of contracts.	FAS 66 provides extensive guidance regarding recognition of profit or loss on sales of real estate. It differentiates between retail land sales and other sales of real estate. Revenues from retail land sales are to be reported using the full accrual method subject to certain conditions. Other sales of real estates are accounted for using several other methods including the full accrual method, subject to certain conditions.	A construction contract specifically negotiated for the construction of an asset or a combination of assets falls within the scope of AS 7. Guidance Note on Accounting for Real estate developers provides the key criterion to determine whether an agreement would come within the scope of AS 7 or AS 9.
Construction contracts		
The guidance applies to fixed price and cost plus construction contracts of contractors for the construction of a single asset or combination of assets and is not limited to certain industries. Additional guidance is generally not applied to the recurring production of goods.	The guidance applies to accounting for performance of contracts for which specifications are provided by the customer for the construction of facilities or the production of goods or the provision of related services. Given the positions taken by the SEC in this area, the scope of the guidance has, in practice, generally been limited to certain specific industries and types of contracts.	Similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Completed contract method		
The completed contract is prohibited.	While the percentage of completion method is preferred, the completed contract method is also acceptable in certain situations (e.g. inability 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, is recommended until more precise estimates can be made.	Similar to **IFRS**.
Percentage of completion method		
IFRS utilises a revenue approach method of percentage of completion. When the final outcome of the contract cannot be estimated reliably, a zero profit method is utilised (wherein revenue is recognised to the extent of costs incurred if those costs are expected to be recovered). The gross profit approach is not allowed. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. **IFRS** provides limited guidance on the use of estimates.	Within the percentage of completion model there are two different acceptable approaches: the revenue approach and the gross-profit approach. The revenue approach (similar to **IFRS**) multiplies the estimated percentage of completion by the estimated total revenues and total contact costs to determine earned revenues and the cost of earned revenue, respectively. The gross profit approach (different from **IFRS**) multiplies the estimated percentage of completion by the estimated gross profit to determine the estimated gross profit earned to date.	Similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
	Losses are recognised when incurred or when the expected contract costs exceed the expected contract revenue, regardless of which accounting method is used. **US GAAP** provides detailed guidance on the use of estimates.	
Combining and segmenting contracts		
A group of contracts are combined and treated as a single contract when they are negotiated as part of a package and other specified conditions are met. Where a contract relates to the construction of more than one asset, the construction of each asset is treated as a separate construction contract if it is part of a separate proposal that could be accepted or rejected separately and revenues and costs for that asset can be clearly identified.	Combining and segmenting contracts is permitted, but not required, as long as the underlying economics of the transactions are fairly reflected.	Similar to **IFRS**.
Barter transaction		
A non-monetary barter transaction of similar goods or services is not considered to have commercial substance and hence the gain or loss from such a transaction is not recognised.	Similar to **IFRS**.	No specific guidance, hence, practice varies from transactions not being recorded or recorded at cost or fair value.
Non-advertising-barter transaction **IFRS** requires companies to look first to the fair value of items received to measure the value of a barter transaction. When that value is not reliably determinable, the fair value of goods or services surrendered can be used to measure the 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. The fair value of goods or services received can be used if the value surrendered is not clearly evident.	Same as above.

IFRS	US GAAP	Indian GAAP
Advertising-barter transaction		
Should be recognised with reference to the fair value of services provided.	If the fair value of assets surrendered in an advertising-barter transaction is not determinable, the transaction is recorded based on the carrying amount of advertising revenue surrendered, which is likely to be zero.	Same as above.
Extended warranties		
If an entity sells an extended warranty, the revenue from the sale of the extended warranty should be deferred and recognised 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 relative fair value to each component of the bundle.	Revenue associated with separately priced extended warranty or product maintenance contracts should generally be deferred and recognised as income on a straight-line basis over the contract life. An exception exists where historical experience indicates that the cost of performing services is incurred on an other than straight-line basis. The revenue related to separately-priced extended warranties is determined by reference to the selling price for maintenance contracts that are sold separately from the product. There is no relative fair market value allocation in this instance.	No specific guidance.
Discounting of revenues		
IFRS requires measurement of revenue at the fair value of the consideration received or receivable. This is usually the amount of cash or cash equivalents received or receivable. Discounting of revenues to present value is required in instances where the inflow of cash or cash equivalents is deferred.	Similar to **IFRS**. However, the discounting of revenues 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 programmes.	Discounting of revenue is not required.

IFRS	US GAAP	Indian GAAP
In such instances, an imputed interest rate should be used for determining the amount of revenue to be recognised as well as the separate interest income component to be recorded over time.	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. Retention money, in the nature of security, held back is generally not considered for discounting purposes.	

Technical references

IFRS	IAS 11, IAS 18, SIC 31, IFRIC 13, IFRIC 15.
US GAAP	CON 5, SAB 104, SOP 81-1, SOP 97-2, EITF 99-17, EITF 00-21, EITF 01-09, FTB 90-1.
Indian GAAP	AS 7R, AS 9, Guidance Note on Accounting for Real Estate Developers.

Recent proposal - IFRS and US GAAP

The FASB and the IASB are currently working on a joint project to develop a comprehensive standard on revenue recognition that would converge the revenue recognition guidance in US GAAP and IFRS.

Recent amendment - IFRS

On 3 July 2008, the IASB issued IFRIC 15 in response to concerns over diversity in practice regarding revenue recognition for real estate construction agreements, effective from annual reporting periods beginning on or after 1 January 2009, Early adoption is permitted.

The interpretation provides guidance on determining whether an agreement is within the scope of IAS 11, Construction Contracts, or is for the sale of goods under IAS 18, Revenue, and when revenue from the construction of real estate should be recognized in each case.

The new guidance may also have a wider impact and affect the accounting in other industries because the IFRIC has stated that the interpretation may also be applied by analogy to industries other than real estate to determine whether a transaction is accounted for as a sale of a good (IAS 18) or a construction contract (IAS 11).

Notes

Expense recognition

Expense recognition – employee benefits

There are a number of significant differences between all three frameworks in the accounting for employee 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 company. Further differences could have a significant impact on presentation, operating metrics and key ratios. A selection of differences is summarised below.

Under IFRS, a company can adopt a policy that would allow recognition of actuarial gains/losses in a separate primary statement outside of the income statement. Actuarial gains/losses treated in accordance with this election would be exempt from being subsequently recorded within the income statement. Taking such election generally reduces the volatility of pension expense recorded in a company's income statement, because actuarial gains/losses would be recorded only within an IFRS equivalent (broadly speaking) of other comprehensive income (i.e., directly to equity). Whereas under Indian GAAP, a company is required to take an immediate charge of actuarial gains/losses in the year they arise.

US GAAP permits the use of a calculated asset value (to spread market movements over periods of upto five years) in the determination of expected returns on plan assets. IFRS and Indian GAAP preclude the use of a calculated value and requires that the actual fair value of plan assets at each measurement date be used.

Under IFRS and Indian GAAP, there is no requirement to present the various components of pension cost as a net amount. As such, companies are permitted to bifurcate the components of net pension cost and disclose portions thereof within different line items on the income statement. The flexibility provided under IFRS and Indian GAAP would enable companies to record the interest expense and return on plan assets components of pension expense as part of financing costs within the income statement.

Differences between these three frameworks can also 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 one may be classified as a defined contribution plan under another framework. Differences in plan classification, although relatively rare, could have a significant effect on the expense recognition model and balance sheet presentation.

Under IFRS and Indian GAAP, companies do not present the full funded status of their post-employment benefit plans on the balance sheet. However, companies are required to present the full funded status within the footnotes.

Further details on the foregoing and other selected differences are described in the following table.

IFRS	US GAAP	Indian GAAP
Bases of charge to income statement (Income statement classification)		
The expense will be made up of service cost, interest cost, expected return on assets, recognised actuarial gains/losses, recognised past service costs, curtailment or settlement impacts and any impact of the asset ceiling. **IFRS** does not prescribe where in the income statement each component of pension expense is recognised but requires disclosure of the line item in which each component is recorded. The guidance rather allows for the potential disaggregation of the component pieces of pension cost within the income statement.	All components of net pension cost must be aggregated and presented as a net amount in the income statement. While it is appropriate to allocate a portion of net pension expense to different line items (such as cost of goods sold if other employee costs are included in this caption), the disaggregation and separate reporting of different components of net pension expense are precluded.	Similar to **IFRS**.
Expense recognition - actuarial gains and losses		
An entity can either (1) recognise immediately in the income statement or (2) amortise into income statement through the use of corridor approach (or any systematic method that result in faster recognition than corridor approach) or (3) recognise immediately outside of the income statement through SoRIE (or OCI under IAS 1R). Amounts recognised in the SoRIE (OCI) are not subsequently recognised in the income statement. At a minimum, a net gain/loss in excess of 10% of the greater of the defined benefit obligation or the fair value of plan assets at the beginning of the year is amortised over expected remaining working lives of participating employees (the 'corridor' method).	Similar to **IFRS**, except there is no option to permanently recognise actuarial gains/losses outside the income statement (SoRIE option). Further, the actuarial gains and losses are amortised over the remaining life expectancy of the plan participants if all or almost all plan participants are inactive.	There is no option, but to recognise the actuarial gains/losses immediately (in full) in the income statement.

IFRS	US GAAP	Indian GAAP
Expense recognition - past-service costs and credits		
Positive and negative past-service cost is recognised in the income statement over remaining vesting period. Where benefits have already vested, past-service cost is recognised immediately.	Positive prior-service costs for current and former employees are recognised out of AOCI and into income over the period during which the employer expects to receive an economic benefit from the increased pension benefit, which is typically the remaining service periods of active employees. Negative prior-service costs first offset previous positive prior-service costs, with the excess recognised in income in the same manner as positive prior-service cost.	Similar to **IFRS**.
Recognition of asset or liability in respect of a defined benefit plan (Balance sheet presentation)		
The amount recognised as a defined benefit asset (or liability) is the present value of the defined benefit obligation, less the fair value of plan assets, plus or minus actuarial gains/losses not yet recognised as a result of the application of the 'corridor' approach (see above) and unrecognised past service cost.	The funded status of the defined benefit plan (that is, present value of the defined benefit obligation less the fair value of plan assets) is recognised in the balance sheet. All actuarial gains/losses and past service costs not reflected in the income statement are recognised on the balance sheet, with a corresponding entry to AOCI.	Similar to **IFRS** except that actuarial gains/losses are recognised fully in the year of their occurrence as a part of present value of defined benefit obligation.
Recognition of minimum pension liability		
Not required.	Additional minimum liability required when the accumulated benefit obligation (ABO) exceeds the fair value of the plan assets. It is increased by any prepaid pension asset and decreased by any accrued pension liability previously recognised.	Not required.

IFRS	US GAAP	Indian GAAP
Discount rate for obligations		
Based on market yields on high-quality corporate bonds with durations that are similar to those of the benefit obligation. Government bond yields are used, where there is no deep market in high-quality corporate bonds.	Based on high-quality, fixed-income investments (including corporate bonds) with similar durations. The SEC has stated that the term high-quality means that a bond has received one of the two highest ratings given by recognised rating agencies (e.g. AA or higher by Moody's). No specific guidance for when there is no deep market in high-quality corporate bonds. In practice, government bonds yields may be used.	Based on government bond market-yields with durations that are similar to those of the benefit obligation.
Determination of fair value of plan assets		
Measured at fair value, which is defined as the amount for which an asset could be exchanged in an arm's length transaction between knowledgeable and willing parties. For securities quoted in an active market, the bid price should be used.	Measured at fair value less cost to sell in accordance with FAS 157. Fair value should reflect an exit price at which the asset could be sold to another party. For markets in which dealer-based pricing exists, the price that is most representative of fair value, regardless of where it falls on the fair value hierarchy, should be used. As a practical expedient, the use of midmarket pricing is used.	Similar to **IFRS**.
Expected return on plan assets		
Plan assets should always be measured at fair value and fair value should be used to determine the expected return on plan assets.	Plan assets should be measured at fair value. However, for the purposes of determination of the expected return on plan assets and the related accounting for asset gains and losses, plan assets can be measured by using either fair value or a calculated value that recognises changes in fair value over a period of not more than five years.	Similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Balance sheet asset limitation		
Asset limited to the lower of: (1) The asset resulting from applying the standard; or (2) The total of any unrecognised actuarial losses and past-service cost, and the present value of any available refunds from the plan or reduction in future contributions to the plan. The guidance also governs the treatment and disclosure of amounts, if any, in excess of the asset ceiling.	There is no limitation on the size of the pension asset that can be recorded.	Asset limited to the lower of: (1) The 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.
Substantive commitment to provide pension or other post-retirement benefits		
In certain circumstances, a history of regular increases may indicate (1) A present commitment to make future plan amendments (2) That additional benefits will accrue to prior-service periods. In such cases, the substantive commitment (to increased benefits) is the basis for determination of the obligation.	The determination of whether a substantive commitment exists to provide pension or other post-retirement benefits for employees 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.	Broadly similar to **IFRS**. However, there could be difference in practice.
Multi-employer plans		
If it is a defined benefit plan, it is accounted for as such, unless sufficient information is not available. If there is a contractual agreement between the multi-employer plan and its participants, and the plan is accounted for as a defined contribution plan, the asset or liability that arises from the contractual agreement and the resulting income or expense in income statement is recognised.	Distinction is made between multi-employer plan and multiple-employer plan. A multi-employer plan is accounted as defined contribution plan whereas a multiple-employer plan accounting is similar to **IFRS**. In a multi-employer plan, assets contributed by one participating employer may be used to provide benefits to employees of other participating employers, since assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer.	Similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Subsidiary's defined benefit pension plan forming part of a group plan		
Plans with participating entities under common control are not multi-employer plans. If there is a contractual arrangement between the subsidiary and the parent, the subsidiary accounts for the benefit costs on that basis; otherwise the contribution payable for the period is recognised as an expense, except for the sponsoring employer, which must apply defined benefit accounting for the plan as a whole.	The subsidiary accounts for its participation in an overall group plan as a participant in a defined contribution (multi-employer) plan.	Similar to **IFRS**.
Curtailments		
The definition of a curtailment captures situations where current employees will qualify only for significantly reduced (not necessarily eliminated) benefits.	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.	The definition is similar to **IFRS**, except curtailment occurs when there is a present obligation and not when the entity is demonstrably committed.
Curtailment gains should be recorded when the entity is demonstrably committed to making a material reduction (as opposed to once the terminations have occurred). **IFRS** permits the curtailment gain/loss to be offset by unrecognised gains/losses if they are related, but requires pro-rata acceleration of the remaining gains/losses.	Curtailment gains are recognised when realised, i.e., only once the terminations have occurred. The guidance does not permit pro-rata recognition of remaining gains/losses in a curtailment.	Curtailment gains are recognised when realised, i.e., only once the terminations have occurred.
Deferred compensation arrangements		
The liability associated with deferred compensation contracts is measured by the projected-unit-credit method (similar to post-employment benefits and other long-term benefits), with the exception that all prior-service costs and actuarial gains/losses are recognised immediately in the income statement.	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 an individual year of service, the costs should be	Similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
	accrued in a systematic and rational manner over the relevant years of service in which the employee earns the right to the benefit. Multiple acceptable attribution models exist under the guidance. Examples include the sinking-fund model and the straight-line model.	
Compensated absences		
These benefits may accumulate over the employee's service period. For a benefit that is attributable to an accumulating right, all three frameworks generally recognise the liability, as the employee provides the service that gives rise to the right to the benefit.		
The plan is segregated between short-term and other long-term employee benefits. The expected cost of accumulating short-term compensated absences is recognised on an accrual basis. Liability for long-term compensated absences is measured using projected credit unit method.	No segregation between short-term and long-term. The expected cost of all the accumulating compensated absences is recognised on an accrual basis. Discounting is permitted in rare circumstances.	Similar to **IFRS**.
Termination benefits		
Termination benefits are recorded when the entity is demonstrably committed to a reduction in workforce. Termination indemnities are generally payable regardless of the reason for the employee's departure. The payment of such benefits is certain (subject to any vesting or minimum service requirements), but the timing of their payment is uncertain.	Specific guidance is provided on post-employment benefits, e.g. salary continuation, termination benefits, training and counselling. **US GAAP** distinguishes between four types of termination benefits (with three timing methods for recognition), this could lead to differences when compared to **IFRS**.	Termination benefits arising from redundancies are accounted for provisions similar to restructuring provisions, i.e., when the entity has a present obligation as a result of past event and the liability is considered probable and can be reliably estimated.

IFRS	US GAAP	Indian GAAP
Termination indemnities are accounted for consistently with pension obligations (i.e., including a salary progression element and discounting).	1) Special termination benefits: generally additional benefits offered for a short period of time to certain employees electing to accept an offer of voluntary termination, recognised at the date on which the employees accept the offer and the amount can be reasonably estimated; 2) Contractual termination benefits: benefits provided to employees when employment is terminated due to the occurrence of a specified event under an existing plan, recognised at the date when it is probable that employees will be entitled to the benefits and the amount can be reasonably estimated; 3) Termination benefits: these are paid for normal severances pursuant to an ongoing termination benefit plan costs, and are recognised for probable and reasonably estimable payments as employee services are rendered, if the benefit accumulates or vests, or when the obligating event occurs;and 4) One-time benefit arrangement established by a termination plan that applies for a specified termination event or for a specified future period, recognised as a liability when the termination plan meets certain criteria and has been communicated to employees.	If an offer is made to encourage voluntary redundancy, the measurement of termination benefits is based on the actual number of employees accepting the offer and is immediately expensed. However, as a transition provision, for the liability incurred on termination benefits up to 31 March 2009, entities may defer such cost over its pay-back period but any unamortised amount cannot be carried forward to accounting periods commencing on or after 1 April 2010. Hence, the expenditure so deferred should be written off over (a) the pay-back period or (b) the period from the date on which expenditure on termination benefits is incurred to 1 April 2010, whichever is shorter. Accounting for termination indemnities is similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
	Termination indemnity plans are considered defined benefit plans under **US GAAP**. Entities may choose whether to calculate the vested benefit obligation as the actuarial present value of the vested benefits to which the employee is entitled if the employee separates immediately, or as the actuarial present value of the benefits to which the employee is currently entitled, based on the employee's expected date of separation or retirement.	

Technical references

IFRS	IAS 19, IAS 37, IAS 39, IFRIC 14.
US GAAP	APB 12, APB 21, FAS 43, FAS 87, FAS 88, FAS 106, FAS 112, FAS 146, FAS 157, FAS 158, EITF 88-1.
Indian GAAP	AS 15R.

Recent proposal - IFRS

In April 2008, the IASB issued a discussion paper that starts the process of revising IAS 19 Employee Benefits. Based on the paper, the two major proposed changes to the standard are to remove the option for deferred recognition of actuarial gains/losses (the corridor approach) and to introduce new classifications for defined benefit programmes. The discussion paper represents part of the ongoing process (by both the IASB and the FASB) to amend employee benefit accounting.

Expense recognition – share-based payments

Despite the progress made by the IASB and the FASB toward converging the frameworks in this area, a multitude of significant differences remain. Whereas the ICAI has issued guidance note (recommendatory in nature) in line with IFRS 2, which provides guidance only for share-based payment to employees. The guidance note provides choice to use (1) fair value or intrinsic value approach and (2) straight-line or tranche-wise amortisation approach.

The SEBI has issued guidelines (mandatory) for Indian listed entities issuing awards under ESOS and ESPS. SEBI guidelines provides basic guidance and is not comprehensive. For example, one classification of awards (no debt or equity classification), no accounting guidance on modification of awards or structured awards.

Companies that issue awards with graded vesting (e.g. awards that vest ratably over time, such as 25% per year over a four-year period) may encounter accelerated expense recognition as well as a different total value to be expensed (for a given award) under IFRS. The impact in this area could lead some companies to consider redesigning how they structure 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 organisations.

The deferred income tax accounting requirements for all share-based awards vary significantly from US GAAP. Companies can expect to experience greater variability in their effective tax rate over the lifetime of share-based payment awards under IFRS. This variability will be linked with, but move counter to, 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. Once a benefit has been recorded, subsequent decreases to a company's stock price may increase income tax expense within certain limits. The variability is driven by the requirement to remeasure and record through earnings (within certain limits) the deferred tax attributes of share-based payments each reporting period.

Differences within the three frameworks may also result in different classifications of an award as a component of equity or as a liability (or a single classification under SEBI Guidelines under Indian GAAP). Once an award gets classified as a liability, its value needs to be remeasured each period through earnings based on current conditions, which is likely to increase earnings volatility while also impacting balance sheet metrics and ratios. Awards that are likely to have different equity-versus-liability-classification conclusions under the three frameworks include awards that are puttable; awards that give the recipient the option to require settlement in cash or shares; awards with vesting conditions outside of plain-vanilla service, performance or market conditions; and awards based on fixed monetary amounts to be settled in a variable number of shares. Further, certain other awards that were treated as a single award with a single classification under US GAAP may need to be separated into multiple classifications under IFRS and Indian GAAP (Guidance Note).

In addition, fundamental differences associated with awards made to nonemployees could impact both the total value of expense to be recognised in connection with a given award and the period(s) over which that expense gets recognised.

Further details on the foregoing and other selected differences are described in the following table.

IFRS	US GAAP	Indian GAAP
Scope		
IFRS 2 includes accounting for all employee and non-employee arrangements. Furthermore, the IFRS 2 definition of an employee is broader than the FAS 123R definition.	FAS 123R applies to awards granted to employees and non-employees, but does not amend the existing guidance on ESOPs and determining the measurement date for equity classified non-employee instruments.	SEBI guidelines (SG) apply to entities whose equity shares are listed on a recognised stock exchange, whereas Guidance Note (GN) is recommendatory in nature. Both cover awards granted to all employees and directors. There is no guidance for awards issued to non-employees, except disclosures are required under the Companies Act, 1956.
Classification of awards - equity versus liability		
Broadly classifies the share based payment transactions primarily in following categories: • Equity-settled share based payment transactions • Cash-settled share based payment transactions • Share based payment transactions with the choice of settlement. In principle, all awards are classified as equity or liability with reference to IFRS 2 and IAS 32.	Classifies all awards as equity or liability, similar to IFRS. FAS 123R also references the guidance in FAS 150, FSP FAS 150-3 etc. for assessing the classification of an award. These could lead to several differences in classification of awards.	SG covers only employee stock option scheme (ESOS) and employee share purchase scheme (ESPS), which by default are classified similar to an equity-settled award (fixed grant-date accounting and no variable accounting). GN: similar to **IFRS**.
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.	Liability classification is required when an award is based on a fixed monetary amount settled in a variable number of shares.	Similar to **IFRS**.
Share-settled awards that contain vesting conditions other than service, performance or market conditions would still qualify for equity classification.	Share-settled awards that contain conditions which do not qualify as service, performance or market conditions result in liability classification.	Similar to **IFRS**.
Puttable shares are always classified as liabilities.	In certain situations, puttable shares may be classified as equity awards.	SG: classified as equity GN: similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Awards that offer employees the choice of settlement in stock or settlement in cash should be bifurcated and treated as a compound instrument.	Single awards that offer employees the choice of settlement in stock or settlement in cash should be classified as liabilities. Tandem awards may have both a liability and an equity component.	SG: classified as ESOS. GN: similar to **IFRS**.
No specific guidance.	An award may be indexed to a factor in addition to the entity's share price. If that additional factor is not a market, performance, or service condition, the award shall be classified as a liability, and the additional factor shall be reflected in estimating the fair value of award.	Similar to **IFRS**.
Awards for goods or non-employee-type services		
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 for non-employee-type services are treated differently. **IFRS** requires measurement of fair value to occur when the goods are received or as non-employee-type services are rendered (neither on a commitment date nor solely upon completion of services). There is a rebuttable presumption that awards granted for goods or non-employee-type services can be valued by reference to the fair value of the goods or services received by the entity (not the equity instrument offered/ provided). However, if the fair value of equity instruments granted is greater than the fair value of goods or services received, that difference is typically an indication that unidentifiable goods or services have been or will be received and need to be accounted for.	The guidance is focused on/driven by the legal definition of an employee, with certain specific exceptions/exemptions. The fair value of instruments issued to non-employees is, with some exceptions, measured at the earlier of the date on which a performance commitment is reached or the date on which performance is completed. In measuring the expense, companies should look to the fair value of the instruments issued (not the fair value of the goods or services received). Generally, companies do not consider forfeitures before they occur. Upon vesting, an award is likely to fall into the scope of separate detailed guidance, which may drive further differences such as changes in classification of equity-classified awards to classification as liability-classified awards.	Both SG and GN apply only to share based payments made to employees. There is no specific guidance for share based payments made to non-employee in exchange of goods or services.

IFRS	US GAAP	Indian GAAP
Unidentifiable goods or services are measured at the grant date (for equity settled awards). They are measured based on the excess value of the instruments granted over the value of the items received and are recognised as an expense. Because vesting conditions generally do not exist for unidentifiable goods or services, immediate recognition of the expense related to unidentifiable goods or services would normally be appropriate. Companies are required to estimate forfeitures and adjust for the effect of the changes as they occur.		
Grant date - employee award		
Grant date is the date at which the entity and an employee reach a mutual understanding of the terms and conditions of the arrangement and the entity confers on the employee the right to equity instruments or assets of the entity, subject to specified vesting conditions, if any. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained. Unlike **US GAAP**, there is no requirement that an employee either begins to benefit from, or be adversely affected by, subsequent changes in the price of the employer's equity shares in order to establish a grant date.	Definition is similar to **IFRS**. However, one of the criteria in identifying the grant date for an award of equity instruments is the date at which the employee begins to either benefit from, or be adversely affected by, subsequent changes in the price of the employer's equity shares. This may differ from the service inception date (the date at which an employee begins to provide service under a share-based-payment award).	SG: does not define grant date GN: similar to **IFRS**.
Recognition		
The value of services received is recognised over the vesting period, depending upon the terms of the awards (service, performance, market condition or a combination of conditions).	Similar to **IFRS**.	SG: For all awards, the value of services received is recognised over the service period (vesting period). There is no separate guidance for awards that contain market or performance conditions.

IFRS	US GAAP	Indian GAAP
The award is presumed to be for past services if it is unconditional and vests immediately.		GN: similar to **IFRS**.
Measurement		
Measure the fair value of employee services received by reference to (i) grant-date fair value of equity instruments issued, except in rare circumstance intrinsic value is used or (ii) fair value of liability incurred (cash-settled). In case of cash-settled instrument, the fair value of liability is remeaured at each reporting date through settlement, with any change in fair value recognised to income statement over vesting period.	Similar to **IFRS**, except no option to use intrinsic value method.	Both SG and GN provide an option to use either fair value or intrinsic value method. SG provides limited guidance in measurement of fair value, whereas guidance in GN is similar to **IFRS**.
Measurement - nonpublic companies		
IFRS 2 does not include alternatives for nonpublic companies.	For equity-classified awards: measured at fair value (preferred method) or calculated value, or intrinsic value (if terms of an award are so complex). For liability-classified awards: accounting policy choice to measure at fair value, calculated value or intrinsic value.	SG: does not apply to nonpublic companies. GN: similar to **IFRS**.
Reversal of compensation cost		
The compensation cost is determined based on best estimate of number of awards expected to vest and is revised on receipt of additional information, and finally adjusted for awards that eventually vest.	Similar to **IFRS**.	SG: the compensation cost is determined based on number of awards granted and are adjusted on actual forfeiture of awards. GN: similar to **IFRS**.
Previously recognised compensation cost shall not reverse the amount recognised for services received from an employee if the vested equity instruments are later forfeited or, in the case of share options, the options are not exercised.	Similar to **IFRS**.	SG: previously recognised compensation cost is reversed if the vested equity instruments are later forfeited or, in case of share options, the options are not exercised. GN: similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
If the terms and conditions of an option or share grant are modified (e.g. an option is re-priced) or replaced with another grant of equity instruments, the entity accounts for the incremental fair value (if any), at the modification date, over the remaining vesting period. If a grant is cancelled or repurchased, the entity treats it as accelerated vesting and recognises immediately the unamortised compensation cost. The payment made on cancellation or repurchase should be considered as repurchase of the equity interest (reduced in equity), except to the extent the payment exceeds the fair value of the equity instruments at the repurchase date; recognised as an expense. Irrespective of any modification, cancellation or settlement of a grant of equity instruments to employees, **IFRS** generally requires the entity to recognise, as a minimum, the services received measured at the grant-date fair value of the equity instruments granted.	Similar to **IFRS**.	SG permits modification (re-pricing) of awards, however, the modified terms cannot be detrimental to the interests of the employees. However, there is no specific accounting guidance for such transactions. SG: in absence of a specific guidance, varied practices exist. GN: similar to **IFRS**.
Alternative vesting triggers		
An award that becomes exercisable based on the achievement of either a service condition or a market condition is treated as two awards with different service periods, fair values, etc. Any compensation cost associated with the service condition would be reversed if the service was not provided. The compensation cost associated with the market condition would not be reversed.	An award that becomes exercisable based on the achievement of either a service condition or a market condition is treated as a single award. Because such an award contained a market condition, compensation cost associated with the award would not be reversed if the requisite service period was met.	No specific guidance.

IFRS	US GAAP	Indian GAAP
Graded vesting		
IFRS requires each installment of a graded vesting award to be treated as a separate grant. This requires separately measuring and attributing expense to each tranche of the award, thereby accelerating the overall expense recognition and likely resulting in a different total expense to be recognised. As an example of the attribution methodology, an award that vests 25% each year over a four-year period would have the portion vesting at the end of year one fully attributed to year one along with half of the portion vesting at the end of year two, one-third of the portion vesting at the end of year three and one-fourth of the portion vesting at the end of year four. Entities are also required to separately value the four portions individually vesting at the end of each year. This will normally result in a different total expense determination as compared with a methodology wherein the four tranches are valued as a single award.	Companies have a policy choice, whereby expense recognition for share-based payment awards with only service conditions and graded vesting schedules can be recognised either over the requisite service period for each tranche of the award or on a straight-line basis over the life of the entire award. (The amount of compensation cost recognised at any point should minimally equal the portion of the grant-date value of the award vested at that date). There is also an option to value the award in total as a single award or to value the individual tranches separately.	In principle, similar to **US GAAP**. However, it does not provide guidance to value the award in total as a single award or the individually tranches separately.
Classification of awards - cash flows		
Guidance requires cash flows from excess tax benefits (i.e., windfalls) associated with share-based-payment transactions to be presented as cash flows from operating activities in the statement of cash flows.	Guidance requires gross excess tax benefits (i.e., windfalls) to be classified as financing in the statement of cash flows.	No specific guidance.
Payroll tax recognition		
Payroll tax expense recognition occurs over the same period that the related share-based payment expense is recognised that is, over the vesting period.	Payroll tax related expenses are recognised at the trigger for measurement and payment to the taxing authority either exercise date for options or vesting date for restricted stock grants.	No specific guidance. However the practice followed is similar to **US GAAP**.

IFRS	US GAAP	Indian GAAP
Expected volatility and expected term		
IFRS 2 does not include comparable guidance.	SAB 107 includes guidance on expected volatility and expected term, which includes (1) guidelines for reliance on implied volatility and (2) the simplified method for calculating expected term for awards granted prior to or on 31 December 2007.	No specific guidance.
Improbable to probable modifications		
Modifications of this nature would continue to reference/utilise the original grant date fair value of the individual instruments. Any change would be treated as a change in estimate of the number of awards that will vest, rather than a change in the fair value of each award.	Modifications of this nature would result in an updated fair value measurement as of the award modification date.	No specific guidance.
Employee stock purchase plan (ESPP)		
There is no compensation cost exemption for employee stock purchase plans.	Employee stock purchase plans that (1) provide employees with purchase discounts no greater than 5%, (2) permit participation by substantially all employees who meet limited employment criteria and (3) incorporates only certain limited option features may be treated as non-compensatory.	There is no compensation cost exemption for employee stock purchase plans.

Technical references

IFRS	IAS 19, IAS 37, IFRS 2, IFRIC 8, IFRIC 11.
US GAAP	FAS 123R, FIN 44, EITF D-83, EITF 96-18, EITF 00-16, EITF 00-19, SAB 110.
Indian GAAP	SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, Guidance Note on Employee Share Based Payements.

Recent amendment - IFRS

In January 2008, the IASB issued an amendment to IFRS 2, Share-based Payment, clarifying that only those conditions that determine whether an entity received services that entitle a counterparty to receive an award under a share-based payment arrangement are considered vesting conditions; i.e. vesting conditions are either service- or performance-related. All other conditions within an award are considered non-vesting conditions and their impact should be included in grant date fair value. As such, the non-vesting conditions would not impact the number of awards expected to vest or the valuation subsequent to grant date. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment will be applicable for periods beginning on or after 1 January 2009, with early application permitted.

US GAAP requires awards containing "other" conditions (those that are not service, performance or market conditions) to be accounted for as liability awards. As such, subsequent-period accounting for equity-settled awards of this nature differs between US GAAP and IFRS (because the liability-classified US GAAP award will be remeasured at each financial reporting date).

Recent proposal - IFRS

The IASB has published an Exposure Draft of Proposed Amendments to IFRS 2 Share-Based Payment and IFRIC 11 Group and Treasury Share Transactions in December 2007.

Paragraph 3 of IFRS 2 requires an entity to recognize as share-based payment transactions transfers of equity instruments of the entity's parent (or another entity in the same group) to parties that have supplied goods or services to the entity. IFRIC 11 provides guidance on how the entity that receives the goods or services from its suppliers should account for such transactions in its financial statements. The purpose of the proposed amendments is to specify the accounting, in the financial statements of an entity that receives goods or services from its suppliers (including employees), for similar arrangements that are share-based and cash-settled

The proposed amendment to IFRS 2 clarifies that an entity that receives goods or services from its suppliers must apply IFRS 2 even though it itself has no obligation to make the required share-based cash payments.

The proposed amendment to IFRIC 11 specifies that an entity that receives goods or services from its suppliers under the above arrangements should measure the goods or services in accordance with the requirements applicable to cash-settled share-based payment transactions, as set out in IFRS 2.

It is expected that the amendment and related drafting would be finalized in the second quarter of 2009.

Others (SEC and/or industry highlights)

In December 2007, the SEC published Staff Accounting Bulletin No. 110, *Year-End Help For Expensing Employee Stock Options*, in which the SEC staff indicated willingness to accept, in certain circumstances, the continued use of a simplified method of calculation of the expected term of plain-vanilla share options after 31 December 2007. To determine the expected term, the simplified method averages the vesting and original contractual term of the option.

Similar simplified guidance on the calculation of the expected term does not exist under IFRS.

Notes

Assets - nonfinancial assets

Assets – nonfinancial assets

The guidance under all three frameworks as it relates to nonfinancial assets (e.g., intangibles property, plant and equipment including leased assets, inventory and investment property) contains some striking differences that have potentially far reaching implications.

Differences in the testing for the potential impairment of long-lived assets held for use may lead to earlier impairment recognition under IFRS and Indian GAAP. Both require the use of entity-specific discounted cash flows or a fair value measure in tests for the recoverability of an asset. By comparison, US GAAP uses a two-step model that begins with undiscounted cash flows. This fundamental distinction between the impairment models can make the difference between an asset being impaired or not. Further differences, such as what qualifies as an impairment indicator or how recoveries in previously impaired assets are treated, also exist.

The recognition and measurement of intangible assets could differ significantly under US GAAP when compared to IFRS and Indian GAAP. With very limited exceptions, US GAAP prohibits the capitalisation of development costs, whereas development costs are capitalised if certain criteria are met under IFRS and Indian GAAP. Even where US GAAP allows for the capitalisation of development costs (e.g., software development costs), differences exist. In the area of software development costs, US GAAP provides different guidance depending on whether the software is for internal use or for sale. The principles surrounding capitalisation under IFRS and Indian GAAP, by comparison, are the same whether the internally generated intangible is being developed for internal use or for sale.

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

Further details on the foregoing and other selected differences are described in the following table.

Property, plant and equipment (PPE)

IFRS	US GAAP	Indian GAAP
Initial measurement		
PPE, at initial measurement, comprises the purchase price plus costs directly attributable to bringing the asset to the location and working condition necessary for it to be capable of operating in the way management intends. Start-up and pre-production costs are not capitalised unless they are a necessary part of bringing the asset to its working condition. The following are also included in the initial measurement of the asset: • The costs of site preparation • Initial delivery and handling costs • Installation and assembly costs • Costs of employee benefits arising from construction or acquisition of the asset • Costs of testing whether the asset is functioning properly • Professional fees • Fair value gains/losses on qualifying cash flow hedges relating to the purchase of PPE in a foreign currency (see page 139) and • The initial estimate of the costs of dismantling and removing the item and restoring the site on which PPE is located.(see page 80) Further, the entity must include borrowing costs incurred during the period of acquiring, constructing or producing the asset for use. (see page 81) Government grants received in connection with acquisition of PPE may be offset against the cost. (see page 83)	Similar to **IFRS**, except that hedge gains/losses on qualifying cash flow hedges are not included. Relevant borrowing costs are included if certain criteria are met.	Similar to **IFRS**, except that there is no specific guidance on the measurement of gains/losses on qualifying cash flow hedges and capitalisation of dismantling and site restoration costs. On adoption of AS 30, Financial Instruments: Recognition and Measurement, fair value gains/losses on qualifying cash flow hedges will be eligible for capitalisation.

IFRS	US GAAP	Indian GAAP
Subsequent expenditure		
Subsequent maintenance expenditure is expensed as incurred. Replacement of parts may be capitalised when general recognition criteria are met. The cost of a major inspection or overhaul occurring at regular intervals is capitalised where the recognition criteria are satisfied. The net book value of any replaced component would be expensed at the time of overhaul.	Similar to **IFRS**.	Similar to **IFRS**, except that the replaced components are charged to income.
Subsequent measurement		
PPE is accounted using either the cost model or the revaluation model – a company needs to take a policy choice. PPE is carried at cost less accumulated depreciation and impairment. If revaluation model is adopted, an entire class of asset is revalued.	PPE is carried at cost less accumulated depreciation and impairment. Revaluation is not permitted.	PPE is carried at cost less accumulated depreciation and impairment. Revaluation is permitted. If assets are revalued, an entire class of asset or selection of assets (e.g., assets of a unit) made on a systematic basis is revalued.
Revaluations have to be kept sufficiently up-to-date to ensure that the carrying amount does not differ materially from fair value.	Revaluation is not permitted.	Frequency of revaluation is not specified.
An increase on revaluation is credited directly to equity as revaluation surplus, unless it reverses a revaluation decrease for the same asset previously recognised as an expense. In this case it is recognised in the income statement. A decrease on revaluation is charged directly against any related revaluation surplus for the same asset; any excess is recognised as an expense.	Revaluation is not permitted.	Similar to **IFRS**, except the term used is revaluation reserve.

IFRS	US GAAP	Indian GAAP
Depreciation		
The depreciable amount of an item of PPE (cost or valuation less residual value) is allocated on a systematic basis over its useful life, reflecting the pattern in which the entity consumes the assets benefits. Additionally, an entity is required to depreciate separately the significant parts of PPE if they have different useful lives (component approach). For example, it may be appropriate to depreciate separately the airframe and engines of an aircraft.	Similar to **IFRS**. However, **US GAAP** generally does not require a component approach for depreciation.	The depreciable amount of an item of PPE is allocated on a systematic basis over its useful life, but a governing statute may provide rates for depreciation, where those rates would prevail. However, where the useful life determined by management is shorter than that envisaged under the relevant statute, the depreciation is computed by applying a higher rate. For example, Schedule XIV of the Companies Act, 1956 provide minimum rate of depreciation for companies. Generally, a component approach is not required or followed for depreciation.
Depreciation on revalued portion can not be recouped from the revaluation surplus.	Revaluation is not permitted.	Depreciation on revalued portion is recouped from the revaluation reserve.
Change in depreciation method and life of asset		
Both are treated as a change in accounting estimate, reflected in the depreciation charge for the current and prospective periods.	Similar to **IFRS**.	Change in depreciation method is determined by retrospectively computing depreciation under the new method and the impact is recorded in the period of change. However, on revision of asset life, the unamortised depreciable amount is charged prospectively over the revised remaining asset life.
Periodic reviews		
The depreciation method is reviewed periodically; residual values and useful lives are reviewed at each balance sheet date.	The depreciation method, residual values and useful lives are reviewed periodically; appropriateness of these decisions should be assessed at each reporting date.	Periodic reviews of depreciation methods, residual values and useful lives are not specifically required.
Impairment		
Refer page 89 Impairment of long -lived assets held for use		

Decommissioning, restoration and similar liabilities (asset retirement obligations)

IFRS	US GAAP	Indian GAAP
IFRS requires that managements 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 long-lived 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. The guidance uses a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. A liability for the present value of the costs of dismantling, removal or restoration as a result of a legal or constructive obligation is recognised and the corresponding cost included as part of the related PPE. An entity incurs this obligation as a consequence of installing the item or using the item during a particular period for purposes other than to produce inventories during that period. Changes in the measurement of an existing decommissioning, restoration or similar liability that result from changes in the estimated timing or amount of the outflow of cash flows or other resources or a change in the discount rate adjust the carrying	**US GAAP** requires that the fair value of an asset retirement obligation be recorded when a reasonable estimate of fair value can be made. The estimate is to be based on a 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. The guidance also requires an entity to measure changes in the liability for an asset retirement obligation 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 recognised as an increase or a decrease in both the liability for an asset retirement obligation and the related asset retirement cost. Changes in the measurement of the liability relating to changes in the estimate of the timing or amount of the future cash flows are recognised as a decrease or increase in the carrying amount of the liability, with a corresponding increase or decrease to the related	Similar to **IFRS**, except that discounting is not required and currently there is no specific guidance on capitalisation of these costs to PPE under the existing standard on fixed asset. Indirect reference of capitalisation exists under the accounting standard on provisioning.

IFRS	US GAAP	Indian GAAP
value of the related asset under the cost model. Adjustments may not increase the carrying amount of an asset beyond its recoverable amount or reduce it to a negative value. The periodic unwinding of the discount is recognised in income statement as a finance cost as it occurs.	capitalised ARO asset. The discount rate applied upon initial recognition of the liability is used for changes in estimates that decrease the ARO. For changes in estimates that increase the amount of the ARO, the discount rate applied to the change is the current rate. Similar to **IFRS**, changes in the measurement of the liability due to the passage of time (accretion of the discount) are included in the income statement.	

Capitalisation of borrowing costs

In 2007, the IASB issued IAS 23R, *Borrowing costs*, that applies to qualifying assets for which commencement date for capitalisation is on or after the effective date (i.e., the annual reporting period beginning on or after 1 January 2009), early adoption is permitted, if disclosed. IAS 23R removes the option of immediately recognising as an expense of borrowing costs (and requires capitalisation) that relate to qualifying assets that take a substantial period of time to get ready for use or sale.

IFRS	US GAAP	Indian GAAP
Definition of borrowing cost		
Borrowing costs include, inter alia, exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs but unlike **US GAAP**, it excludes derivative gains and losses from capitalisation as discussed in the next column.	Interest costs include, inter alia, derivative gains and losses (arising from the effective portion of a derivative instrument that qualifies as and is effective as, a fair value hedge) but unlike **IFRS**, it excludes exchange differences.	Similar to **IFRS**.
Definition of a qualifying asset		
A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Investments accounted under the equity method would not meet the criteria for a qualifying asset.	A qualifying asset is defined similar to **IFRS**, except that in limited circumstances it includes investments accounted for using the equity method that meets the criteria for a qualifying asset.	Similar to **IFRS** and a period of twelve months is considered as substantial period of time unless a shorter or longer period can be justified.
Its scope excludes assets that are measured at fair value.	It does not address assets that are measured at fair value.	Similar to **US GAAP**.

IFRS	US GAAP	Indian GAAP
Recognition		
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised as part of the cost of that asset.	Capitalisation of interest costs while a qualifying asset is being prepared for its intended use is required.	Similar to **IFRS**.
Measurement		
The amount of interest eligible for capitalisation is (a) The actual costs incurred on a specific borrowing less any investment income on temporary investment of those borrowings and (b) An amount calculated using the weighted average method, considering all the general borrowings outstanding during the period. Capitalisation of interest ceases once the asset is ready for its intended use or sale. To the extent borrowing costs are not specific, while applying the capitalisation rate (usually weighted average rate) the amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during that period.	The amount of interest cost to be capitalised for qualifying assets is based on an avoidable cost concept (i.e., the interest cost during the assets acquisition period that theoretically could have been avoided). If there is a specific new borrowing, the rate on that borrowing is applied as the capitalisation rate to the appropriate portion of the expenditures for the asset. A weighted average of the rates on other borrowings is applied to expenditures not covered by specific new borrowings. The total amount of interest cost capitalised in an accounting period cannot exceed the total amount of interest cost incurred in that period. Interest earned on temporary investment of specific borrowings cannot be netted against interest expense, except for certain governmental or private entities that finance qualifying assets through tax-exempt borrowings. In these cases, interest costs to be capitalised are required to be reduced by related interest income.	Similar to **IFRS**.

Accounting for government grants

IFRS	US GAAP	Indian GAAP
Recognition		
Grants are recognised once there is reasonable assurance that the conditions for their receipt will be met and the grant will be received.	No guidance on government grants, however in general recognition of grants is delayed until, conditions attached to the grants are fulfilled.	Similar to IFRS.
Grants in the form of non-monetary assets		
Grants are accounted at fair value and presented in the balance sheet either as deferred income or deducting the grant from the asset. Alternatively, asset and grant are recognised at nominal amount.	No specific guidance. In practice, IT generally refers to IFRS	Grants given at a concessional rate, are accounted for on the basis of their acquisition cost. If a non-monetary asset is given free of cost, it is recorded at a nominal value.
Grants in the form of non-depreciable asset		
All grants are recognised as income over the periods which bear the cost of meeting the obligation, on a systematic basis. It specifically prohibits recognition of grants directly in the shareholders funds.	Same as above.	Similar to IFRS. Alternatively, the amount of grant can be recorded directly within capital reserves forming part of shareholders funds. Further, it requires promoters contribution to be credited directly to capital reserve.
Refundable grants		
Repayment of a grant related to income is applied first against any unamortised deferred credit set up in respect of the grant. In case of shortfall, the repayment is recognised immediately as an expense. Repayment of a grant related to an asset is recorded by increasing the carrying 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 recognised to date as an expense in the absence of the grant is recognised immediately as an expense.	Same as above.	Similar to IFRS, except where the carrying amount of the asset has been increased, depreciation on the revised book value is provided prospectively over the residual life of the asset.

Intangible assets

Asset recognition criteria is similar under all the three frameworks for separately acquired intangible assets. The acquired intangible is recognised if future economic benefits attributable to the asset are probable and the cost of the asset can be measured reliably. These assets are recognised initially at cost. The cost at the date of acquisition is usually self-evident, being the fair value of the consideration paid.

IFRS	US GAAP	Indian GAAP
Recognition - additional criteria for internally generated intangibles		
The costs associated with the creation of intangible assets are classified between the research phase and development phase. Costs in the research phase are always expensed. Costs in the development phase are capitalised if, and only if, all of the following are demonstrated: • The technical feasibility of completing the intangible asset • The intention to complete the intangible asset • The ability to use or sell it • How the intangible asset will generate 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 • The ability to measure reliably the expenditure attributable to the intangible asset during its development Development costs initially recognised as an expense cannot be capitalised in a subsequent period.	Unlike **IFRS**, both research and development costs are expensed as incurred, making the recognition of internally generated intangible assets rare. However, separate rules apply to development costs for computer software that is to be sold; capitalisation (and amortisation) applies once technological feasibility is established. Capitalisation ceases when the product is available for general release to customers. Similar rules apply to certain elements of development costs for computer software developed for internal use.	Similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Measurement - internally generated intangibles		
The cost comprises all expenditures that can be directly attributed or allocated to creating, producing and preparing the asset from the date when the recognition criteria are met.	Costs of internally developing, maintaining or restoring intangible assets that are not specifically identifiable and that have indeterminable lives, or that are inherent in a continuing business and related to an entity as a whole, are recognised as an expense when incurred.	Similar to **IFRS**.
Subsequent measurement - acquired and internally generated intangibles		
Intangible assets are accounted using either the cost model or the revaluation model a company needs to take a policy choice. Intangible assets are carried at cost less accumulated amortisation (only for finite life intangible) and impairment. If the revaluation model is adopted, subsequent revaluation of intangible assets to their fair value is based on prices in an active market. Revaluations are performed regularly and at the same time for all assets in the same class. However, revaluation model is rarely used in practice.	Similar to **IFRS**, except revaluation model is prohibited.	All intangible assets are carried at cost less accumulated amortisation and impairment. Revaluation model is prohibited.
Amortisation - acquired and internally generated intangibles		
If the asset has a finite life, they are amortised, from the date when the asset is available for use, else the asset with an indefinite life are tested at least annually for impairment. There is no presumed maximum life.	Similar to **IFRS**.	All intangible assets are amortised over their estimated useful life, from the date when the asset is available for use, with a rebuttable presumption that the useful life does not exceed ten years.
Impairment - acquired and internally generated intangibles Refer page 89 'Impairment of long-lived assets held for use'		

IFRS	US GAAP	Indian GAAP
Advertisement Cost		
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 capitalisation 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 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 capitalisation if, among other requirements, probable future economic benefits exist. Direct response advertising costs that have been capitalised are then amortised over the period of future benefits (subject to impairment considerations).	Similar to **IFRS**.

Investment property

IFRS	US GAAP	Indian GAAP
Definition		
Property (land and/or building) held in order to earn rentals and/or for capital appreciation. It would include property being constructed or developed for future use as investment property (from period beginning on or after 1 Jan 2009) The definition does not include owner-occupied property or property held for sale in the ordinary course of business.	No specific definition.	Property (land and building) not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.
Initial measurement		
The same cost-based measurement is used for acquired and self-constructed investment property. The cost of a purchased investment property comprises its purchase price and any directly attributable costs, such as	Initial measurement is similar to **IFRS**, with few exceptions. (see page 87)	Acquired investment property would be classified as long-term investment with initial measurement, similar to **IFRS**. Self-constructed property is accounted for as PPE until construction is complete; then it

IFRS	US GAAP	Indian GAAP
professional fees for legal services, property transfer taxes and other transaction costs. Property acquired under finance or operating lease can also be classified as investment property. Specific rules exist for accounting for property acquired under an operating lease as investment property.		becomes an investment property. Property acquired under finance and operating lease is outside the scope of investment property.
Subsequent measurement		
The entity can choose between the fair value and depreciated cost models for all investment property, including the investment property under construction or development. When fair value is applied, the gain or loss arising from a change in the fair value is recognised in the income statement and the carrying amount is not depreciated. Where the fair value is not reliably measurable for investment property under construction or development, the property may be measured at cost until the completion of construction or the date at which fair value becomes reliably measurable, whichever is earlier.	The historical cost model is used for most real-estate companies and operating companies. Investor entities such as many investment companies, insurance companies separate accounts, bank-sponsored real-estate trusts and employee benefit plans that invest in real-estate carry their investments at fair value.	Investment property is treated as long-term investment and carried at cost less depreciation and provision for diminution in value of investment, which is other than temporary, is made. Reversal of diminution provision is permitted.

IFRS	US GAAP	Indian GAAP
Transfers to/from investment property		
There is detailed guidance for subsequent classification where there is a change in use of the investment property. Investment property to be sold is re-classified as inventories; investment property to be owner-occupied is reclassified as PPE. A change in use of an investment property would trigger transfer to or from investment property classification. When an entity uses the cost model, transfers between investment property, owner-occupied property and inventory do not change the carrying value of the property transferred. A transfer from investment property at fair value to owner-occupied property or inventory will occur at its fair value at the date of change in use, whereas a transfer from an owner-occupied property or inventory to investment property at fair value will occur at fair value with the difference being recognised to equity or income statement, respectively.	Not applicable.	No specific guidance.

Impairment of long-lived assets held for use

IFRS	US GAAP	Indian GAAP
Recognition and measurement		
An entity should assess at each reporting date whether there are any indications that an asset may be impaired. The asset is tested for impairment if there is any such indication. Irrespective of indication, an annual test is also required for intangible assets with indefinite useful lives or not yet ready for use. Impairment testing is performed under a one-step approach. An impairment loss is recognised in the income statement when a non-revalued asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. In practice, individual assets do not usually meet the definition of a cash generating unit. As a result assets are rarely tested for impairment individually but are tested within a group of assets. Fair value less cost to sell represents the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use represents the future cash flows discounted to present value using a pre-tax, market-determined rate that reflects the current assessment of the time value of money and the risks specific to the asset for which the cash flow estimates have not been adjusted.	Similar to **IFRS**, except that no guidance for intangible assets not yet ready for use. Indefinite-lived intangible assets follow a one-step model for impairment testing, wherein an impairment loss is measured and recorded for the excess of carrying amount over its fair value. Whereas for finite-lived intangible assets, a two-step impairment test and measurement model is followed: 1. The carrying amount is first compared to the undiscounted cash flows that are expected to result from the use and eventual disposal of the asset. If the carrying amount is lower than the undiscounted cash flows, no impairment loss is recognised, although it may be necessary to review depreciation (or amortisation) estimates and methods for the related assets. 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 or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If the asset is recoverable based on undiscounted cash flows, the discounting or fair value type determinations is not applicable. Changes in market interest rates is not considered impairment indicator.	Similar to **IFRS**, except that annual test is required only for intangible assets that are amortised for a period longer than ten years and for intangible assets not yet ready for use.

IFRS	US GAAP	Indian GAAP
The use of entity-specific discounted cash flows is required in the first step of the value in use analysis. Changes in market interest rates can potentially trigger impairment and hence are impairment indicators.		
Reversal of impairment loss		
Impairment losses are reversed when there has been a change in economic conditions or in the expected use of the asset. For non-current, non-financial assets (excluding investment property) carried at revalued amounts instead of depreciated cost, impairment losses related to the revaluation are recorded directly in equity to the extent of prior upward revaluations.	The reversal of impairment is prohibited.	Similar to **IFRS**.

Leases

The lease classification concepts are similar in all three frameworks. Substance rather than legal form, however, is applied under IFRS and Indian GAAP, while extensive form-driven requirements are present in US GAAP. IFRS 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 between IFRS and Indian GAAP vis-a-vis US GAAP.

All three frameworks provide indicators for determining the classification of a lease; as presented in the table below:

Indicator	IFRS and Indian GAAP	US GAAP
Normally leads to a finance lease		
Ownership is transferred to the lessee at the end of the lease term	Indicator of a finance lease.	Finance lease accounting required.
A bargain purchase option exists	Indicator of a finance lease.	Finance lease accounting required.
The lease term is for the majority of the leased assets economic life	Indicator of a finance lease.	Specified as equal to or greater than 75% of the assets estimated economic life; finance lease accounting required.
The present value of minimum lease payments is equal to substantially all the fair value of the leased asset	Indicator of a finance lease.	Specified as 90% of the fair value of the property less any investment tax credit retained by the lessor; finance lease accounting required.
The leased assets are of a specialised nature such that only the lessee can use them without major modification	Indicator of a finance lease.	Not specified, though all periods covered by bargain renewal options are included in the definition of lease term.
Could lead to a finance lease		
On cancellation, the lessor's losses are borne by the lessee	Indicator of a finance lease.	Not specified.
Gains and losses from the fluctuation in the fair value of the residual fall to the lessee	Indicator of a finance lease.	Not specified.
The lessee has the ability to continue the lease for a secondary period at below market rental	Indicator of a finance lease.	Not specified.
For a lessor to classify a lease as a capital lease (direct financing or sales-type lease) under US GAAP, two additional criteria must be met, otherwise the lease shall be classified as an operating lease. There are no such incremental criteria for a lessor to consider in classifying a lease under IFRS and Indian GAAP . Accordingly, a lease classification by the lessor and lessee should typically be symmetrical under IFRS and Indian GAAP . A lease arrangement that does not qualify as a finance (capital) lease is considered as an operating lease.		

Particular	IFRS and Indian GAAP	US GAAP
Determination whether an arrangement contains a lease	Under **IFRS** if a transaction or a series of transaction does not take the legal form of a lease but renders a right to use an asset in return for a payment or series of payments, it is required for an entity to determine whether such an arrangement is a lease e.g. outsourcing arrangements, take-or-pay contracts, arrangement to transfer right of capacity in telecom industry etc. Lease determination is based on the substance of the arrangement and an assessment of (1) whether a right to use the asset is conveyed and (2) whether fulfillment of the arrangement depends on the use of a specific asset. Under **Indian GAAP** there is no specific guidance, however, in practice, entities may look at **IFRS** for guidance.	Broadly similar to **IFRS**.
Evaluation of the substance of transactions with legal form of a lease	Under **IFRS** a series of interrelated transactions that involve the legal form of a lease is linked and accounted for as single transaction, if it is not possible to understand the overall economic effect without reference to the series of the transactions as a whole. Under **Indian GAAP**, there is no specific guidance. In practice, a series of interrelated transaction may not be viewed as a single transaction, rather will be accounted separately based on terms of individual transaction.	Broadly similar to **IFRS**.
Exercise of renewal/ extension options within leases	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 a fresh lease classification.

Particular	IFRS and Indian GAAP	US GAAP
Leases involving land and building	Under **IFRS**, land and building elements are considered separately, unless the land element is not material. This means that nearly all leases involving land and building should be bifurcated into two components, with separate classification considerations and accounting for each component. However under **Indian GAAP** there is no specific guidance on lease of land and building as single component. Land is specifically excluded from the scope of lease accounting (AS 19).	Land and building elements are generally accounted for as a single unit, unless the land represents 25% or more of the total fair value of the leased property.
Leveraged lease accounting	The guidance does not permit leveraged lease accounting. Leases that would qualify as leveraged leases under **US GAAP** would typically be classified as finance leases under **IFRS** and **Indian GAAP**. Any non-recourse debt would be reflected gross on the balance sheet.	The lessor can classify leases, which 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 non-recourse debt against the leveraged lease investment in the balance sheet.

Sale and leaseback transactions

Particular	IFRS and Indian GAAP	US GAAP
When a sale-leaseback transaction is classified as an operating lease	The full gain on the sale would normally be recognised 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 recognised immediately, except that if the favorable price is compensated for by future lease payments at below-market rates, the impact thereof should be deferred and amortised in proportion to the lease payments over the lease period. If the sale price is above fair value, the excess over fair value should be deferred and amortised over the period for which the asset is expected to be used.	The gain on a sale-leaseback transaction is generally deferred and amortised over the lease term. Immediate recognition of the full gain is normally appropriate only when the leaseback is minor, as defined. If the leaseback is more than minor, but less than substantially all of the asset life, a gain is recognised immediately to the extent that the gain exceeds the present value of the minimum lease payments. 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 amortised during the lease term.
When a sale-leaseback transaction is classified as an finance lease	The gain is amortised over the lease term irrespective of whether the lessee will reacquire the leased property.	When a sale-leaseback transaction results in a capital lease, the gain is amortised in proportion to the amortisation of the leased asset.

Inventories

IFRS	US GAAP	Indian GAAP
Scope		
Excludes work in progress arising under construction contracts, including directly related service contracts, financial instruments, and biological assets related to agricultural activity and agricultural produce at the point of harvest. In addition, it does not apply to the measurement of (i) producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realisable value in accordance with well-established industry practices and (ii) commodity broker-traders who measure their inventories at fair value less costs to sell.	There are multiple pronouncement that cover inventory recognition and measurement.	Excludes work in progress arising under construction contracts, including directly related service contracts, work in progress arising in the ordinary course of business of service providers and shares, debentures and other financial instruments held as stock-in-trade. In addition, it does not apply to producers' inventories of livestock, agricultural and forest products, and mineral oils, ores and gases to the extent that they are measured at net realisable value in accordance with well established industry practices.
Measurement and cost formulae		
Inventories are carried at lower of cost or net realisable value (sale proceeds less all further costs to bring the inventories to completion and sale). Reversal (limited to the amount of the original write-down) is required for a subsequent increase in value of inventory previously written down.	Inventories are carried at lower of cost or market value. Market value is defined as being current replacement cost subject to an upper limit of net realisable value and a lower limit of net realisable value less a normal profit margin. Reversal of a write-down is prohibited, as a write-down creates a new cost basis.	No guidance on reversal of write-down, but in practice, accounting is similar to **IFRS**.
Permits FIFO and weighted average cost method, but prohibits LIFO method.	Permits FIFO, LIFO and weighted average cost method.	Similar to **IFRS**.
Consistency of the cost formula for similar inventories		
The same cost formula is used for all inventories that have a similar nature and use to the entity.	Similar to **IFRS**.	Not specified, but consistency is a fundamental principle.

Other items

IFRS	US GAAP	Indian GAAP
Non-current assets held-for-sale		
A non-current asset is classified as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset should be available for immediate sale in its present condition, and its sale should be highly probable. Specific criteria must be met to demonstrate that the sale is highly probable. Once classified as held for sale, the asset is measured at the lower of its carrying amount and fair value less costs to sell with any loss being recognised in the income statement. These assets are not depreciated or amortised during the selling period. They are presented separately from other assets in the balance sheet.	Similar to **IFRS**.	Similar to **IFRS**, except that there is no requirement to classify an asset as held for sale and present it separately on the face of the balance sheet.
Service Concession Arrangements		
IFRIC 12 provides guidance on accounting by the private entity (referred to as the operator) for service concession arrangements that are controlled by a government or other public sector entity (referred to as the grantor). It applies to arrangements, wherein the grantor is able to control the use of the infrastructure by specifying the nature of service, the recipient of the service and the price to be charged, and to retain significant residual interest in the infrastructure.	No specific guidance.	No specific guidance.

IFRS	US GAAP	Indian GAAP
Infrastructure (road, port, airport etc.) is not recognised as PPE of the operator as the arrangement does not convey the right to control the use of the public service infrastructure to the operator. The operator recognises and measures revenue in accordance with IAS 11 or IAS 18 for the service it performs (i.e., construction or upgrade service or operation service). The operator recognises the consideration receivable (based on its nature) as a financial asset or an intangible asset or a mix of both.	No specific guidance.	In practice, the operator capitalises the infrastructure cost in its books as fixed asset. Revenue is recognised post completion of construction, as services are rendered with the infrastructure. The asset is depreciated in accordance with the Company's depreciation policy.
Biological assets		
Biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated costs to sell. All changes in fair value are recognised in the income statement in the period in which they arise.	No specific guidance; historical cost is generally used.	No specific guidance. However, these are carried at historical cost and classified as fixed assets as per Schedule VI of the Companies Act, 1956.
Contingent assets		
A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the entity's control. An asset is recognised only when the realisation of the associated benefit, such as an insurance recovery, is virtually certain.	Similar to **IFRS**, but the threshold for recognising insurance recoveries is lower. The recovery is required to be probable (the future event or events are likely to occur) rather than virtually certain as under **IFRS**.	Similar to **IFRS**, except certain disclosures as specified under **IFRS** are not required.

Technical references

IFRS	IAS 2, IAS 16, IAS 17, IAS 20, IAS 23, IAS 23R, IAS 36, IAS 37, IAS 38, IAS 40, IAS 41, IFRS 5, IFRIC 1, IFRIC 4, IFRIC 12, SIC 15, SIC 27, SIC 29, SIC 32.
US GAAP	FAS 5, FAS 13, FAS 28, FAS 34, FAS 58, FAS 62, FAS 66, FAS 86, FAS 91, FAS 98, FAS 116, FAS 142, FAS 143, FAS 144, FAS 151, FAS 154, FAS 157, ARB 43, APB 6, APB 17, APB 21, FIN 47, FTB 88-1, EITF 01-08, SOP 96-1, SOP 98-1.
Indian GAAP	AS 2, AS 6, AS 10, AS 12, AS 13, AS 16, AS 19, AS 24, AS 26, AS 28, AS 29, ASI 10, The Companies Act, 1956.

Recent amendment - IFRS

IFRIC 18, Transfers of assets from customers, is particularly relevant for the utility sector. It clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water), or to do both. In some cases, the entity receives cash from a customer which must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). In both cases, if the entity concludes that the definition of an asset is met, it shall recognise the transferred asset as an item of property, plant and equipment in accordance with IAS 16 and measure its cost on initial recognition at its fair value. The credit shall be recognized as revenue.

An entity shall apply this interpretation prospectively to transfers of assets from customers received on or after 1 July 2009, although some limited retrospective application is permitted.

Recent proposal - Indian GAAP

In 2008, the ICAI has issued an exposure draft on AS 2R, Valuation of Inventories on lines of IAS 2, Inventories. Introduction of AS 2R will eliminate many differences between existing Indian GAAP and IFRS, such as work in progress arising in the ordinary course of business of service providers, reversal in value of inventory previously written down subject to maximum of original written-down, exhaustive disclosure requirement.

In 2006, the ICAI issued an exposure draft on AS 10R, Tangible Fixed Assets. It deals with accounting for property, plant and equipment and depreciation thereof. Accordingly, the AS 10R would replace the existing AS 10, Accounting for *Fixed Assets*, and AS 6, Depreciation Accounting.

Introduction of AS 10R will eliminate many differences between existing Indian GAAP and IFRS, such as revaluation model, component approach, change in depreciation method to be considered as change in accounting estimate, enhanced disclosures and certain other changes.

In 2007, the ICAI issued an exposure draft of AS 12R, Accounting for Government Grants *and Disclosure of Government Assistance*, on the lines of IAS 20.

Introduction of AS 12R will eliminate many differences between existing Indian GAAP and IFRS, such as it will cover other forms of government assistance which do not fall within the government grants, and certain other changes.

In 2008, the ICAI has issued an exposure draft of Guidance Note on Accounting for Service Concession Arrangements in line with IFRIC 12 under IFRS. The Guidance Note sets out general principles for recognising and measuring the obligations and related rights in service concession arrangements.

Notes

Liabilities - nonfinancial liabilities

Liabilities – taxes

IFRS and US GAAP share many fundamental principles, but they are at times conceptualized and applied in different manners. In comparison, Indian GAAP has fundamental difference. For example, under Indian GAAP, deferred taxes are recognised for timing differences resulting from difference between accounting income and taxable income versus temporary differences under IFRS and US GAAP. Indian GAAP has higher threshold for recognition of deferred tax assets and requires no adjustment on account of taxes in the consolidated financial statements. Differences in the calculations of liabilities and deferred taxes will likely result in a number of required adjustments in a company's tax accounts. The following represent some of the more significant differences between the three frameworks.

In 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes*. To date, no similar detailed income tax specific guidance has been issued by the IASB or ICAI. Differences in both the unit-of-account methodology and the measurement methodology for uncertain tax positions may result in varying outcomes under the three frameworks.

Under US GAAP, any income tax effects resulting from intragroup profits are deferred at the seller's tax rate and recognized upon sale to a third party. IFRS requires the recording of deferred taxes based on the buyer's tax rate at the time of the initial transaction. Indian GAAP, in contrast, requires no accounting. Changing that calculation from the seller's to the buyer's tax rate requires multinational entities to consider the location of their cross-border inventories at the balance sheet date, because the location of the inventory could result in a significant impact to recorded deferred-tax assets.

Differences in subsequent changes to deferred taxes recorded for certain equity-related items could result in less volatility in the statement of operations under IFRS. At the same time, the opposite impact (i.e., additional volatility) could result when share-based equity awards are considered. Under both US GAAP and IFRS, entities generally initially record their deferred taxes through the income statement unless the related item was recorded directly into equity or as an adjustment to goodwill. Under IFRS, all future increases or decreases in equity-related deferred tax asset or liability accounts are traced back to equity. Under US GAAP, however, subsequent changes arising as a result of tax rate and law changes on deferred taxes are recorded through the statement of operations even if the related deferred taxes initially arose in equity. In comparison under Indian GAAP, deferred taxes are generally recorded through the income statement.

Presentation differences related to deferred taxes could affect the calculation of certain ratios from the face of the balance sheet—including a company's current ratio—because IFRS requires all deferred taxes to be classified as noncurrent.

Following a business combination, differences in the recognition criteria used for measuring deferred taxes could result in additional income statement volatility. Under US GAAP, the subsequent resolution of any tax uncertainties related to a business combination is applied as an increase or a decrease in the goodwill attributable to that acquisition regardless of the timing of resolution. Under IFRS and Indian GAAP, the resolution of income tax uncertainties is recognized in the income statement if outside the one-year purchase accounting adjustment period. However, importantly, the US guidance in that area is changing as a result of the new business combinations guidance and will be converged with the IFRS approach once the new standard goes into effect.

Further details on the foregoing and other selected differences are described in the following table.

IFRS	US GAAP	Indian GAAP
General considerations		
Basis for deferred tax assets and liabilities		
Temporary differences – i.e., the difference between carrying amount and tax base of assets and liabilities (see exceptions below).	Similar to **IFRS**.	Timing differences i.e., the difference between accounting income and taxable income for a period that originate in one period and are capable of reversal in one or more subsequent periods.
Exceptions from accounting for deferred taxes		
An exception exists in the accounting for deferred taxes from the initial recognition of an asset or liability in a transaction that neither (1) is a business combination nor (2) affects accounting profit (or taxable profit) at the time of the transaction. No special treatment of leveraged leases exists under **IFRS**.	An exception exists from the initial recognition of temporary differences in connection with transactions that qualify as leveraged leases under lease accounting guidance.	No such specific exception.
Specific applications		
Revaluation of PPE and intangible assets		
Deferred tax is recognised in equity.	Not applicable, as revaluation is prohibited.	Deferred tax is not recognised since it does not qualify as timing difference.
Unrealised intra-group profits		
Deferred taxes are recognised at the buyer's tax rate. Any tax impact to the seller as a result of the intercompany transaction is recognised as incurred.	The buyer is prohibited from recognising deferred taxes. Any tax impacts to the seller (including taxes paid and tax effects of any reversal of temporary differences) as a result of the inter-company sale are deferred (at seller's tax rate) and are realised upon the ultimate sale to a third party.	Deferred tax is not recognised on such transactions, as deferred taxes are aggregated from standalone financial statement of all consolidating entities and no adjustment is made on consolidation.

IFRS	US GAAP	Indian GAAP
Intra-period tax allocation (backwards tracing)		
Subsequent changes in deferred tax balances are recognised in the income statement except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different period, directly in equity (the 'follow-up principle').	Subsequent changes in deferred tax balances due to enacted tax rate and tax law changes are taken through the income statement regardless of whether the deferred tax was initially created through the income statement, equity or in purchase accounting. Subsequent changes in deferred tax assets (by reducing valuation allowances) due to changes in assessment about realisation in future periods are generally taken through the income statement, with limited exceptions for certain equity-related items and acquired deferred tax assets.	Both initial recognition and subsequent changes in deferred tax balances are recognised in the income statement.
Outside basis tax		
With respect to undistributed profits and other outside basis differences related to investments in subsidiaries, branches and associates, and joint ventures, deferred taxes are recognised except when a parent company (investor or venturer) is able to control the ultimate distribution of profits and it is probable that the temporary difference will not reverse in the foreseeable future.	With respect to undistributed profits and other outside basis differences, different requirements exist depending on whether they involve investments in subsidiaries, in joint ventures or in 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 unless the entity anticipates utilising that method. As it relates to investments in domestic corporate joint ventures, deferred tax liabilities are required on undistributed profits that arose after 1992. Deferred tax liabilities are not required for the undistributed profits of foreign subsidiaries or foreign corporate joint ventures if	Deferred tax is not recognised as deferred taxes are aggregated from standalone financial statements of all consolidating entities and no adjustment is made on consolidation.

IFRS	US GAAP	Indian GAAP
	the earnings are indefinitely reinvested, unless it is apparent that the undistributed profit would be taxable in the foreseeable future. Deferred taxes are generally recognised on temporary differences related to investments in equity investees. 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.	
Uncertain tax positions		
Accounting for uncertain tax positions is not specifically addressed within **IFRS**. The tax consequences of events should follow the manner in which an entity expects the tax position to be resolved (through either payment or receipt of cash) with the taxation authorities at the balance sheet date. Acceptable methods by which to measure tax positions include (1) the expected-value/ probability-weighted average approach and (2) the single best-outcome/ most-likely-outcome method. Use of the cumulative probability model required by **US GAAP** is not supported by **IFRS**.	Under uncertain tax position guidance, entities utilise a two-step process, first determining whether recognition of an uncertain tax position is appropriate and subsequently measuring the position. Tax benefits from uncertain tax positions can be recognised only if it is more likely than not that the tax position is sustainable based on its technical merits. The tax position is measured by using a cumulative probability model: the largest amount of tax benefit that is greater than 50% likely of being realised upon ultimate settlement.	Similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Share-based compensation		
Deferred tax benefits are recognised in income only for those awards that currently have an intrinsic value that would be deductible for tax purposes. Additionally, valuation of the deferred tax asset is revisited each reporting period. Adjustments to the deferred tax asset balance are recorded, within limits, through income statement. Application of this model results in greater variability of income tax expense/benefit recorded within the income tax provision.	Deferred tax benefits are recorded for share-based payment awards that are expected to be deductible for tax purposes (such as non-qualified stock options in the US) based on the amount of compensation expense recorded for the share award. This benefit is recognised even if the award has no intrinsic value. The accounting is then largely stagnant until the associated award is exercised regardless of share price movements. On exercise of the award, the difference between cash taxes to be paid and the tax expense recorded to date is adjusted based on the actual excess intrinsic value of the award, with adjustments generally being recorded through equity (subject to certain limitations, pools, etc.).	Generally, there is no tax deduction for share-based compensation. If allowable for tax purposes, the entire impact would be recorded in income statement in absence of a separate guidance.

Measurement of deferred tax

IFRS	US GAAP	Indian GAAP
Tax rates		
Tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.	Use of substantively enacted rates is not permitted. Tax rate and tax laws used must have been enacted.	Similar to **IFRS**.
Recognition of deferred tax assets		
Deferred tax assets are recognised when it is considered probable (defined as more likely than not) that sufficient taxable profits will be available to utilise the temporary difference. Valuation allowances are not allowed to be recorded.	Deferred tax assets are recognised in full, but are then reduced by a valuation allowance when it is considered more likely than not that some portion of deferred taxes will not be realised.	Deferred tax assets are recognised (a) if realisation is virtually certain for entities with tax losses carry-forward, whereas (b) if realisation is reasonably certain for entities with no tax losses carry forward.

IFRS	US GAAP	Indian GAAP
Foreign non-monetary assets and liabilities where the local currency is not the functional currency		
Deferred taxes are recognised for the difference between the carrying amount determined by using the historical rate of exchange and the relevant tax basis at the balance sheet date, which may have been affected by exchange rate movements or tax indexing.	No deferred taxes are recognised for differences related to non-monetary assets and liabilities that are remeasured from local currency into their functional currency by using historical exchange rates (if those differences result from changes in exchange rates or indexing for tax purposes).	No specific guidance either in AS 22 or AS 11. However, in practice, no deferred tax is recognised for the difference between the carrying amount determined by using the historical rate of exchange and the relevant tax basis at the balance sheet date for consolidation of integral operations.
Recognition of asset on minimum alternative tax (MAT) credit carry forward.		
It is recognised as a deferred tax asset if it is probable (more likely than not) that MAT credit can be used in future years to reduce the regular tax liability.	It is recognised as a deferred tax asset in full, but is then reduced by a valuation allowance, if it more likely than not that MAT credit cannot be used in future years to reduce the regular tax liability.	It is considered as a prepaid tax and recognised 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.

Business combinations - Acquisitions

Step-up of acquired assets/liabilities to fair value		
Deferred tax is recorded unless the tax base of the asset is also stepped up.	Similar to **IFRS**.	Deferred taxes are aggregated from stand-alone financial statements of all consolidating entities and no adjustment is made on consolidation.
Previously unrecognised tax losses of the acquirer		
A deferred tax asset is recognised if the recognition criteria for the deferred tax asset are met as a result of the acquisition. Offsetting credit is recorded in income.	Similar to **IFRS**, except the offsetting credit is recorded against goodwill.	Similar to **IFRS**.
Tax losses of the acquiree (initial recognition)		
Similar requirement as for the acquirer, except the offsetting credit is recorded against goodwill.	Similar to **IFRS**.	For entity acquired and held as a subsidiary, offsetting credit is recorded in income statement. For entity acquired and amalgamated, similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Subsequent resolution of income tax uncertainties in a business combination		
The resolution of uncertainties is recognised in the income statement if outside the one year purchase accounting adjustment period. Currently, the initial recognition of an acquired deferred tax asset subsequent to the date of acquisition would increase deferred tax assets and decrease tax expense and would decrease goodwill and increase operating expense (essentially becoming net income neutral). There is no time limit for recognition of this deferred tax asset. On adoption of IFRS 3R, the initial recognition of acquired tax benefits, subsequent to the date of acquisition (that does not qualify as a measurement period adjustment) will be reflected in the income statement with no change to goodwill.	The resolution of any acquired tax uncertainties relating to a business combination is recorded first against goodwill (regardless of timing of resolution, then non-current intangibles and then income tax expense. On adoption of FAS 141R (aside from true-ups during the measurement period), the resolution of income tax uncertainties will be recognised in the income statement. The release of a valuation allowance for acquired deferred tax assets will also be recognised in the income tax provision if occurring outside the measurement period (which will not be permitted to exceed one year)	For entity acquired and held as a subsidiary, no adjustment is recorded on consolidation. For entity acquired and amalgamated, all adjustments on account of resolution of uncertainties are recorded in the income statement, if outside the first annual balance sheet following the amalgamation. Within the first annual balance sheet, it is adjusted against goodwill.

Presentation of deferred tax

Offset of deferred tax assets and liabilities		
Permitted only when the entity has a legally enforceable right to offset and the balance relates to tax levied by the same authority.	Similar to **IFRS**.	Similar to **IFRS**.
Current/non-current		
Generally, deferred tax assets and liabilities are classified net (within individual jurisdiction) as non-current on the balance sheet. Supplemental note disclosures are included to describe the components of the temporary differences as well as the recoverable amounts bifurcated between amounts recoverable less than or greater than one year from the balance sheet date.	The classification of deferred tax assets and deferred tax liabilities follows the classification of the related, non-tax asset or liability for financial reporting (as either current or noncurrent). If a deferred tax asset is not associated with an underlying asset or liability, it is classified based on the anticipated reversal periods. Any valuation allowances are allocated between current and non-current deferred tax assets for a tax jurisdiction on a pro rata basis.	Deferred tax asset, net, is disclosed after 'Net current assets'; whereas deferred tax liability, net, is disclosed after 'Unsecured loans'.

IFRS	US GAAP	Indian GAAP
Interest and penalties		
Interest and penalties are to be classified in either interest expense or other operating expenses when they can be clearly identified and separated from the related tax liability.	The classification of interest and penalties related to uncertain tax positions (either in income tax expense or as a pre-tax item) represents an accounting policy decision that is to be consistently applied and disclosed.	Interest and penalties are classified as part of current taxes.
Minimum alternative tax credit carry forward		
Disclosed along with any other deferred tax amount.	Similar to **IFRS**.	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. MAT credit utilised is shown as a deduction from “Provision for Taxation” on the liabilities side of the Balance Sheet.
Reconciliation of actual and expected tax expense		
Required. Computed by applying the applicable tax rates to accounting profit, disclosing also the basis on which the applicable tax rates are calculated.	Required for public companies only. Calculated by applying the domestic federal statutory tax rates to pre-tax income from continuing operations.	Not required.

Technical references

IFRS	IAS 1R, IAS 12, IFRS 3R, SIC 25, SIC 21.
US GAAP	FAS 109, FAS 123R, FAS 141, FAS 141R, FIN 48, APB 23.
Indian GAAP	AS 22, Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income Tax Act, 1961.

Recent proposal - IFRS

In early 2009, the IASB had published an exposure draft of an IFRS to replace IAS 12. The draft IFRS includes proposals on the treatment of uncertain tax amounts.

The objective of the project is to reduce the differences between IAS 12, Income Taxes and FAS 109 Accounting for Income Taxes. Some of the significant changes to the existing IAS 12 include

a) Changes to the definition of tax basis
b) An additional specification that the tax basis of an asset is determined by the tax deductions that would be available if the entity recovered the carrying amount of the asset by sale
c) The introduction of an initial step in determining deferred tax assets and liabilities so that no deferred tax arises in respect of an asset or liability if there will be no effect on taxable profit when the entity recovers or settles its carrying amount
d) Removal of the initial recognition exception in IAS 12 and introduction of a proposal for the initial measurement of assets and liabilities that have tax bases different from their initial carrying amounts
e) A proposal to recognise deferred tax assets in full, less, if applicable, a valuation allowance to reduce the net carrying amount to the highest amount that is more likely than not to be realisable against taxable profit
f) Classification of deferred tax assets and liabilities as either current or non-current on the basis of the financial reporting classification of the related non-tax asset or liability and
g) Clarification that the classification of interest and penalties is an accounting policy choice and hence must be applied consistently, and introduction of a requirement to disclose the chosen policy.

Recent Proposal - US GAAP

On 5 June 2008, the Board issued a proposed Statement on *Disclosure of Certain Loss Contingencies*, an amendment of FAS 5 and 141(R). This proposed Statement would replace and enhance the disclosure requirements in FAS 5, Accounting for Contingencies, for loss contingencies that are recognized as liabilities in a statement of financial position and for unrecognized loss contingencies that would be recognized as liabilities if the criteria for recognition were met. It would not change the disclosure requirements for loss contingencies that are (or would be) recognized as asset impairments.

This proposed Statement also would apply to loss contingencies recognized in a business combination accounted for under FAS 141R, Business Combinations. The disclosures about loss contingencies required by this proposed Statement would be effective for annual financial statements issued for fiscal years ending after 15 December 2008, and interim and annual periods in subsequent fiscal years.

Liabilities – other

IFRS and Indian GAAP have a specific standard on accounting for various types of provisions. US GAAP has several standards addressing specific types of provisions, for example, environmental liabilities and restructuring costs. The guidance in relation to non-financial 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 and Indian GAAP defines probable as more likely than not, while US GAAP defines probable as likely to occur. Because all three of these frameworks reference probable within the liability recognition criteria, the difference could lead companies to record provisions earlier under IFRS and Indian GAAP than they otherwise would have under US GAAP. All three frameworks prohibit recognition of provisions for future costs, including costs associated with proposed but not yet effective legislation.

IFRS	US GAAP	Indian GAAP
Recognition		
A contingent liability is defined as a possible obligation whose outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events outside the entity's control. Contingent liabilities are disclosed unless the probability of outflows is remote. A contingent liability becomes a provision and is recorded when: • the entity has a present obligation (legal or constructive) to transfer economic benefits as a result of past events • it is probable (more likely than not) that such a transfer will be required to settle the obligation and • a reliable estimate of the amount of the obligation can be made. 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%.	Similar to **IFRS**. 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% or greater likelihood of occurrence to be probable.	Similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Measurement		
The amount recognised as a provision is the best estimate of the expenditure required (the amount an entity would rationally pay to settle 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. The anticipated cash flows are discounted using a pre-tax discount rate (or rates).	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 (as against midpoint) of the range is accrued. A provision is only discounted when the timing of the cash flows is fixed or reliably determinable. Differences may arise in the selection of the discount rate.	Similar to **IFRS**, except that discounting is not required. In practice, provisions are measured by using a substantial degree of estimation.
Constructive Obligation		
A provision is recognised when an entity has a present obligation (legal or constructive) as a result of a past event. A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.	Similar to **IFRS**.	Constructive obligations are not considered for recognising 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.

IFRS	US GAAP	Indian GAAP
Restructuring provisions (excluding business combinations)		
A provision for restructuring costs is recognised when, among other things, an entity has a present obligation. A present obligation exists when, among other conditions, the entity is 'demonstrably committed' to the restructuring. An entity is usually demonstrably committed when there is a legal obligation or when the entity has a detailed formal plan for the restructuring. To record a liability, the entity must be unable to withdraw the plan, because it has started to implement the plan or it has announced the plan's main features to those affected (constructive obligation). A current provision is unlikely to be justified if there will be a delay before the restructuring begins or if the restructuring will take an unreasonably long time to complete. Liabilities related to offers for voluntary terminations are measured based on the number of employees expected to accept the offer.	The guidance prohibits the recognition of a liability based solely on an entity's commitment to an approved plan. Recognition of a provision for one-time termination benefits requires communication of the details of the plan to employees who could be affected. The communication is to contain sufficient details about the types of benefits so that employees have information for determining the types and amounts of benefits they will receive. Further guidance exists for different types of termination benefits (i.e., special termination benefits, contractual termination benefits, severance benefits and one-time benefit arrangements). Inducements for voluntary terminations are to be recognised when employees accept offers and the amounts can be estimated.	In the case of a restructuring, provision can be made only when the general recognition criteria for provisions are met as compared to the 'constructive obligation' recognition criteria specified under **IFRS**.
Onerous contracts		
Provisions are recognised 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 considered in the measurement of an onerous lease provision only if management has the right to sublease and such sublease income is probable.	Provisions are not recognised for unfavorable contracts unless the entity has ceased using the rights under the contract (i.e., the cease-use date). One of the most common examples of an unfavorable 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	Similar to **IFRS**, except that discounting is not required.

IFRS	US GAAP	Indian GAAP
	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 recognised as incurred.	

Technical references

IFRS	IAS 37.
US GAAP	FAS 5, EITF 88-10, FAS 143, FAS 146, SOP 96-1.
Indian GAAP	AS 29.

Financial instruments

Financial instruments

Accounting of financial instruments is an area that has undergone significant and continuous change in the recent years. Much of this change has been necessitated by the rapid developments in the financial markets. Changes in regulation and increasing volatility in the capital markets inspired innovations in the nature of financial instruments and new ways to bundle them, unbundle them and modify them.

Financial instruments under IFRS are primarily covered under IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. Guidance under US GAAP is not organised into one comprehensive standard. The relevant guidance can be found in a number of different sources (e.g., The FASB standards, EITF issues and the SEC rules).

Under Indian GAAP, the Council of the ICAI has approved the Accounting Standard (AS) 30, Financial Instruments: Recognition and Measurement and Accounting Standard (AS) 31, Financial Instruments: Presentation, (AS) 32 Financial Instruments: Disclosures (these Accounting Standards will come into effect in respect of accounting periods commencing on or after 1 April 2009 and will be recommendatory in nature for a period of two years i.e., till 1 April 2011 after which it will be mandatory). However the AS 30, AS 31, and AS 32 are not yet notified by NACAS. On adoption/notification of AS 30, AS 31 and AS 32 Indian GAAP will be similar to IFRS subject to further amendment made under IFRS.

Definition

Under IFRS and Indian GAAP (defined in AS 30, which will become mandatory as discussed above) financial instrument has been defined as: any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Considering the inclusive nature of the definition the coverage of these standards is very wide ranging.

This definition encompasses cash, equity instrument, trade receivables and payables, debt instrument, certain net cash- settled commodity contract, certain insurance and guarantee contracts and derivatives (including embedded derivatives). There are however some exceptions as well, like for example employee benefit, share based payment, certain traditional insurance contract, contingent consideration in business combination etc.

As this publication was in print, the IASB set out a detailed six-month timetable for publishing a proposal to replace its existing financial instruments standard, IAS 39 *Financial Instruments: Recognition and Measurement*.

The press release states this responds directly to and is consistent with the recommendations and timetable set out by the Group of 20 (G20) nations at their meeting in April. They called for standard-setters 'to reduce the complexity of accounting standards for financial instruments' and to address issues arising from the financial crisis, such as loan-loss provisioning. The IASB will work jointly with the FASB to pursue the objective of a globally accepted replacement of the requirements on accounting for financial instruments.

Financial assets

IFRS outlines the recognition and measurement criteria for all financial assets defined to include derivatives. The guidance in IFRS is broadly consistent with US GAAP but there are differences which could lead to materially different results. Recently the ICAI has issued AS 30 Financial Instruments: Recognition and Measurement, AS 31 Financial Instrument: Presentation and AS 32 Financial Instrument: Disclosure which will be broadly similar to IFRS on adoption, subject to subsequent amendments made under IFRS which have to be incorporated therein.

Definition

IFRS, US GAAP and Indian GAAP define a financial asset in a similar way, to include:

- cash
- a contractual right to receive cash or another financial asset from another entity or to exchange financial instruments with another entity under conditions that are potentially favourable and
- an equity instrument of another entity.

In addition under IFRS financial assets includes any contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Initial recognition

IFRS and US GAAP require an entity to recognise a financial asset only when the entity becomes a party to the contractual provisions of the instrument. A financial asset is recognised initially at its fair value (which is normally the transaction price), plus, in the case of a financial asset that is not recognised at fair value with changes in fair value recognised in the income statement, transaction costs that are directly attributable to the acquisition of that asset.

Under Indian GAAP there is no specific guidance, however, financial assets are recognised based on the transfer of significant risks and rewards of ownership and generally recorded at cost.

Classification and measurement

Under US GAAP, various specialised pronouncements provide guidance for the classification of financial assets. IFRS 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 carried at fair value, with changes in fair value reported in income statement; held-to-maturity investments; available-for sale financial assets; and loans and receivables. The specialised US guidance and the singular IFRS guidance in relation to classification are particularly important, because they can drive differences in both classification and measurement (since classification drives measurement under IFRS and US GAAP).

The following table outlines the classification requirements for various financial assets.

Classification	IFRS	US GAAP
Financial assets at fair value through profit or loss		
Two sub-categories: financial assets held for trading (see below), and those designated to the category at inception.	An irrevocable decision to classify a financial asset at fair value, with changes in fair value recognised in the income statement, provided it results in more relevant information because either: • it eliminates or significantly reduces a measurement or recognition inconsistency • a group of financial assets, financial liabilities or both is managed and performance is evaluated on a fair value basis or • the contract contains one or more substantive embedded derivatives.	Irrevocable decision to designate financial assets at fair value with changes in fair value recognised in the income statement. Unlike **IFRS**, this decision is not restricted to specific circumstances.
Held-for-trading financial assets		
Debt and equity securities held for sale in the short term. Includes non-qualifying hedging derivatives.[1]	The intention should be to hold the financial asset for a relatively short period, or as part of a portfolio for the purpose of short-term profit-taking. Subsequent measurement at fair value. Changes in fair value are recognised in the income statement.	Similar to **IFRS**. Frequent buying and selling usually indicates a trading instrument. Similar to **IFRS**.
Held-to-maturity investments		
Financial assets held with a positive intent and ability to hold to maturity. Includes assets with fixed or determinable payments and maturities. Does not include equity securities, as they have an indefinite life.	An entity should have the positive intent and ability to hold a financial asset to maturity, not simply a present intention. When an entity sells more than an insignificant amount of assets (other than in limited circumstances), classified as held-to-maturity, it is prohibited from using the held-to-maturity classification for two full annual	Similar to **IFRS**, although **US GAAP** is silent about when assets cease to be tainted. For listed companies, the SEC states that the taint period for sales or transfers of held-to-maturity securities should be two years.

[1] Qualifying hedging derivatives are classified separately.

Classification	IFRS	US GAAP
	reporting periods (known as tainting). The entity should also reclassify all its held-to-maturity assets as available-for-sale assets. Measured at amortised cost using the effective interest rate method.	
Loans and receivables		
Financial assets with fixed or determinable payments not quoted in an active market. May include loans and receivables purchased, provided their intention is similar, but not interests in pools of assets (for example, mutual funds).	Measured at amortised cost.	Does not define a loan and receivable category. Industry-specific guidance may also apply.
Available-for-sale financial assets		
Includes debt and equity securities designated as available for sale, except those classified as held for trading, and those not covered by any of the above categories.	Measured at fair value. Available-for-sale assets, including investments in unlisted equity securities, are measured at fair value (with an exception, only for instances where fair value cannot be reasonably estimated). 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. Changes in fair value are recognised net of tax effects in equity (i.e., presented in a statement of changes in shareholders equity or in a SoRIE) and recycled to the income statement when sold, impaired or collected. Foreign exchange gains and losses on monetary assets are recognised in the income statement.	Similar to **IFRS**, except unlisted equity securities are generally 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, defined benefit plans). Changes in fair value are reported in other comprehensive income. Foreign exchange gains and losses on debt securities are recognised in equity.

Under Indian GAAP, investments are classified as current and long-term. A current investment is an investment that by its nature is readily realisable and is intended to be held for not more than one year from the date of investment. A long-term investment is an investment other than a current investment.

Current investments are carried at lower of cost and fair value whereas long-term investments are carried at cost less impairment, if any. Any reduction in the carrying amount and any reversals of such reductions are recycled through income statement.

Banking regulations in India require investments to be classified between held-to-maturity, trading and available-for-sale. However, the classification criteria and measurement requirements differ from IFRS and US GAAP.

IFRS	US GAAP	Indian GAAP
Fair value measurement: bid/ask spreads		
The appropriate quoted market price for an asset held or a liability to be issued is the current bid price and, for an asset to be acquired or a liability held, is the ask price. However, when the entity has assets and liabilities with offsetting market positions, the entity may use the midprice for the offsetting positions and apply the bid or ask price to the net open position. Day one gains are recognised only when all inputs to the measurement model are observable.	If an input used for measuring fair value is based on bid and ask prices, the price within the bid-ask spread that is most representative of fair value in the circumstances is used. At the same time, **US GAAP** does not preclude the use of midmarket pricing or other pricing conventions as practical expedients for fair value measurements within a bid-ask spread. As a result, financial assets may, in certain situations, be valued at a bid or ask price, at the last price, at the mean between bid and ask prices or at a valuation within the range of bid and ask prices. If otherwise supported by the facts and circumstances, entities may recognise Day one gains on financial instruments reported at fair value even when some inputs to the measurement model are not observable.	Currently no specific guidance but upon adoption of AS 30, it will be similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Carrying Value of Loans and advances		
IFRS defines loans and receivables as non-derivative financial assets with fixed or determinable payments not quoted in an active market and that are 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 at fair value through profit or loss • those that the entity upon initial recognition designates as available-for-sale and • 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 are carried at amortised cost in the loan and receivable category unless classified into 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 fair value (market).	The classification and accounting treatment of nonderivative financial assets such as loans and receivables generally depend on whether the asset in question meets the definition of a debt security under FAS 115. If the asset meets that definition, it is generally classified as either trading, available for sale or held-to-maturity. To meet the definition of a debt security under FAS 115, 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 recognised 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 FAS 115 fall within the scope of either FAS 65, SOP 01-6 or APB 21. As an example, mortgage loans are either: • Classified as loans held for investment, in which case they are measured at amortised cost • 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.	Generally carried at cost less impairment.

IFRS	US GAAP	Indian GAAP
Reclassification of assets between categories		
Reclassifications between categories are uncommon under **IFRS**. They are prohibited into and out of the fair value through profit and loss category. Reclassifications from the held-to-maturity category as a result of a change of intent or ability are treated as sales and, other than in exceptional circumstances, result in the whole category being tainted. The most common reason for a reclassification out of the category is when the whole category is tainted and has to be reclassified as available for sale for two years. The assets are remeasured to fair value in these circumstances, with any difference recognised in equity. An instrument may be reclassified into the category where the tainted held-to-maturity portfolio has been cleansed. In this case, the financial assets carrying value at the date of reclassification becomes its amortised cost. For financial assets that do not have a fixed maturity, any gains and losses already recognised in equity remain in equity until the asset is impaired or derecognised. For financial assets with a fixed maturity, the gain or loss is amortised to income statement over the remaining life of the instrument using the effective yield method. An entity shall not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated by the entity as at fair value through profit or loss; and may, if a financial asset is no longer held for the purpose of selling or repurchasing it in the near term reclassify that financial asset out of the fair value	The following rules apply under **US GAAP** to the transfer of financial assets between categories: Held-to-maturity investments: a financial asset is reclassified from the held-to-maturity category when there has been a change of intent or ability, or there has been evidence of short-term profit-taking. Where the reclassification is to held-for-trading, the asset is remeasured to fair value with the difference recognised in the income statement. Where the financial asset is reclassified from held-to-maturity to available for sale, the asset is remeasured at fair value with the difference recognised in equity. Such a transfer may trigger tainting provisions, similar to **IFRS**. If an entity transfers an asset into the held-to-maturity category, the assets fair value at the date of reclassification becomes its amortised cost. Any previous gain or loss recognised in equity is amortised over the remaining life of the held-to-maturity investment. Any difference between the new amortised cost and the amount due at maturity is treated as an adjustment of yield. Available-for-sale financial assets: transfers from (to) available for sale into (or out of) trading should be rare.	Transfer 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. Banking regulations provide separate guidelines for transfers. Accounting standard on recognition and measurement of financial instrument, AS 30 will significantly effect the treatment under **Indian GAAP** going forward and reduce differences with **IFRS** and **US GAAP**.

IFRS	US GAAP	Indian GAAP
through profit or loss category subject to meeting of certain requirements. An entity shall not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.		
However, an amendment to the Standard, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.		
Effective interest rates: expected versus contractual cash flows		
For financial assets that are carried at amortised cost, the calculation of the effective interest rate is generally based on the estimated cash flows over the expected life of the asset. Contractual cash flows over the full contractual term of the financial asset are used only in those rare cases when it is not possible to reliably estimate the expected cash flows over the expected life of a financial asset.	For financial assets that are carried at amortised cost, the calculation of the effective interest rate is generally based on contractual cash flows over the assets contractual life. The expected life, under **US GAAP**, is typically used only for (1) loans if the entity holds a large number of similar loans and the pre-payments can be reasonably estimated, (2) certain structured notes, (3) certain beneficial interests in securitised financial assets and (4) certain loans or debt securities acquired in a transfer.	No specific guidance. On adoption of AS 30, AS 31 and AS 32 it will be similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Effective interest rates: changes in expectations		
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. Frequent 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 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 non-financial variable specific to a party to the contract (e.g., cash flows that are linked to earnings before interest, taxes, depreciation and amortisation; 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 assets original effective interest rate. The adjustment is recognised as income or expense in the income statement (i.e., by the cumulative-catch-up approach).	Different models apply to the ways revised estimates are treated depending on the type of financial asset involved (e.g., 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. Typically, the **US GAAP** model ignores the changes in current interest rates. None of the **US GAAP** models are the equivalent of the **IFRS** cumulative-catch-up-based approach.	No specific guidance. On adoption of AS 30, AS 31 and AS 32 it will be similar to **IFRS**.

Impairment

IFRS	US GAAP	Indian GAAP
General		
Entities should consider impairment when there is an indicator of impairment. A decline in the fair value of a financial asset below its cost that results from the increase in the risk-free interest rate is not necessarily evidence of impairment. An impairment of a security does not establish a new cost basis. **IFRS** generally requires that, for financial assets carried at amortised cost, the impairment loss is the difference between the assets carrying amount and its estimated recoverable amount (present value of expected future cash flows discounted at the instruments original effective interest rate). For financial assets carried at fair value, the recoverable amount is usually based on quoted market prices or, if unavailable, the present value of the expected future cash flows discounted at the current market rate. Any loss that has been deferred in equity is recycled to the income statement on impairment.	Requires the write-down of available-for-sale or held-to-maturity securities when an entity considers a decline in fair value to be other than temporary. A new cost basis is established after a security is impaired. Loans are considered impaired when it is probable that amounts will not be collected. Under **US GAAP**, the impairment loss for loans is generally measured on the basis of the present value of expected future cash flows discounted at the loan's effective interest rate. The impairment loss for available-for-sale and held-to-maturity securities is based on fair value.	Requires the write-down of long-term investments to income statement when an entity considers a decline in fair value to be other than temporary. It does not specifically lay down indicators of impairment. 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. On adoption of AS 30, AS 31 and AS 32 it will be similar to **IFRS**.
Impairment principles: available-for-sale and held-to-maturity debt securities		
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.	An investment in debt securities is assessed for impairment if the fair value is less than carrying amount. 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: • The length of the time that and the extent to which the market value has been less than cost.	Under **Indian GAAP**, long term investments are carried at cost. However when there is a decline, other then temporary, in the value of the investment, the carrying amount is reduced to recognise the decline. For banks, the RBI guidelines are required to be followed.

IFRS	US GAAP	Indian GAAP
• 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 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 financial asset below its cost or amortised cost is not necessarily evidence of impairment. (For example, a decline in the fair value of an investment in a debt instrument 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 events that affect the cash flows from the asset itself and does not consider the holder's intent. If an impairment of a held-to-maturity debt security does exist, **IFRS** requires that the impairment loss be measured based on the present value of future cash flows as calculated with the original effective interest rate. In some circumstances, it may not be practicable to make a reasonably reliable direct estimate of the present value of future cash flows expected	• The financial condition and near-term prospects of the issuer, including any specific events that may influence the operations of the issuer. • 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. A debt security may also be considered impaired if the decline in the security's value is due to an increase in market interest rates. A company therefore needs to evaluate whether impairments due to interest rate increases are other than temporary. If impairment does exist, the impairment loss under **US GAAP** is always based on the difference between the debt security's carrying value and its fair market value.	

IFRS	US GAAP	Indian GAAP
from an impaired financial asset. As a practical expedient, the carrying amount of the impaired asset may be determined in these circumstances on the basis of an instrument's fair value using an observable market price.		
Losses on available-for-sale equity securities subsequent to initial impairment recognition		
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).	No such classification and accordingly no guidance. On adoption of AS 30, AS 31, and AS 32 it will be similar to **IFRS**.
Impairments: measurement and reversal of losses		
For financial assets carried at amortised 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 recognised, the previously recognised impairment loss is reversed through income statement. The reversal, however, does not exceed what the amortised cost would have been had the impairment not been recognised. For available-for-sale debt instruments (monetary assets), past impairment losses should be reversed through the income statement when fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement. For available-for-sale equity investments (non-monetary assets), past impairment losses recognised in income statement should not be reversed through income statement when fair value increases. This means that subsequent increases in fair value including those that have the effect of reversing earlier impairment losses are all recognised in equity.	Impairments of loans held for investment measured under FAS 114 and FAS 5 are permitted to be reversed; however, the carrying amount of the loan can at no time exceed the recorded investment in the loan. Reversals of impairment losses for debt securities classified as available-for-sale or held-to-maturity securities, however, are prohibited. The other-than-temporary impairment model under **US GAAP** establishes a new cost basis in the investment that is not changed for future recoveries of impairment losses.	Reversal of impairment is permitted.

Derecognition

IFRS	US GAAP	Indian GAAP
An entity consolidates any subsidiaries including SPEs before applying the derecognition tests to the consolidated entity. The entity then considers whether it has transferred the contractual rights to the cash flows or entered into a so-called 'pass-through arrangement'. In such cases, an analysis of the risks and rewards of the asset is required. The entity derecognises the asset if an entity transfers substantially all the risks and rewards of ownership of the asset (for example, an unconditional sale of a financial asset). It continues to recognise the asset (the transaction is accounted for as a collateralised borrowing) if it retains substantially all the risks and rewards of ownership of the asset. If an entity neither transfers nor retains substantially all the risks and rewards of ownership of the asset, it needs to determine whether it has retained control of the asset. Control is based on the transferees practical ability to sell the asset. The asset is derecognised if the entity has lost control. If the entity has retained control, it continues to recognise the asset to the extent of its continuing involvement. The difference between the amount received and the carrying amount of the asset is recognised in the income statement on derecognition. Any fair value adjustments of the assets formerly reported in equity are recycled to the income statement. Any new assets or liabilities arising from the transaction are recognised at fair value.	The derecognition model is different from the **IFRS** model and governed by three key tests: 1) legal isolation of the transferred asset from the transferor - assets have to be isolated from the transferor and beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership 2) the ability of the transferee to pledge or sell the asset - the transferee has able to pledge or exchange the transferred asset free from constraint and 3) no right or obligation of the transferor to repurchase - the transferor cannot maintain effective control through a right or obligation to repurchase or redeem assets or a right to purchase or redeem not readily obtainable assets (except for clean-up call).	Limited guidance on derecognition of assets. In general, derecognised based on transfer of risks and rewards. However, a Guidance Note on Accounting for Securitisation requires derecognition of securitised assets if the originator loses control of the contractual rights that comprise the securitised asset. On adoption of AS 30, AS 31 and AS 32 it will be similar to **IFRS**.

Technical references

IFRS	IAS 39, SIC-12.
US GAAP	FAS 65, FAS 114, FAS 115, FAS 133, FAS 140, FAS 155, FAS 157, FAS 159, EITF 96 -12, EITF 96-15, EITF 99-20, SOP 01-06, SOP 03-03.
Indian GAAP	AS 13, AS 30, AS 31, AS 32, Guidance Note on Accounting for Securitisation.

Financial liabilities

Definition

IFRS and US GAAP define a financial liability in a similar way, to include a contractual obligation to deliver cash or a financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable.

Both US GAAP and IFRS define financial liabilities and require that financing instruments be assessed to determine whether or not they meet the definition of and require treatment as liabilities. In very general terms, financial instruments that do not meet the definition of a liability are classified as equity. The US GAAP definitions of what qualifies as or requires treatment as a liability are narrower than the IFRS definitions. The narrower US GAAP definitions of what requires liability classification result in more instruments being treated as equity/mezzanine equity under US GAAP and comparatively more instruments being treated as liabilities under IFRS.

In a determination of the appropriate classification of an instrument within liabilities or equity, the guidance under IFRS is to assess the substance of contractual arrangements, rather than their legal form. Guidance under US GAAP is not organised into one comprehensive standard. The relevant guidance can be found in a number of different sources (e.g., The FASB standards, EITF issues and the SEC rules), and must be followed in sequence to determine the appropriate classification and measurement of an instrument with characteristics of liabilities and equity.

IFRS	US GAAP	Indian GAAP
Classification		
Where there is a contractual obligation (either explicit or indirectly through its terms and conditions) on the issuer of an instrument whereby the issuer may be required to deliver either cash or another financial asset to the holder, that instrument meets the definition of a financial liability regardless of the manner in which the contractual obligation may otherwise be settled. The issuer also classifies the financial instrument as a liability if the settlement, is contingent on uncertain future events beyond the control of both the issuer and the holder. An instrument that is settled using an entity's own equity shares is also classified as a liability if the number of shares varies in such a way that the fair value of the shares issued equals the obligation. Puttable instruments (financial instruments that give the holder the right to put the instrument back to the issuer	Differences in classification occur in practice as a result of the different models. Under **US GAAP**, the following types of instrument are classified as liabilities under FAS 150: • a financial instrument issued in the form of shares that is mandatorily redeemable - i.e., that embodies an unconditional obligation requiring the issuer to redeem it by transferring its assets at a specified or determinable date (or dates) or upon the occurrence of an event that is certain to occur • a financial instrument (other than an outstanding share) that, at inception, embodies an obligation to repurchase the issuers	On adoption of AS 31 it will be similar to **IFRS**. Further when AS 31 becomes notified the requirements of the Companies Act, 1956 would have to be suitably amended. However in practice, classification is based on legal form rather than substance. All preference shares are disclosed separately as share capital under shareholders' funds.

IFRS	US GAAP	Indian GAAP
for cash or another asset) are liabilities, except in case they have certain features and meet certain strict conditions prescribed for classification as equity. Specific guidance exists when the holder's right to redemption is subject to specific limits. Preferred shares that are not redeemable, or that are redeemable solely at the option of the issuer, and for which distributions are at the discretion of the issuer, are classified as equity. Preferred shares requiring the issuer to redeem for a fixed or determinable amount at a fixed or determinable future date and for which distributions are not at the discretion of the issuer, are classified as liabilities. However, if dividends are discretionary, the instrument is treated as a compound instrument with a debt and equity component. Preferred shares where the holder has the option of redemption and for which distributions are not at the discretion of the issuer are also classified as liabilities; in addition there is an embedded put option which may have to be accounted for separately. Only contracts that provide for gross physical settlement can be classified as equity when they meet the fixed-for-fixed criteria (i.e., a fixed number of shares for a fixed amount of cash in issuers functional currency). A derivative contract that gives one party 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 its being an equity instrument. When an entity has an obligation to purchase its own shares for cash (e.g., such as under a forward contract to purchase its own shares or under a written put), the issuer still records a	equity shares, or is indexed to such an obligation, and that requires or may require the issuer to settle the obligation by transferring assets (for example, a forward purchase contract or written put option on the issuers equity shares that is to be physically settled or net cash settled) and • a financial instrument that embodies an unconditional obligation or a financial instrument other than an outstanding share that embodies a conditional obligation that the issuer should or may settle by issuing a variable number of its equity shares. Specific SEC guidance provides for the classification of certain redeemable instruments that are outside the scope of FAS 150 as mezzanine equity (i.e., outside of permanent equity). However, **IFRS** does not provide for the classification of an instrument as mezzanine equity. In certain cases, Derivative contracts that (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 certain specified criteria. A financial instrument other than an outstanding share that at inception (1) embodies an obligation to repurchase the	

IFRS	US GAAP	Indian GAAP
financial liability for the discounted value of the amount of cash that the entity may be required to pay. If, in addition, the contract itself 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 in issuers functional currency), any premium received or paid must be recorded in equity.	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 liability (or an asset in some circumstances).	
Measurement		
There are two categories of financial liabilities: those that are recognised at fair value through profit or loss (includes trading), and all others. Financial liabilities aside from those that are trading can only be designated at fair value through profit or loss provided they meet certain criteria. All other (non-trading) liabilities are carried at amortised cost using the effective interest method. When the liability is not carried at fair value through income, transaction costs 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 amortised using the effective interest method. Transaction costs are expensed immediately when the liability is carried at fair value, with changes recognised in income statement. When an instrument is issued to a related party, the liability should initially be recorded at fair value, which may not be the value of the consideration received. The difference between fair value and the consideration received (i.e., any additional amount lend or borrowed) is accounted for as a current-period expense, income, or as a capital transaction based on its substance.	Similar to **IFRS**. However, incremental and directly attributable costs of issuing debt are deferred as an asset and amortised using the effective interest method, when the liability is not carried at fair value. There are also specific measurement criteria for certain financial instruments. Entities can generally use the fair value option to designate at initial recognition a financial liability at fair value through profit or loss, except for certain specific financial instruments such as demand deposits. When an instrument is issued to a related party at off-market terms, one should consider the scope of 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 effective interest rate used for calculating amortisation	No specific guidance. Generally, liabilities are recorded at face value. On adoption of AS 30 and AS 31 it will be similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
The effective interest rate used for calculating amortisation under the effective interest method discounts estimated cash flows through the expected not the contractual life of the instrument.	under the effective interest method discounts contractual cash flows through the contractual life of the instrument. However, there are certain exceptions to this.	
Effective Interest rate		
IFRS use the effective interest method to calculate amortised cost and allocate interest expense over the relevant period. The effective interest method is based on the effective interest rate calculated at initial recognition of the financial instrument. Under **IFRS** the effective interest rate is calculated based on estimated future cash flows through the expected life of the financial instrument.	Similar to **IFRS** except, the effective interest rate is generally calculated based on the contractual cash flows through the contractual life of the financial liability. Certain exceptions to this rule involve (1) puttable debt (amortised over the period from the date of issuance to the first put date) and (2) callable debt (a policy decision to amortise over either the contractual life or the estimated life).	No specific guidance and practice varies specifically with respect to the accounting of discount on issue of financial liability where it ranges from application of effective interest rate concept and adjusting the discount against share premium under the provision of the Companies Act, 1956.
Compound financial instruments		
Under **IFRS**, if an instrument has both a liability component and an equity component (e.g., redeemable preferred stock with dividends paid solely at the discretion of the issuer), the issuer is required to separately account for each component. The liability component is recognised at fair value calculated by discounting the cash flows associated with the liability component at a market rate for a similar debt host instrument and the equity component is measured as the residual amount.	**US GAAP** does not have the concept of compound financial instruments outside of instruments with equity conversion features. In the limited situations where both accounting models call for separate recording of certain aspects of an instrument, the manner in which the different components are valued initially can vary significantly (i.e., the **US GAAP** valuation of beneficial conversion features at intrinsic value, in certain circumstances, would vary from the **IFRS**-based model).	No specific guidance but accounting follows the form rather than substance. On adoption of AS 31 the guidance will be similar to **IFRS**.

IFRS	US GAAP	Indian GAAP
Convertible debt		
For convertible instruments with a conversion feature characterised by a fixed amount of cash in issuers functional currency for a fixed number of shares, **IFRS** requires bifurcation and split accounting between the substantive liability and equity components of the instrument in question. The liability component is recognised at fair value calculated by discounting the cash flows associated with the liability component - at a market rate for non-convertible debt- and the equity conversion rights are measured as the residual amount and recognised in equity with no subsequent re-measurement. 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 recognised in the Income Statement.	Equity conversion features should be separated from the liability component and recorded separately as embedded derivatives only if they meet certain criteria (e.g., fail to meet the scope exception of FAS 133). If equity conversion features are not bifurcated as embedded derivatives, the intrinsic value of a beneficial conversion feature may still need to be recorded in equity in certain circumstances.	No specific guidance. Convertible liability is recognised as liability based on legal form without any split. On conversion, the amount is allocated between share capital and additional paid-in capital.
Derecognition of financial liabilities		
A financial liability is derecognised when: the obligation specified in the contract is discharged, cancelled or expires; or the primary responsibility for the liability is legally transferred to another party. A liability is also considered extinguished if there is a substantial modification in the terms of the instrument - for example, where the discounted present value of new cash flows differs from the previous cash flows by at least 10%. The difference between the carrying amount of a liability (or a portion thereof) extinguished or transferred and the amount paid for it should be recognised in net income statement for the period.	Similar to **IFRS**, a financial liability is derecognised only if it has been extinguished. Extinguishment means paying the creditor and being relieved of the obligation or being legally released from the liability either judicially or by the creditor, or as a result of a substantial modification in terms (10% or greater change in discounted present value of cash flows).	No specific guidance. In practice, treatment would be similar to **IFRS** based on substance of the transaction, however, 10% criteria may not be applied. On adoption of AS 30 and AS 31 it will be similar to **IFRS**.
Technical references		
IFRS	IAS 32, IAS 39, IFRIC 2, IFRIC 9.	
US GAAP	CON 6, ASR 268(SEC), APB 6, APB 14, FAS 57, FAS 133, FAS 140, FAS 150, FAS 155, FAS 159, EITF 00 - 19.	

Equity

IFRS	US GAAP	Indian GAAP
Recognition and classification		
An instrument is classified as equity when it does not contain an obligation to transfer economic resources. Preference shares that are not redeemable, or that are redeemable solely at the option of the issuer, and for which distributions are at the issuers discretion, are classified as equity. Only derivative contracts that result in the delivery of a fixed amount of cash, or other financial asset for a fixed number of an entity's own equity instruments, are classified as equity instruments. All other derivatives on the entity's own equity are accounted for as derivatives.	Equity is defined as ownership interest or residual interest of a business enterprise; for a non-business enterprise the concept of equity is replaced by net assets Unlike **IFRS**, certain derivatives on an entity's own shares that are or may be net share-settled can be classified as equity.	The Companies Act, 1956 defines an equity share capital as all share capital which is not a preference share capital. A preference capital is defined as a share capital (a) that with respect to dividends carry a preferential right to be paid a fixed amount or an amount calculated at a fixed rate and (b) that with respect to capital carries a preferential right to be repaid on a winding up or repayment of capital. Unlike **IFRS** and **US GAAP**, an equity component in a compound financial instrument is not bifurcated and accounted separately. These instruments are accounted, as one instrument based on their legal form.
Purchase of own shares		
When an entity's own shares are repurchased, they are shown as a deduction from shareholders equity at cost. Any profit or loss on the subsequent sale of the shares is shown as a change in equity.	Similar to **IFRS**, except when treasury stock is acquired with the intention of retiring the stock, an entity has the option to: charge the excess of the cost of treasury stock over its par value entirely to retained earnings; allocate the excess between retained earnings and additional paid-in-capital (APIC); or charge the excess entirely to APIC.	An Indian entity is permitted to repurchase its own shares only under limited circumstances subject to the legal requirements stipulated in the Companies Act, 1956. On repurchase, such shares are required to be cancelled, i.e., cannot be kept as treasury stock. The excess of acquisition cost over the par value is adjusted to share premium; in absence of adequate share premium, it is adjusted to retained earnings or other reserves.
Dividends on ordinary equity shares		
Presented as a deduction in the statement of changes in shareholders equity in the period when authorised by shareholders. Dividends are accounted in the year when declared.	Similar to **IFRS**.	Presented as an appropriation to the income statement. Dividends are accounted in the year when proposed.

Recent amendment - IFRS

On 27 November 2008, the IASB issued IFRIC 17, 'Distributions of non-cash assets to owners', to clarify how an entity should measure distributions of assets other than cash made as a dividend to its owners, which is effective prospectively from annual reporting periods beginning on or after 1 July 2009. Early adoption is permitted. If the entity applies this interpretation for a period beginning before 1 July 2009, it shall disclose the fact and also apply IFRS 3R, IAS 27R, and IFRS 5 (amended).

The four main clarifications are:

- A dividend payable should be recognised when appropriately authorised and no longer at the entity's discretion.
- Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option.
- The dividend payable is measured at the fair value of the net assets to be distributed and the change in fair value during each reporting date is accounted under equity till the settlement date.
- The difference between carrying value of the assets distributed and the carrying amount of the dividend payable is recognised in income statement.

  Additional disclosures are required if the net assets being held for distribution meet the definition of a discontinued operation under IFRS 5, 'Non-current assets held for sale and discontinued operations'.

Derivatives

IFRS and US GAAP specify requirements for the recognition and measurement of derivatives. Under Indian GAAP, currently there is no comprehensive guidance for the recognition and measurement of derivatives. However, some guidance is available for (a) forward exchange contracts under AS 11 and related notifications of the ICAI and (b) equity index future, equity index options and equity stock options covered by guidance note. There is separate guidance available for banking companies.

IFRS	US GAAP	Indian GAAP
Definition		
A derivative is a financial instrument: • whose value changes in response to a specified variable or underlying rate (for example, interest rate) • that requires no or little net investment and • that is settled at a future date.	Sets out similar requirements, except that the terms of the derivative contract should require or permit net settlement. There are therefore some derivatives, such as option and forward agreements to buy unlisted equity investments that fall within the **IFRS** definition, not the **US GAAP** definition, because of the absence of net settlement.	In the absence of a specific accounting standard no generic definition is available. The guidance note on Accounting for Equity Index Options and Equity Stock Options uses an inclusive definition and states derivatives include, (a) a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security; (b) a contract which derives its value from the prices, or an index of prices, of underlying securities. On adoption of AS 30 and AS 31 it will be similar to **IFRS**.

Initial measurement

All derivatives are recognised on the balance sheet as either financial assets or liabilities under IFRS and US GAAP. They are initially measured at fair value on the acquisition date. Under Indian GAAP, only certain derivatives are recognised on the balance sheet as either financial assets or liabilities.

Subsequent measurement

IFRS and US GAAP require subsequent measurement of all derivatives at their fair values, with changes recognised in the income statement except for derivatives used in cash flow or net investment hedges. However, under IFRS, a derivative that is linked to and should be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is carried at cost less impairment until settlement.

Under Indian GAAP, forward exchange contracts that are covered under AS 11 and intended for trading or speculation purposes are carried at fair value with unrealised gains and losses recognised in the income statement, else, the premium or discount is amortised over the life of the contract and the exchange difference on such contracts is recognised in the income statement in the reporting period in which the exchange rate changes. Exchange difference is ((1) the foreign currency amount of the derivative contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and (2) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date). The guidance note prescribes that the Equity index options and equity stock options are carried at lower of cost or market value. The ICAI issued a notification in March 2008 which required for provision for losses on all derivatives on the principle of prudence.

Embedded derivatives

Under IFRS and US GAAP, an embedded derivative as a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative is therefore a derivative instrument that is embedded in another contract, which is known as “the host contract”. The host contract might be a debt or equity instrument, a lease, an insurance contract, normal sale or purchase contract, services agreements, loan agreements etc.

An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price,foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

IFRS and US GAAP requires that all derivatives must be recognised at fair value. For this reason, derivatives that are embedded in normal contracts need to be separated and accounted for at fair value. The requirement to separate embedded derivatives is designed to ensure that the fair value of derivatives through profit or loss cannot be avoided by simply including or embedding a derivative in another contract that itself is not carried at fair value through profit or loss.

Determining whether a contract contains an embedded derivative and its specific terms can be difficult in practice because few contracts actually use the term derivative, a thorough evaluation of the terms of a contract must be performed to determine whether an embedded derivative is present as certain terms, may indicate the presence of an embedded derivative in a contract.

Another method of determining whether a contract has an embedded derivative is to compare the terms of the contract (such as interest rate, maturity date, and cancellation provisions) with the corresponding terms of a similar, non-complex contract. This comparison of differences may uncover one or more embedded derivatives. However, even instruments with typical market terms may have embedded derivatives.

However, not all embedded derivatives need to be separated. An embedded derivative is separated from the host contract and accounted for separately if:

1. The entire contract is not carried at fair value through profit or loss
2. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and
3. Its economic characteristics are not 'closely related' to those of the host contract.

IFRS and US GAAP provide an option to value certain hybrid instruments to fair value instead of bifurcating the embedded derivative.

There are some detailed differences between IFRS and US GAAP for certain types of embedded derivatives on what is meant by 'closely related'. Under IFRS, reassessment of whether an embedded derivative needs to be separated is permitted only when there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract. Under US GAAP, if a hybrid instrument contains an embedded derivative that is not clearly and closely related to the host contract at inception, but is not required to be bifurcated, the embedded derivative is continuously reassessed for bifurcation.

Under Indian GAAP, currently there is no guidance on this topic. On adoption of AS 30 and AS 31, it will be similar to IFRS.

Hedging

Hedge Accounting

Detailed guidance is set out in the respective standards under IFRS and US GAAP dealing with hedge accounting. The frameworks do not mandate the use of hedge accounting. It is a privilege and not a right. In absence of any specific guidance under Indian GAAP, Indian Companies have been adopting hedge accounting with reference to US GAAP or IFRS. However, on adoption of AS 30, AS 31 and AS 32 it will be similar to IFRS.

Hedge accounting is permitted under IFRS and US GAAP provided that an entity meets stringent qualifying criteria in relation to documentation and hedge effectiveness. Both frameworks require documentation of the entity's risk management objectives and how the effectiveness of the hedge will be assessed. Hedging instruments should be highly effective in offsetting the exposure of the hedged item to changes in the fair value or cash flows, and the effectiveness of the hedge is measured reliably on a continuing basis under both frameworks.

The following paragraphs discuss some of the key similarities and differences in hedge accounting requirements under IFRS and US GAAP. On adoption of AS 30 and AS 31 Indian GAAP requirements will be similar to those under IFRS.

Hedged items

IFRS and US GAAP contain additional requirements for the designation of specific financial assets and liabilities as hedged items. These are outlined in the table below. Additional detailed application differences may arise.

IFRS	US GAAP
Held-to-maturity investments cannot be designated as a hedged item with respect to interest-rate risk or pre-payment risk.	Similar to **IFRS**.
If the hedged item is a financial asset or liability, it may be a hedged item with respect to the risks associated with only a portion of its cash flows or fair value provided that effectiveness can be measured.	The designated risk is the risk of changes in: the overall fair value or cash flow; market interest rates; foreign currency exchange rates; or the creditworthiness of the obligor. Portions of risk cannot be designated as the hedged risk.
If the hedged item is a non-financial asset or liability, it may be designated as a hedged item only for foreign currency risk, or in its entirety for all risks because of the difficulty of isolating other risks.	Similar to **IFRS**.
If similar assets or similar liabilities are aggregated and hedged as a group, the change in fair value attributable to the hedged risk for individual items should be proportionate to the change in fair value for the group.	Similar to **IFRS**. However in case of fair value hedge of portfolio of similar assets the change in fair value of individual item is expected to be in the range of 90% to 110% of the change in the portfolio.

IFRS	US 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 liabilities). In addition, 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. An entity is also able to incorporate changes in pre-payment risk by using a simplified method set out in the guidance, rather than specifically calculating the fair value of the pre-payment option on a pre-payable item.	**US GAAP** does not allow a fair value hedge of interest rate risk in a portfolio of dissimilar items.
A firm commitment to acquire a business cannot be a hedged item, except for foreign exchange risk, because the other risks that are hedged cannot be specifically identified and measured.	The hedged item cannot be related to: a business combination; the acquisition or disposition of subsidiaries; a minority interest in one or more consolidated subsidiaries; or investments accounted for using the equity method. The foreign exchange risk in a firm commitment to acquire a business cannot be a hedged item.
IFRS permits designation of a derivative as hedging only a portion of the time period to maturity of a hedged item if effectiveness can be measured and the other hedge accounting criteria are met.	**US GAAP** does not permit a hedge of a portion of the time period to maturity of a hedged item.

Recent amendment - IFRS

In July 2008, the IASB issued an amendment to IAS 39, *Eligible hedged items*, which shall be effective from annual reporting periods beginning on or after 1 July 2009. It should be applied retrospectively.

The amendment makes two changes:

1. It prohibits designating inflation as a hedgeable component of a fixed rate debt.
2. In a hedge of one-sided risk with options, it prohibits including time value in the hedged risk. This change precludes a treatment that many companies had previously considered acceptable. Hedging strategies involving options should be re-assessed immediately to minimise the effect on comparatives arising from the retrospective application from 1 July 2009.

Hedging instruments

Only a derivative instrument can qualify as a hedging instrument in most cases. IFRS, however, permits a non-derivative (such as a foreign currency borrowing) to be used as a hedging instrument for foreign currency risk. US GAAP provides that a non-derivative can hedge currency risk only for a net investment in a foreign entity or a fair value hedge of an unrecognised firm commitment.

Under IFRS, only instruments that involve a party external to the reporting entity can be designated as hedging instruments. Under US GAAP, certain internal derivatives (i.e., derivatives entered into with another group entity such as a treasury centre) can qualify as a hedging instrument for cash flow hedges of foreign currency risk if specific conditions are met.

Under IFRS, a written option cannot be designated as a hedging instrument unless it is combined with a purchase option and a net premium is paid. Under US GAAP, a written option can be designated as a hedging instrument only if stringent criteria are met. Written options will not qualify for hedge accounting in most cases.

IFRS permits a single hedging instrument to hedge more than one risk in two or more hedged items under certain circumstances. Under US GAAP, an entity is generally prohibited from separating a derivative into components representing different risks and designating any such component as the hedging instrument.

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.

Under US GAAP, the guidance provides 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.

Hedge relationships

Exposure to risk can arise from: changes in the fair value of an existing asset or liability; changes in the future cash flows arising from an existing asset or liability; or changes in future cash flows from a transaction that is not yet recognised.

<table>
<tr><th>IFRS</th><th>US GAAP</th></tr>
<tr><td colspan="2">General</td></tr>
<tr><td>Recognises the following types of hedge relationships:
a fair value hedge where the risk being hedged is a change in the fair value of a recognised asset or liability
a cash flow hedge where the risk being hedged is the potential volatility in future cash flows and
a hedge of a net investment in a foreign entity, where a hedging instrument is used to hedge the currency risk of a net investment in a foreign entity
A forecasted transaction should be highly probable to qualify as a hedged item.</td><td>Similar to IFRS. However, IFRS permits the basis of a non-financial asset or liability to be adjusted in a cash flow hedge that results in the recognition of a non-financial asset or liability.</td></tr>
</table>

IFRS	US GAAP
Fair value hedges	
Hedging instruments are measured at fair value. The hedged item is adjusted for changes in its fair value but only due to the risks being hedged. Gains and losses on fair value hedges, for both the hedging instrument and the item being hedged, are recognised in the income statement.	Similar to **IFRS**.
Cash flow hedges	
Hedging instruments are measured at fair value, with gains and losses on the hedging instrument, to the extent they are effective, are initially deferred in equity and subsequently released to the income statement concurrent with the earnings recognition pattern of the hedged item. Gains and losses on financial instruments used to hedge forecasted asset and liability acquisitions may be included in the cost of the non-financial asset or liability - a 'basis adjustment.' This is not permitted for financial assets or liabilities.	Similar to **IFRS**; however, the basis adjustment approach is not permitted. All gains and losses are subsequently released to the income statement concurrent with the deferred recognition of the hedged item.
Hedges of net investments in foreign operations	
Similar treatment to cash flow hedges. The hedging instrument is measured at fair value with gains/losses deferred in equity, to the extent that the hedge is effective, together with exchange differences arising on the entity's investment in the foreign operation. These gains/losses are transferred to the income statement on disposal or partial disposal of the foreign operation.	Similar to **IFRS**, but there are some differences in details and application. Gains and losses are transferred to the income statement upon sale or complete or substantially complete liquidation of the investment.

Recent amendment - IFRS

IAS 39 was supplemented by IFRIC 16, 'Hedges of a net investment in a foreign operation' which is effective from annual reporting periods beginning on or after 1 October 2008, with early adoption permitted. The interpretation clarifies the following in respect of net investment hedging:

- The risk being hedged should relate to differences in functional currency between any parent (including an intermediate parent) and its subsidiary. The hedged risk cannot relate to the group's presentation currency.
- Hedging instruments may be held anywhere in the group (apart from the subsidiary that itself is being hedged).

Most hedging strategies used in practice will continue to be permitted by the interpretation. Most entities will not, therefore, face any changes from applying it.

Recent proposal - US GAAP

On 6 June 2008, the FASB issued an exposure draft on Hedging, Accounting for Hedging Activities to amend the accounting for hedging activities in the FAS 133, Accounting for Hedging Activities, and other, related literature. The objective of the proposed Standard is to simplify the accounting for hedging activities, resolve hedge accounting practice issues that have arisen under FAS 133 and make the hedge accounting model and associated disclosures more useful and understandable to financial statement users.

Effectiveness testing and measurement of hedge ineffectiveness

A hedge qualifies for hedge accounting under IFRS and US GAAP if changes in fair values or cash flows of the hedging instrument are expected to be highly effective, generally understood to be in (a range of 80% to 125%) offsetting changes in the fair value or cash flows of the hedged item, both prospectively and retrospectively.

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 however requires that hedge effectiveness be assessed whenever financial statements or income statement are reported and at least every three months (regardless of how often financial statements are prepared).

US GAAP and IFRS do not specify a single method for assessing hedge effectiveness prospectively and retrospectively. IFRS requires on increased level of hedge effectiveness testing and/or detailed measurement than is required under US GAAP. Some important differences exist between the effectiveness testing under the two frameworks.

IFRS	US GAAP
Use of Short-cut 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).
Use of Matched Terms method	
IFRS does not specifically discuss the methodology of applying a matched terms approach in the level of detail included within **US GAAP**. However, if an entity can prove for hedges in which the principal terms of the hedging instrument and the hedged items are the same that the relationship will always be 100% effective based on an appropriately designed test, a similar qualitative analysis may be sufficient for prospective testing. Even if the principal terms are the same, retrospective effectiveness is still measured in all cases, since **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 term match method is not available for interest rate hedges.

Technical references

IFRS	IAS 32, IAS 39, IFRS 7, IFRIC 9, IFRIC 10, IFRIC 16.
US GAAP	FAS 133, FAS 133 Implementation Issues, FAS 137, FAS 138, FAS 149, FAS 155, EITF D -102, FIN 37.
Indian GAAP	AS 4, AS 30, AS 31, AS 11R, The Companies Act, 1956, Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options.

Recent proposal - IFRS

In March 2009, the IASB issued an exposure draft on Derecognition (proposed amendments to IAS 39 and IFRS 7), following the decision by the IASB and FASB to add a project to their respective research agendas to improve and potentially bring to convergence the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement and FAS 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.

The proposed amendments would replace the approach to derecognition of financial assets in IAS 39 with an approach that is similar in that (a) it uses the same criteria for when a transferred part of a financial asset qualifies to be assessed for derecognition (with some additional guidance to address known application issues); (b) it uses a test of control (although unlike IAS 39 that test has primacy); and (c) many of the derecognition outcomes will be similar (the notable exceptions being transfers, such as repurchase agreements, involving readily obtainable financial assets).

The proposed amendments also would revise the approach to derecognition of financial liabilities in IAS 39 to be more consistent with the definition of a liability in the IASB Framework. The proposed amendments to IFRS 7 would enhance the disclosures in that IFRS to improve the evaluation of risk exposures and performance in respect of an entity's transferred financial assets.

Recent proposal - US GAAP

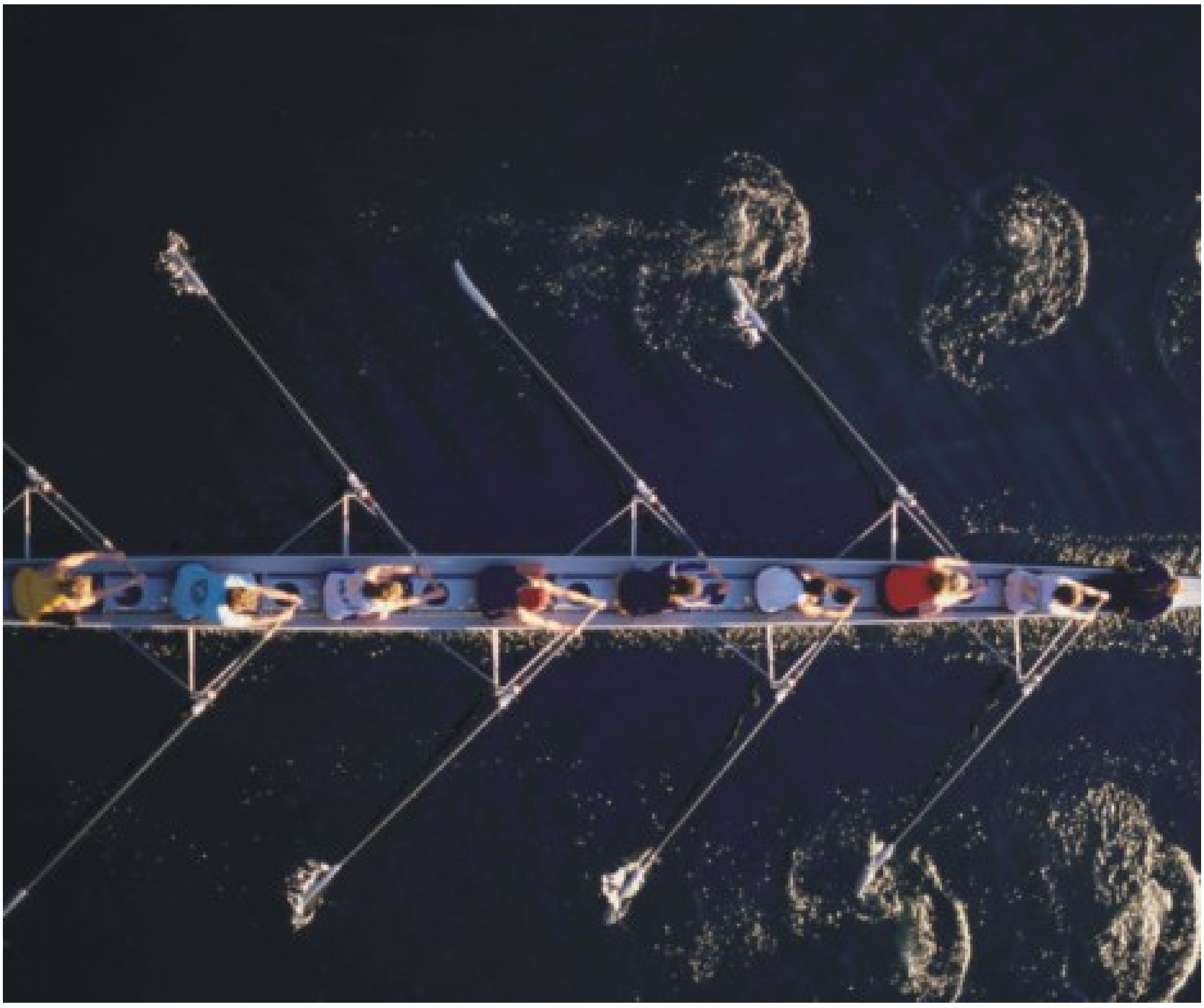
On 15 September 2008, the Board issued a revised Exposure Draft, Accounting for Transfers of Financial Assets, that would remove

(1) the concept of a qualifying special-purpose entity (SPE) from FAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, and

(2) the exceptions from applying FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, to qualifying SPEs

This proposed Statement would be effective as of the beginning of a reporting entity's first fiscal year that begins after 15 November 2009. Earlier application would be prohibited.

Consolidation



Consolidation

The requirement to prepare and present the consolidated financial statement is different under all three frameworks. Differences in consolidation of financial statements, is not confined to assessment of control based on voting rights. Differences can arise due to:

- The consideration of variable interests.
- Concepts of de facto control.
- How potential voting rights are evaluated.
- Guidance related to de facto agents, etc.
- Reconsideration events.

IFRS is a principles-based framework and the approach to consolidation reflects that structure. IFRS 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 help the reporting entity in making that assessment. Consolidation is required under IFRS when an entity has the ability to govern the financial and operating policies of another entity to obtain benefits.

US GAAP is principles-based, but is also rules laden; as such the guidance is much more detailed. US GAAP can be influenced by form and, relative to IFRS, has many more exceptions. At its core, US GAAP has a two-tiered consolidation model: one focused on voting rights (the voting interest model) and the second based on a party's exposure to the risks and rewards of an entity's activities (the variable interest model). Under US GAAP, all entities are evaluated to determine whether they are variable-interest entities (VIEs). If so, consolidation is based on economic risks and rewards and decision-making authority plays no role in consolidation decisions. Consolidation of all non-VIEs is assessed on the basis of voting and other decision-making rights. Even in cases where both US GAAP and IFRS look to voting rights to drive consolidation, differences can arise. Examples include cases where de facto control exists, the two bodies of GAAP address potential voting rights, and finance structures such as investment funds. As a result, careful analysis is required to identify any differences.

In comparison, Indian GAAP follows a simple approach and requires consolidation if the parent entity has majority of voting rights or control over the composition of the board of directors or governing body. There is no guidance for consolidation based on allocation of risks and benefits between the parties or consolidation of VIEs.

Recent amendment - IFRS and US GAAP

The revised standard in IFRS, IAS 27R 'Consolidated and Separate Financial Statements' and the new standard in US GAAP, FAS 160*,* 'Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51', have converged in broad principles, particularly those relating to the reporting of non-controlling interests in subsidiaries. These revised standards require the adoption of the economic entity model under both IFRS and US GAAP. The economic entity approach treats all providers of equity capital as the entity's shareholders, even when they are not shareholders in the parent company.

Historically, the parent company approach has been the underlying framework in the preparation of consolidated financial statements under both IFRS and US GAAP. The parent company approach views the financial statements from the perspective of the parent company shareholders.

The summary of significant changes under IAS 27R and FAS 160:

- Partial disposal of an interest in a subsidiary in which the parent company retains control does not result in the recognition of a gain or loss in the income statement, but in an increase or decrease in equity.
- Purchase of some or all of the non-controlling interest is treated as a treasury transaction and accounted for in equity.
- A partial or full disposal in which parent company either retains associate interest or disposes off entire interest, resulting in loss of control interest triggers recognition of gain or loss on the entire interest, in the income statement.
- Losses are allocated to the non-controlling interest even when such allocation might result in a deficit balance. This reduces the losses attributed to the controlling interest.

Further to eliminate difference with IFRS, FAS 160 requires non-controlling interest (minority interest) be reported as part of equity in the consolidated financial statements.

IAS 27R is effective for annual periods beginning on or after 1 July 2009 and FAS 160 is effective for fiscal years and interim periods within those fiscal years, beginning on or after 15 December 2008. The standards require prospective application however IAS 27R can be applied retrospectively, under limited circumstances.

For jointly controlled entities, IFRS provides an option for proportional consolidation and equity method; Indian GAAP only allows proportionate consolidation; the proportional method is only allowed under US GAAP for unincorporated entities in certain industries. In addition, gain recognition upon noncash contributions to a jointly controlled entity is more likely under IFRS.

Differences in consolidation under all three frameworks may also arise in the event 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 specialised industries, exceptions to the requirement to consistently apply standards in a consolidated group are very limited under IFRS. Whereas, Indian GAAP provides exemption if it is not practical, with the fact being disclosed together with additional disclosures. 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, while IFRS and Indian GAAP may require that transactions in the gap period be recognised in the consolidated financial statements.

Further details on the foregoing and other selected differences are described in the following table.

Investment s in subsidiaries

IFRS	US GAAP	Indian GAAP
Preparation		
Parent entities prepare consolidated financial statements that include all subsidiaries. An exemption applies to a parent: • That is itself wholly owned or if the owners of the minority interests have been informed about and do not object to the parent not presenting consolidated financial statements, and • When the parent's securities are not publicly traded nor is it in the process of issuing securities in public securities markets, and The ultimate or intermediate parent publishes consolidated financial statements that comply with **IFRS**.	There is no exemption for consolidating subsidiaries in general purpose financial statements. Consolidated financial statements are presumed to be more meaningful and are required for the SEC registrants.	Consolidated financial statements are mandatory only for public listed companies, and are optional for other entities.

Consolidation model and subsidiaries

The definition of a subsidiary, for the purpose of consolidation, is an important distinction between three frameworks

IFRS	Focuses on the concept of control in determining whether a parent-subsidiary relationship exists. Control is the parent's ability to govern the financial and operating policies of a subsidiary to obtain benefits. Control is presumed to exist when a parent owns, directly or indirectly through subsidiaries, more than 50% of an entity's voting power. **IFRS** specifically requires potential voting rights to be assessed. Instruments that are currently exercisable or convertible are included in the assessment, with no requirement to assess whether exercise is economically reasonable (provided such rights have economic substance). Control also exists when a parent owns half or less of the voting power but has legal or contractual rights to control the majority of the entity's voting power or board of directors. In rare circumstances, a parent could also have control over an entity in circumstances where it holds less than 50% of the voting rights of an 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 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 and the ability of the majority owners of voting shares to vote together.

	Similar to **US GAAP**, under **IFRS**, control may exist even in cases where an entity owns little or none of an Special Purpose Entity's (SPE) equity. The application of the control concept requires, in each case, judgment in the context of all relevant factors. **IFRS** requires an entity to establish whether a corporation, trust, partnership or other unincorporated entity has been created to accomplish a narrow and well-defined objective. The governing document of such entities may impose strict and sometimes permanent limits on the decision-making ability of the board, trustees etc. **IFRS** requires the consideration of substance over form and discrete activities within a much larger operating entity to fall within its scope. When an SPE is identified within a larger entity (including a non-SPE), the SPE's economic risks, rewards and design are assessed in the same manner as any other legal entity. When control of an SPE is not apparent, **IFRS** requires evaluation of every entity based on the entity's characteristics as a whole to determine the controlling party. The concept of economic benefit or risk is just one part of the analysis. Other factors considered in the evaluation are the entity's design (e.g. autopilot), the nature of the entity's activities and the entity's governance. The substance of the arrangement would be considered in order to decide the controlling party for **IFRS** purposes. **IFRS** does not address the impact of related parties and de facto agents. There is no concept of a trigger event under **IFRS**.
US GAAP	Uses a bipolar consolidation model. All consolidation decisions are evaluated first under the variable interest entity (VIE) model. Under the VIE model, consolidation decisions are driven solely by the right to receive expected residual returns or exposure to expected losses. Voting control as a means of determining consolidation is irrelevant to identification of the primary beneficiary. The party exposed to the expected losses consolidates if one party is exposed to the majority of the expected losses and another party is entitled to the majority of the expected residual returns. **US GAAP** also includes specific guidance on interests held by related parties. A related-party group includes the reporting entity's related parties and de facto agents (close business advisers, partners, employees etc.) whose actions are likely to be influenced or controlled by the reporting entity. If the aggregate interests of the related-party group absorb more than 50% of the VIE's expected residual returns or expected losses, one member of the group must consolidate. Specific guidance is provided under **US GAAP** with respect to determination of the consolidating party. 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. While **US GAAP** applies to legal structures, the FASB has included guidance to address circumstances in which an interest holder's risks and rewards are based not on the performance of the entity as a whole, but on the performance of specific assets or activities (a silo) hosted by a larger entity. 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. **IFRS** focuses on activities rather than legal entities and, as such, offers no specific guidance on silos. 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 and in certain unusual circumstances, may exist with less than 50% ownership (when contractually supported). The concept is referred to as effective control. 'Effective control', which is a similar

	notion to de facto control under **IFRS**, is very rare if ever employed in practice under **US GAAP**. Accordingly, there could be situations in which an entity is consolidated under **IFRS** based on the notion of de facto control. However, it would not be consolidated under **US GAAP** under the concept of effective control. Control may exist even in cases where an entity owns little or none of the SPE's equity. The application of the control concept requires, in each case, judgment in the context of all relevant factors.
Indian GAAP	Control is defined as ownership of more than one-half of the voting rights or control of the composition of the board of directors or a governing body so as to obtain economic benefits from its activities. In rare circumstances, two investor entities may be able to consolidate the same investee entity. Currently exercisable potential voting rights are not considered to determine whether control exists.

IFRS	US GAAP	Indian GAAP
Special purpose entities		
Decision-making rights are not always indicative of control, particularly in the case of an SPE where decision making rights may be either on autopilot or structured for a narrow, well-defined purpose (such as a lease or securitisation). As a result, **IFRS** requires other indicators of control to be considered. Those indicators are as follows: • Whether the SPE conducts its activities on behalf of the evaluating entity • Whether the evaluating entity has the decision-making power to obtain the majority of the benefits of the SPE • Whether the evaluating entity has the right to obtain the majority of the benefits of the SPE • Whether the evaluating entity has the majority of the residual or ownership risks of the SPE or its assets. This guidance is applied to all SPEs, with the exception of post-employment benefit plans or other long-term employee benefit plans. The guidance above applies to activities regardless of whether they are conducted by a legal entity.	Consolidation requirements focus on whether an entity is a VIE regardless of whether it would be considered an SPE. Often, an SPE would be considered a VIE, since they are typically narrow in scope, often highly structured and thinly capitalised, but this is not always the case. For example, clear SPEs benefit from exceptions to the variable interest model such as pension, post-retirement or post employment plans and entities meeting the definition of a qualifying special-purpose entity. The guidance above applies only to legal entities.	No specific guidance on special purpose entities.

IFRS	US GAAP	Indian GAAP
Presentation of non-controlling or minority interest		
Minority interests are presented as a separate component of equity in the balance sheet. In the income statement, the minority interests are presented on the face of the statement, but are not deducted from income statement in the determination of consolidated earnings. A separate disclosure on the face of the income statement attributing net earnings to equity holders is required. Under IAS 27R, the presentation of minority remains unchanged.	Minority interest is currently presented outside of equity on the balance sheet and as a component of net income or loss in the income statement. **US GAAP** treatment under FAS 160 is similar to **IFRS**.	Minority interest is presented separately from liability and equity on the balance sheet and presented separately as a component of net income or loss in the income statement.
Partial disposals of subsidiaries with control retained		
Does not specifically address such transactions. Entities should develop and consistently apply an accounting policy based either on the economic entity or parent company model. IAS 27R requires the application of the economic entity model.	Parent company model is followed, wherein a gain or loss realised on partial disposal is recognised in the income statement. A gain or loss from indirect reduction of an interest in a subsidiary may be recognised in the income statement only if certain conditions are met (for example, if the transaction is not part of a group reorganisation), or else recognised as an adjustment to equity (additional paid-in capital). FAS 160 requires application of the economic entity model which is similar to **IFRS**.	Does not specifically address such transaction. However, in practice, parent company model is followed. A gain or loss realised on partial disposal is recognised in the income statement. A gain or loss on indirect reduction of an interest is generally recognised in equity or adjusted to goodwill.
Employee share trusts (including employee share ownership plans)		
Employee share-based payments are often combined with separate trusts that buy shares to be given or sold to employees. The assets and liabilities of an employee share trust are consolidated by the sponsor if the SIC-12 criteria are met. An entity accounts for its own shares held by such a trust as treasury shares under IAS 32, Financial Instruments: Presentation.	For employee share trusts other than Employee Stock Ownership Plans (ESOPs), the treatment is generally consistent with **IFRS**. Specific guidance applies for ESOPs, under SOP 93-6.	Employee share trusts are not consolidated. However, the stock-based compensation is recorded in the financial statements of the entity.

Investments in associates

All three frameworks define an associate as an entity over which the investor has significant influence that is, the power to participate in, but not control, an associate's financial and operating policies. Participation by an investor in the entity's financial and operating policies via representation on the entity's board demonstrates significant influence. A 20% or more interest by an investor in an entity's voting rights leads to a presumption of significant influence. However, US GAAP does not include unincorporated entities, although these would generally be accounted for in a similar way.

Instruments with potential voting rights that are currently exercisable or convertible are included in the assessment of significant influence (IFRS), which is specifically prohibited under US GAAP and Indian GAAP.

An investor accounts for an investment in an associate using the equity method, when applicable. The investor presents its share of the associate's post-tax profits and losses in the income statement. The investor recognises in equity its share of changes in the associate's equity that have not been recognised in the associate's income statement. The investor, on acquisition of the investment, accounts for the difference between the cost of the acquisition and investor's share of fair value of the net identifiable assets (book value of net assets under Indian GAAP) as goodwill. The goodwill is included in the carrying amount of the investment.

The investor's investment in the associate is stated at cost, plus its share of post-acquisition profits or losses, plus its share of post-acquisition movements in reserves, less dividends received. Losses that reduce the investment to below zero are applied against any long-term interests that, in substance, form part of the investor's net investment in the associate for example, preference shares and long-term receivables and loans. Losses recognised in excess of the investor's investment in ordinary shares are applied to the other components in reverse order of priority in a winding up. Further losses are provided for as a liability only to the extent that the investor has incurred legal or constructive obligations to make payments on behalf of the associate.

Disclosure of information is required about the revenues, income statement, assets and liabilities of associates.

Investments in joint ventures

IFRS	US GAAP	Indian GAAP
Definitions and types		
A joint venture is defined as 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 of the parties sharing control, but not necessarily all parties in the venture, is required. **IFRS** distinguishes between three types of joint ventures: • Jointly controlled entities - the arrangement is carried on through	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	Similar to **IFRS**, except that unanimous consent of parties is not required.

IFRS	US GAAP	Indian GAAP
a separate entity (company or partnership) • Jointly controlled operations: each venturer uses its own assets for a specific project • Jointly controlled assets: a project carried on with assets that are jointly owned.	venture (with no single venturer having unilateral control) and each party sharing control must consent to the venture's operating, investing and financing decisions.	
Jointly controlled entities		
Either the proportionate consolidation method or the equity method is allowed. Proportionate consolidation requires the venturer's share of the assets, liabilities, income and expenses to be either combined on a line-by-line basis with similar items in the venturer's financial statements, or reported as separate line items in the venturer's financial statements. A full understanding of the rights and responsibilities conveyed in management, shareholder and other governing documents is necessary.	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, 'Consolidation Model' is applied. Joint ventures often have a variety of service, purchase and/or sales agreements as well as funding 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 recognise 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.	Where a joint venture meets the definition of a subsidiary under AS 21, Consolidation (i.e. more than 50% of voting rights or board control), it is treated as a subsidiary and not joint venture. Proportionate consolidation is used.

IFRS	US GAAP	Indian GAAP
Contributions to a jointly controlled entity		
A venturer that contributes non-monetary assets, such as shares, PPE or intangibles, to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity recognises 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 the contributed assets have not been transferred to the jointly controlled entity • The gain or loss on the assets contributed cannot be measured reliably • The contribution transaction lacks commercial substance	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 non-monetary assets contributed). When a venturer contributes appreciated non-cash assets and others have invested cash or other hard assets, it may be appropriate to recognise a gain for a portion of that appreciation. Practice and existing literature vary in this area. As a result, the specific facts and circumstances affect gain recognition and require careful analysis.	Similar to **IFRS**. However, the exceptions in **IFRS** have not been expressly clarified in the standard.

Common issues (subsidiaries, associates and joint ventures)

IFRS	US GAAP	Indian GAAP
Scope exception: for subsidiaries, associates and joint ventures		
Investment in subsidiary, associate or joint venture that meets, on acquisition, the criteria to be classified as held for sale in accordance with IFRS 5, applies the presentation for assets held for sale (i.e., separate presentation of assets and liabilities to be disposed), rather than normal presentation (consolidation, equity method or proportionate consolidation).	Investment in subsidiary, associate or joint venture held-for-sale may not be precluded from consolidation or equity method of accounting. Unconsolidated subsidiaries are generally accounted for using the equity method unless the presumption of significant influence can be overcome.	Investment in subsidiary, associate or joint venture is exempted from consolidation, equity method or proportionate consolidation when: • Control, significant influence or joint control is intended to be temporary because the investment is acquired and held exclusively with a view of subsequent disposal in the near future (not more than 12 months). • It operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.

IFRS	US GAAP	Indian GAAP
A subsidiary is not excluded from consolidation simply because the investor is a venture capital organisation, mutual fund, unit trust or similar entity.	Industry-specific guidance precludes consolidation of controlled entities and equity method investees by certain types of organisations, such as registered investment companies or broker/dealers.	A subsidiary is not excluded from consolidation simply because the investor is a venture capital organisation, mutual fund, unit trust or similar entity.
Investment in an associate or joint venture held by venture capital organisations, mutual funds, unit trusts and similar entities including investments-linked insurance funds can be carried at fair value through profit and loss.	An entity can elect to adopt the fair value option for any of its equity method investments. If elected, equity method investments are presented at fair value at each reporting period, with changes in fair value being reflected in the income statement.	Investment in an associate or joint venture cannot be carried at fair value. However, there is a limited revision to AS 23 and AS 27 with the introduction of standards on financial instruments, select entities will be allowed to carry investments in associate and joint ventures at fair value - similar to **IFRS**.
In standalone financial statements - investment in subsidiaries/associates and joint venture		
Carried at cost or at fair value in accordance with IAS 39.	Carried at cost or equity method.	Carried at cost less impairment. However, there is a limited revision to AS 23 and AS 27 as discussed above that would allow application similar to **IFRS**.
Uniform accounting policies		
Consolidated financial statements are prepared 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 using uniform accounting policies for all of the entities in a group except when a subsidiary has specialised industry accounting principles. Retention of a specialised accounting policy in consolidation is permitted in such cases. Further equity method investee's accounting policies may not conform to the investor's accounting policies, if the investee follows an acceptable alternative **US GAAP** treatment.	Similar to **IFRS**. However, if it is not practical to use uniform accounting policies that fact should be disclosed together with the proportions of the items to which different accounting policies have been applied.

IFRS	US GAAP	Indian GAAP
Reporting periods		
The consolidated financial statements of the parent, subsidiary, associate and joint venture are usually drawn up at the same reporting date. However, subsidiary/investee accounts of a different reporting date can be used, provided the difference between the reporting dates is no more than three months. Adjustments are made for significant transactions that occur in the gap period.	Similar to **IFRS,** except that (1) adjustments are generally not made but are disclosed for significant events and transactions that occur in the gap period and (2) there is no specific gap period in reporting dates. suggested by the standard for equity method investee. However, in practice, it would be similar to consolidation of subsidiary requirements (no more than three months).	Similar to **IFRS**, except that there is no specific gap period in reporting dates suggested by the standard for associates and joint ventures. However, in practice, it would be similar to consolidation of subsidiary requirements (no more than six months).
Impairment		
If the investor has objective evidence of one of the indicators of impairment set out in IAS 39, for example, significant financial difficulty, impairment is tested as prescribed under IAS 36, Impairment of Assets. The entire carrying amount of the investment is tested by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. In the estimation of future cash flows for value in use, the investor may use either its share of future net cash flows expected to be generated by the investment (including the cash flows from its operations) together with the proceeds on ultimate disposal of the investment or the cash flows expected to arise from dividends to be received from the subsidiary, associate or joint venture together with the proceeds on ultimate disposal of the investment.	The impairment test under **US GAAP** is different from **IFRS**. Equity investments are considered impaired if the decline in value is considered to be other-than-temporary. As such, it is possible for the fair value of the equity method investment to be below its carrying amount, as long as that decline is temporary. If other-than-temporary impairment is determined to exist, the investment is written down to fair value.	Impairment test on investment is applied for decline in value considered other-than-temporary.

Technical references

IFRS	IAS 1R, IAS 27, IAS 27R, IAS 28, IAS 31, IAS 32, IAS 36, IAS 39, SIC-12, SIC-13, IFRS 5.
US GAAP	APB 18, ARB 51, FAS 94, FAS 123-R, FAS 144, FAS 153, FAS 159, FAS 160, SAB 51, SAB 84, SOP 93-6, EITF 96-16, FIN 46R, FIN 35.
Indian GAAP	AS 21, AS 23, AS 27, ASI 8, SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, Guidance Note on Accounting for Employee Share Based Payments.

Recent proposal - US GAAP

Reconsideration of Interpretation 46R

The FASB has issued an exposure draft on FIN 46 (revised December 2003), Consolidation of Variable Interest Entities, for determining which enterprise with a variable interest in a VIE, if any, shall consolidate the entity. The project will address the effect of the elimination of the QSPE concept as decided in another Board project, Transfer of Financial Assets, which seeks to amend certain aspects of the guidance in FAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities. Key areas addressed include the guidance on reconsidering whether an entity is a VIE reconsidering which enterprise, if any, consolidates the entity (the primary beneficiary) the process for determining which enterprise, if any, is the primary beneficiary in a VIE and disclosures. It would require ongoing assessments to determine whether an entity is variable interest entity and whether an enterprise is the primary beneficiary of a variable interest entity.

FIN 46R also includes certain exceptions from reconsideration (including an exception related to losses that exceed expected losses experienced by a VIE). Under this proposed statement, the exception from reconsideration for troubled debt restructurings as defined in paragraph 2 of the FAS 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings, that currently exists in Interpretation 46R would be rescinded. This proposed statement would require enhanced disclosures to provide users of financial statements with more transparent information about an enterprise's involvement in a VIE, including a requirement for sponsors of a VIE to disclose information even if they do not hold a significant variable interest in the VIE.

This proposed statement would be effective as of the beginning of each reporting entity's first fiscal year that begins after 15 November 2009. Earlier application would be prohibited.

Recent proposal - IFRS

In December 2008, the IASB has issued an Exposure Draft (ED) on Consolidated Financial Statements. The consolidated financial statements of an entity present its assets, liabilities, equity, revenues and expenses with those of the entities it controls as a single economic entity.

The project objective is to publish a single IFRS on consolidation replacing IAS 27 Consolidated and Separate Financial Statements and the interpretation SIC-12 Consolidation - Special Purpose Entities. The project addresses the following aspects:

1. A revision of the control definition in order to apply the same control criteria to all entities. The work on the revised control definition will focus on, but is not limited to, the consolidation of structured entities.

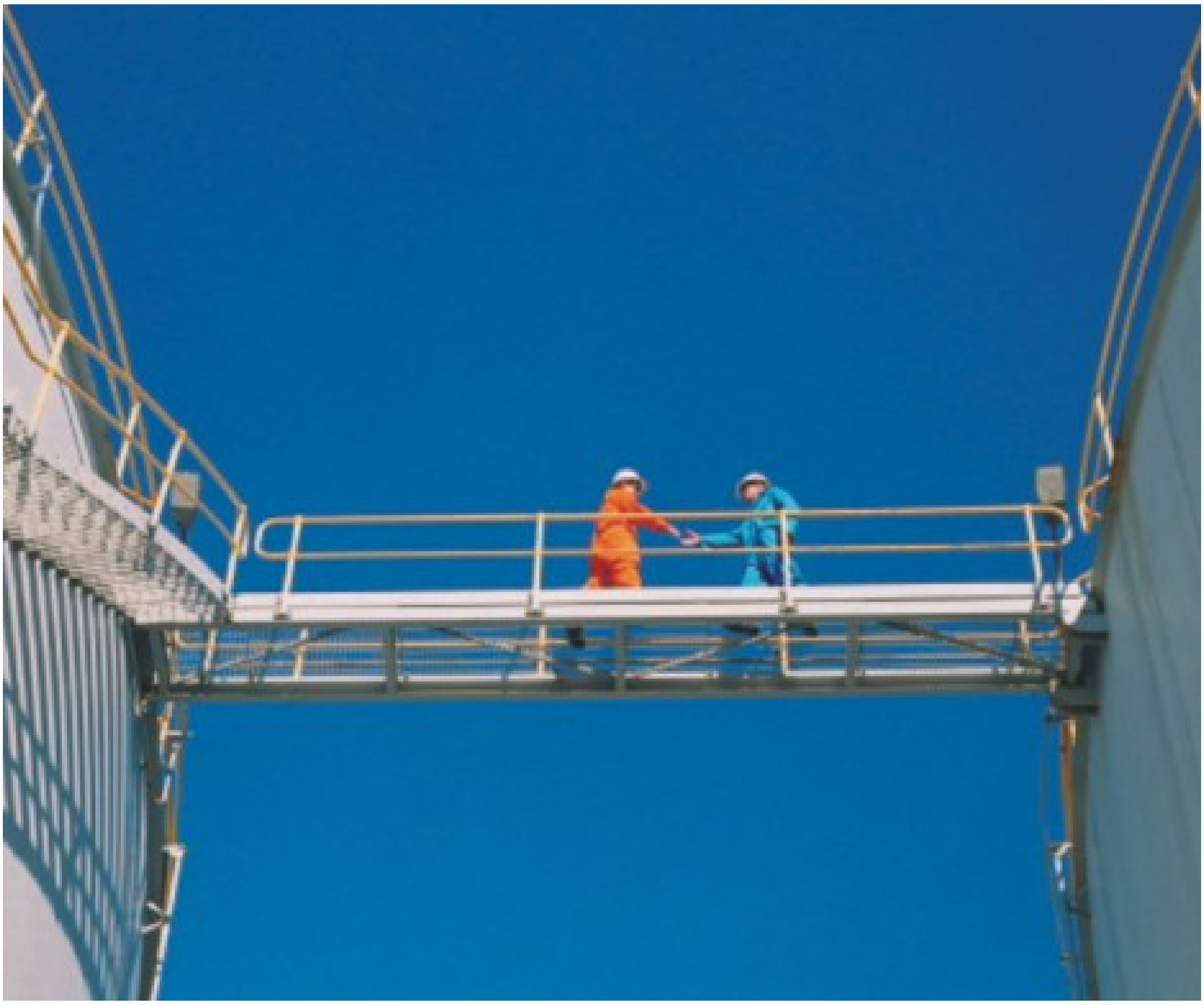
2. Enhanced disclosures about consolidated and non-consolidated entities.

The IASB has issued Exposure Draft 9, Joint Arrangements, which would amend existing provisions of IAS 31. The exposure draft's core principle is that parties to a joint arrangement recognise their contractual rights and obligations arising from the arrangement. The exposure draft therefore focuses on the recognition of assets and liabilities by the parties to the joint arrangement. The scope of the exposure draft is broadly the same as that of IAS 31 i.e., unanimous agreement is required between the key parties that have the power to make financial and operating policy decisions for the joint arrangement.

Exposure Draft 9 proposes two key changes. The first is the elimination of proportionate consolidation for a joint venture. This is expected to bring improved comparability between entities by removing the policy choice. The elimination of proportionate consolidation would have a fundamental impact on the income statement and balance sheet for some entities, but it should be straightforward to apply.

The second change is the introduction of a dual approach to the accounting for joint arrangements. Exposure Draft 9 carries forward with modification from IAS 31the three types of joint arrangement, each type having specific accounting requirements. The first two types are Joint Operations and Joint Assets. The description of these types and the accounting for them is consistent with Jointly Controlled Operations and Jointly Controlled Assets in IAS 31. The third type of joint arrangement is a Joint Venture, which is accounted for by using equity accounting. A Joint Venture is identified by the party having rights to only a share of the outcome of the joint arrangement for example, a share of the income statement of the joint arrangement. The key change is that a single joint arrangement may contain more than one type for example, Joint Assets and a Joint Venture. Parties to such a joint arrangement account first for the assets and liabilities of the Joint Assets arrangement and then use a residual approach to equity accounting for the Joint Venture part of the joint arrangement.

Business combinations



Business combinations

A business combination involves the bringing together of separate entities or businesses into one reporting entity. The most common type of combination is where one of the combining entities purchases the equity of another entity. Another example is where one entity purchases all the net assets of another entity.

IFRS and US GAAP provide extensive guidance on accounting for business combinations and require looking beyond the legal form of the transaction. All business combinations, within the standards, are considered as acquisitions and accounted using the purchase method. In comparison, there is no comprehensive accounting standard under Indian GAAP and accounting is driven by legal form. Business combinations can be accounted using the pooling-of-interests method, if it meets certain criteria, or the purchase method. There are significant differences in application of purchase method under Indian GAAP when compared to IFRS and US GAAP.

The IASB and the FASB released IFRS 3R and FAS 141R, respectively, as part of a joint effort to improve financial reporting while promoting the international convergence of accounting standards. On adoption of IFRS 3R and FAS 141R, many historical differences will become eliminated, although certain important differences will remain.

IFRS	US GAAP	Indian GAAP
Definition of a business and types of business combination		
Business combinations within the scope of IFRS 3 are accounted for as acquisitions using the purchase method of accounting. A business is defined in IFRS 3 as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set shall be presumed to be a business.	The use of the purchase method of accounting is required for most business combinations if the acquiree meets the definition of a business. A business is defined as a self-sustaining integrated set of activities and assets conducted and managed for the purpose of providing a return for investors. A business consists of inputs, the processes applied to those inputs and the resulting outputs that are used for generating revenues. FAS 141R has, in substance, eliminated the difference in the definition of business and is similar to **IFRS**.	There is no comprehensive accounting standard on business combinations. Accounting is covered in three different standards. The existing guidance does not define business. Accounting depends upon whether an acquiree has been held as a subsidiary by the acquirer or whether the entity has been amalgamated (accounting on amalgamation) or whether a business (assets and liabilities only) has been acquired.

IFRS	US GAAP	Indian GAAP
A development stage entity might often include significant resources in the nature of goodwill; under IFRS 3 and IFRS 3R, the acquisition of such an entity is accounted for as a business combination, and any goodwill is recognised as a separate asset, rather than being subsumed within the carrying amounts of the other assets in the transferred set.	If the acquired entity is a development stage entity and has not commenced planned principal operations, it is presumed not to be a business. Similar to **IFRS**, if the acquired operations do not constitute a business, the individual assets and liabilities are recognised at their relative fair values and no goodwill is recognised.	Accounting is driven by legal form.
Date of acquisition		
The date on which the acquirer obtains control over the acquiree or business.	Similar to **IFRS**.	Not defined. However, for an entity acquired and held as a subsidiary, on consolidation, the date of acquisition is the date of investment in the subsidiary or in absence of financial statements of the subsidiary as on that date, financial statements for the immediately preceding period is permitted to be used for consolidation. On amalgamation or acquisition of a business (assets and liabilities only), it is the date prescribed in the court scheme or as specified in the purchase agreement.
Definition of fair value		
Fair value is defined as the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction.	Fair value is defined in FAS 157, Fair Value Measurements, 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.	Similar to **IFRS**, except in certain cases as determined/fixed by statutory authorities.

IFRS	US GAAP	Indian GAAP
Identifying the acquirer		
A legal acquirer may not be the acquirer for the purpose of accounting. The acquirer is determined by reference to IAS 27, under which the general guidance is the party that holds greater than 50% of the voting power has control. In addition, there are several instances where control may exist even if less than 50% of the voting power is held by an entity. **IFRS** does not have guidance related to primary beneficiaries.	FAS 141 provide guidance on identifying the acquirer but did not define the acquirer. However, FAS 141R additionally defines the acquirer, who is determined by reference to ARB No. 51, under which the general guidance is that the party that holds directly or indirectly greater than 50% of the voting shares has control, unless the acquirer is the primary beneficiary of a VIE in accordance with FIN 46R.	The acquirer is determined by the legal form (ie. the surviving entity) rather than its substance. In case of a pooling-of-interest transaction, an acquirer is not identified.
Cost of acquisitions - share based consideration		
Shares issued as consideration are recorded at their fair value as at the date of the exchange. The published price of a share at the date of exchange is the best evidence of fair value in an active market. Where a business combination involves more than one exchange transaction (that is, when it occurs in stages by successive share purchases), the acquirer does not remeasure any previously held equity interests when the control is achieved. On adoption of IFRS 3R, for acquisition achieved in stages, the acquirer will remeasure any previously held equity interests to fair value (on achieving control), with any gain or loss recorded through the income statement. This remeasurement is likely to result in the recognition of gains, since companies are required to periodically evaluate their investments for impairment.	Shares issued as consideration are measured at their market price over a reasonable period of time (interpreted to be a few days) before and after the date the parties reach an agreement on the purchase price and the proposed transaction is announced. The date for measuring the value of marketable securities is not influenced by the need to obtain shareholder or regulatory approval. Similar to IFRS 3, the acquirer does not remeasure any previously held equity interests when the control is achieved. On adoption of FAS 141R, such share-based consideration would be measured on the date of acquisition, similar to **IFRS**.	Shares issued as consideration are recorded at fair value, which in appropriate cases may be determined/fixed by statutory authorities.

IFRS	US GAAP	Indian GAAP
Additional consideration payable (contingent) on continued employment of a former owner/manager is evaluated based on facts and circumstances as to which part, if any, should be included in the cost of the acquisition and which part should be recognised as compensation expense over the service period.	Similar to **IFRS**.	No specific guidance.
Contingent consideration		
If part of the purchase consideration is contingent on a future event, such as achieving certain profit levels, **IFRS** requires an estimate of the amount to be included as a part of the cost at the date of the acquisition if it is probable (i.e. more likely than not) that the amount will be paid and can be reliably measured. Any revision to the estimate is adjusted against goodwill. On the adoption of IFRS 3R, contingent consideration is recognised initially at fair value as either a financial liability or equity. Financial liabilities are remeasured to fair value at each reporting date. Any changes in estimates of the expected cash flows outside the measurement period are recognised in the income statement. Equity-classified contingent consideration is not remeasured at each reporting date. Settlement is accounted for within equity.	Additional cost is generally not recognised until the contingency is resolved or the amount is determinable. If the contingent consideration is based on earnings, any additional revision to the estimate is recognised as an adjustment to goodwill. If the contingent consideration is based on security prices, the issuance of additional securities or distribution of other consideration generally does not change the recorded cost of an acquired entity. On adoption of FAS 141R, **US GAAP** will be similar to IFRS 3R. However, differences may arise between FAS 141R and IFRS 3R, as the standards require, an acquirer to classify contingent consideration as an asset, a liability or equity on the basis of other **US GAAP** or **IFRS**, respectively.	The additional cost is included in consideration at the date of acquisition if the payment is probable and a reasonable estimate of the amount can be made. In all other cases, the adjustment is recognised in the income statement when the amount becomes determinable.

<table>
<tr><th>IFRS</th><th>US GAAP</th><th>Indian GAAP</th></tr>
<tr><td colspan="3">Acquired assets and liabilities</td></tr>
<tr><td>The acquiree's identifiable assets, liabilities assumed and contingent liabilities that existed at the date of acquisition are separately recognised, by the acquirer. These assets and liabilities are generally recognised at fair value at the date of acquisition.
The requirements under IFRS 3R has remained substantially similar.</td><td>Similar to IFRS, except the acquirer does not remeasure any previously held interests in the net assets of an acquiree, when the control is achieved, resulting in the accumulation of fair values at different dates.
On adoption of FAS 141R, the accounting will be similar to IFRS 3R.</td><td>• An acquiree held as a subsidiary, on consolidation, the acquired assets and liabilities are incorporated at their existing carrying amounts (after making adjustments to eliminate conflicting accounting policies).
• On amalgamation, the acquired asset and liabilities are incorporated at their existing carrying amounts (after making adjustments to eliminate conflicting accounting policies) or, alternatively, the consideration is allocated to individual identifiable assets and liabilities at their fair values. However, a court order approving an amalgamation may provide different and/or additional accounting entries.
• In a business acquisition (assets and liabilities only), acquired assets and liabilities are accounted at their fair values or value of surrendered assets or equity.</td></tr>
<tr><td colspan="3">Restructuring provisions</td></tr>
<tr><td>The acquirer may recognise restructuring provisions as part of the acquired liabilities only if the acquiree has an existing liability at the acquisition date for a restructuring recognised in accordance with IAS 37.
A restructuring plan that is conditional on the completion of the business combination is not recognised in the accounting for the acquisition. It is</td><td>The acquirer may recognise a restructuring provision as a part of the cost of acquisition if specific criteria are met.
Management should assess and formulate a plan to exit an activity of the acquired entity as of the acquisition date. The plan should be completed in detail as soon as possible, but no more than one year after the date of the business combination. As soon as they are</td><td>The acquirer may recognise a restructuring provision at the acquisition date in amalgamation accounted under the purchase method using the fair value, only when an entity has a present obligation as a result of a past event, there is a probable obligation to settle the liability and a reliable estimate can be made of the amount of the obligation.</td></tr>
</table>

IFRS	US GAAP	Indian GAAP
recognised post-acquisition and the expenses flow through post-acquisition earnings.	available, management should communicate the termination or relocation arrangements to the affected employees of the acquired company. On adoption of FAS 141R, restructuring costs generally will be expensed in periods after the acquisition date, similar to the current treatment under **IFRS**.	
Intangible assets		
An intangible asset is recognised separately from goodwill if it represents contractual or legal rights or is capable of being separated or divided and sold, transferred, licensed, rented or exchanged. Acquired in-process research and development (IPR&D) is recognised as a separate intangible asset if it meets the definition of an intangible asset and its fair value can be measured reliably, subject to amortisation upon completion or impairment. Non-identifiable intangible assets are subsumed within goodwill.	The requirements for recognising intangible assets separately from goodwill are similar to **IFRS**. However, under **US GAAP**, the acquired IPR&D is expensed immediately unless it has an alternative future use. On adoption of FAS 141R, **US GAAP** will be similar to **IFRS**.	An intangible asset is recognised in amalgamations accounted under the purchase method using the fair value, if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. However, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation.
Acquired contingencies		
The acquiree's contingent liabilities are recognised separately at the acquisition date as part of allocation of the cost, provided their fair values can be measured reliably. The contingent liability is measured subsequently at the higher of the amount initially recognised or, if qualifying for recognition as a provision, the best estimate of the amount required to settle (under the provisions guidance) with the difference being recognised in income statement or other comprehensive income, as applicable. Contingent assets are not recognised.	The acquiree's contingent liabilities are typically recorded when payment is deemed to be probable and the amount is reasonably estimable. On adoption of FAS 141R, acquired liabilities and assets subject to contractual contingencies will be recognised at fair value. In addition, the acquirer will be required to recognise liabilities and assets subject to other contingencies (i.e., non-contractual) only if it is more likely than not that they meet the definition of an asset or	The acquiree's contingent liabilities are recognised at the acquisition date only if probable and management can make a reasonable estimate of settlement amounts.

IFRS	US GAAP	Indian GAAP
IFRS 3R did not change the accounting for contingencies under **IFRS**.	a liability at the acquisition date. After recognition, the acquirer retains initial measurement until new information is received and then measure at the higher of the amount initially recognised or the amount under general contingency guidance for liabilities and at the lower of acquisition date fair value or the best estimate of a future settlement amount for assets subject to contingencies.	
Subsequent adjustments to assets and liabilities		
Adjustments against goodwill to the provisional fair values recognised at acquisition are permitted provided those adjustments are made within twelve months from the acquisition date (measurement period). Adjustments made after twelve months are recognised in the income statement. On adoption of IFRS 3R, measurement-period adjustments to provisional accounting estimates that get recorded on the acquisition date be accounted for as adjustments to prior-period financial statements.	Similar to **IFRS**. However, favourable adjustments to restructuring provisions and adjustment to tax contingencies be recognised as changes to goodwill. Under the new guidance, those differences will be eliminated and will be similar to IFRS 3R.	No change is permitted, except for certain deferred tax adjustment. All other subsequent adjustments are recorded in the income statement.
Minority interests at acquisition, when control is first obtained		
Where an investor acquires less than 100% of a subsidiary, the minority (non-controlling) interests are stated on the investors balance sheet at the minority's proportion of fair value of identifiable net assets, excluding goodwill. On adoption of IFRS 3R, the acquirer will have the option to measure non-controlling interests at the fair value of their proportion of identifiable net assets or at full fair value. In addition, no gains or losses will be recognised	The minority interests get valued at their historical book value. Fair values are assigned only to the parent company's share of the net assets acquired. Business combinations occurring after the adoption of FAS 141R will result in a non-controlling interest being measured at fair value. In addition, no gains or losses will be recognised in Income statement between the parent company and	The minority interests are valued at their historical book value.

IFRS	US GAAP	Indian GAAP
in earnings for transactions between the parent company and the non-controlling interests unless control is lost.	the non-controlling interests unless control is lost.	

Goodwill-initial recognition and measurement

Under all three frameworks, goodwill arises as the difference between the cost of the acquisition and the acquirer's share of fair value (usually predecessor carrying value under Indian GAAP) of identifiable assets, liabilities and contingent liabilities acquired. Goodwill is capitalised as an intangible asset.

On adoption of IFRS 3R and FAS 141R, goodwill will be measured as the excess of (a) over (b) below:

(a) The aggregate of:
- (1) The consideration paid
- (2) The amount of any noncontrolling interest in the acquiree measured under respective GAAPs,
- (3) In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) The acquisition-date amounts of the identifiable net assets acquired measured under respective GAAPs.

IFRS	US GAAP	Indian GAAP
Goodwill - assignment and subsequent accounting		
Goodwill is not amortised but reviewed for impairment annually and when indicators of impairment arise, at the cash-generating-unit (CGU) level, or group of CGUs, as applicable. Goodwill is assigned to a CGU or group of CGUs. A CGU is defined as 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. CGUs may be aggregated for purposes of allocating goodwill and testing for impairment. Groupings of CGUs for goodwill impairment testing cannot be larger than a segment. IFRS 3R did not change the impairment guidance under **IFRS**.	Similar to **IFRS**, except goodwill is reviewed for impairment at the reporting unit level. Goodwill is assigned to an entity's reporting unit. A reporting unit is defined as an operating segment or one level below an operating segment (referred to as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. However, two or more components of an operating segment shall be aggregated and deemed a single reporting unit if the components have similar economic characteristics. An operating segment shall be deemed to be a reporting unit if all of its components are similar, if none of its components is a reporting unit, or if it comprises only a single component. FAS 141R did not change the impairment guidance under **US GAAP**.	Goodwill arising on amalgamation is amortised over its useful life not exceeding 5 years unless longer period can be justified. For goodwill arising on consolidation or on business acquisitions (assets and liabilities only) practice varies with no amortisation versus amortisation over its useful life not exceeding 10 years. Goodwill is reviewed for impairment at the CGU level whenever there is a trigger or indication of impairment. Assignment of goodwill and definition of CGU is broadly similar to **IFRS**, which has more detailed guidance.

<table>
<tr><th>IFRS</th><th>US GAAP</th><th>Indian GAAP</th></tr>
<tr><td colspan="3">Goodwill - impairment testing and measurement</td></tr>
<tr><td>Goodwill impairment testing is performed under a one-step approach:
The recoverable amount of the CGU or group of CGUs (i.e., the higher of its fair value minus costs to sell and its value in use) is compared with its carrying amount.
Any impairment loss is recognised 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 book value of goodwill.</td><td>Goodwill impairment testing is performed under a two-step approach:
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 amount, step 2 is completed to determine the amount of the goodwill impairment loss, if any.
2. 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 recognised is not permitted to exceed the carrying amount of goodwill. The impairment charge is included in operating income.</td><td>Broadly similar to IFRS, which has more detailed guidance. However, reversal of an impairment loss on goodwill is permitted when the impairment loss 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 earlier event.</td></tr>
<tr><td colspan="3">Negative goodwill (bargain purchase)</td></tr>
<tr><td>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 recognised immediately in the income statement.</td><td>Any excess of the fair value of net assets acquired over the purchase price after reassessment is used to reduce proportionately the fair values assigned and allocated on a pro-rata basis to all assets other than:
• Current assets
• Financial assets (other than equity method investments)
• Assets to be sold
• Prepaid pension assets and
• Deferred taxes.
Any negative goodwill remaining is recognised as an extraordinary gain.
On adoption of FAS 141R, US GAAP will be similar to IFRS.</td><td>Negative goodwill is termed as capital reserve (recorded in equity). Capital reserve is neither amortised nor available for distribution as dividends to the shareholders. However, in case of an amalgamation accounted under the purchase method, the fair value of intangible assets with no active market is reduced to the extent of capital reserve, if any, arising on the amalgamation.</td></tr>
</table>

Other Issues

IFRS	US GAAP	Indian GAAP
Step acquisitions (investor obtaining control through more than one purchase)		
The acquiree's identifiable assets, liabilities and contingent liabilities are remeasured to fair value at the date of the transaction giving rise to control. Each significant transaction is treated separately for the purpose of determining the cost of the acquisition and the amount of goodwill. Any existing goodwill is not remeasured. The adjustment to any previously held interests of the acquirer in the acquiree's identifiable assets, liabilities and contingent liabilities is treated as a revaluation. On adoption of IFRS 3R, when entities obtain control through a series of acquisitions (step acquisitions) the entity will remeasure any previously held equity interests to fair value, with any gain or loss recorded through the income statement.	Similar to **IFRS**, each significant transaction is treated separately for the purposes of determining the cost of the acquisition and the amount of the related goodwill. However, entities do not remeasure their previous interests in the net assets of an acquired entity when control is achieved, resulting in the accumulation of fair values at different dates. On adoption of FAS 141R, the accounting will be similar to the new standard under **IFRS**.	Similar to current **US GAAP**, except that the assets and liabilities are carried at their existing book values and not at fair value.
Pooling (uniting) of interests method		
Prohibits the use of this method of accounting if the transaction meets the definition of a business combination and the combination is within the scope of the relevant standard.	Similar to **IFRS**.	Permits use of this method only on amalgamation when all the specified conditions are met. The assets and liabilities are incorporated at their existing carrying amounts, after making adjustments to eliminate conflicting accounting policies. Any difference is adjusted against the equity (not goodwill). Expenses relating to uniting-of-interests transaction are recognised in the income statement as and when incurred.

IFRS	US GAAP	Indian GAAP
Business combinations involving entities under common control		
Does not specifically address such transactions. Entities should develop and consistently apply an accounting policy; management can elect to apply purchase accounting or the predecessor value method to a business combination involving entities under common control. The accounting policy can be changed only when the criteria in IAS 8, are met. Related-party disclosures are used to explain the impact of transactions with related parties on the financial statements.	Specific rules exist for accounting for combinations of entities under common control. Such transactions are generally recorded at predecessor cost, reflecting the transferor's carrying amount of the assets and liabilities transferred. The use of predecessor values or fair values depends on a number of individual criteria.	Does not specifically address such transactions. Normal business combination accounting would apply as discussed in the above sections.

Technical references

IFRS IAS 8, IAS 12, IAS 27, IAS 37, IFRS 3, IFRS 3R.

US GAAP FAS 38, FAS 141, FAS 141R, FAS 142, FAS 144, EITF 90-5, EITF 95-3, EITF 95-8, EITF 98-3.

Indian GAAP AS 5, AS 10, AS 13, AS 14, AS 21, AS 26, AS 28, ASI 11.

Other accounting and reporting topics

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 treatment. Differences also exist in the presentation and disclosure of annual and interim financial statements.

There are differences in the accounting for diluted earnings per share, which could result in differences in the amounts reported. Some of the differences (such as the inclusion of option grants, even in the instance where a company is prohibited from issuing new shares) would result in lower potential common shares under IFRS, while others (such as the presumption that contracts that can be settled in either cash or common shares will always settle in shares) would generally result in a higher number of potential common shares under IFRS. Under Indian GAAP, the computation of dilutive EPS assumes the most advantageous conversion rate or exercise price from the standpoint of the holder of the potential equity shares.

IFRS contains a narrower definition of a discontinued operation than US GAAP. The IFRS definition of a component for purposes of determining whether a disposition would qualify for discontinued operations treatment requires the unit to represent a separate major line of business or geographic area of operations or to be a subsidiary acquired exclusively with a view toward resale. This requirement will tend to reduce the number of divestitures that are treated as discontinued operations in IFRS financial statements. Under Indian GAAP, component represents a separate major line of business or geographical area of operations and can be distinguished operationally and for financial reporting purposes.

Differences in the guidance surrounding 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, which could impact an entity's key metrics or ratios.

Further details on the foregoing and other selected differences are described below.

Foreign currency translation

IFRS and US GAAP require identification and determination of a functional currency (same or different from the local currency) and a presentation (reporting) currency. The functional currency is identified for the reporting entity and each operation (whether a branch, subsidiary, associate or joint venture). It is possible that a single currency is determined as the local, functional and presentation currency.

The functional currency serves as the basis for determining whether the entity is engaged in foreign currency transactions, as foreign currency is a currency other than the functional currency. The selection of the functional currency has a direct impact on the treatment of exchange gains and losses arising from remeasurement process and, thereby, the reported results. Both frameworks provide guidance on remeasurement of transactions and balances in foreign currency to functional currency (Remeasurement- the individual entity).

Selecting a presentation (reporting) currency that is different from the functional currency will require a translation from the functional currency into the presentation currency. Both frameworks provide guidance on translation from functional currency to presentation currency (Translation- consolidated financial statements).

In comparison, Indian GAAP does not define functional or presentation currency and assumes an entity's reporting currency is the currency of the country in which it is domiciled (say, the local currency). Hence, by default, Indian rupee becomes the reporting currency for all Indian companies or operations. Indian GAAP defines foreign currency as any currency other than the reporting currency of the enterprise. It further requires foreign operations to be classified as either integral or non-integral operations.

An integral operation is remeasured using a methodology similar to 'Remeasurment the individual entity' under IFRS and US GAAP, with few exceptions whereas a non-integral operation is remeasured using a methodology similar to 'Translation consolidated financial statements' under IFRS and US GAAP, with few exceptions.

Differences in the criteria of identifying the functional currency under IFRS and US GAAP, and conceptual differences under Indian GAAP, can lead to significant impact on the financial statements, when remeasurement and translation methodology is applied.

IFRS	US GAAP	Indian GAAP
Functional currency - definition and determination		
Functional currency is defined as the currency of the primary economic environment in which an entity operates. **IFRS** provides a list of primary and secondary indicators to consider. If the 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 whose competitive forces and regulations mainly determine the pricing of transactions (not the currency in which transactions are denominated) and the currency that mainly influences labour, material and other costs of providing goods or services. Additional evidence (secondary in priority) may be provided from the currency in which funds from financing activities are generated, or receipts from operating activities are usually retained, as well as the nature of activities and extent of transactions between the foreign operation and the reporting entity.	Similarly emphasises the primary economic environment in determining an entitys functional currency. However, 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, managements judgment is required so as to determine the functional currency that most faithfully portrays the economic results of the entitys operations. In practice, there is a greater focus on the currency in which majority of the transactions are denominated and settled while **IFRS** puts greater emphasis on the currency of the economy that determines the pricing of the transactions.	It does not define or require determination of functional currency. Assumes an entity normally uses the currency of the country in which it is domiciled in recording its transaction.

Remeasurement - the individual entity

Remeasurement from foreign currency (transactions and balances) to functional currency or of an integral foreign operation:

Foreign currency:	Remeasured to functional currency using the exchange rate:
transactions	at the date of transaction, on initial recognition
monetary assets and liabilities	at the balance sheet date
non-monetary assets and liabilities carried at historical rates	at appropriate historical rate
non-monetary assets and liabilities carried at fair value	at the date fair value was determined **(IFRS** and **Indian GAAP)** and at historical rates under **US GAAP**
Income statement	
items relating to non-monetary assets and liabilities	at the historical rate applicable to the related asset or liability
items other than the above	at the date of transaction, or an average rate as practical alternative, provided the exchange rate does not fluctuate significantly

Exchange gains and losses arising from an entity's own foreign currency transactions are reported as part of the profit or loss for the year, except for under IFRS and US GAAP (i) a monetary item designated as, and is effective as, cash-flow hedge or (ii) a monetary item designated as, and is effective as, hedge of a net investment in a foreign operation (only in a consolidated financial statements) or (iii) a non-monetary item for which fair value changes are recorded directly in equity (eg. revaluation of property, plant and equipment under IFRS); in these cases, the exchange gains and losses are recorded directly in equity. Indian GAAP is silent on these exceptions. Exchange differences arising on intercompany foreign currency transactions that are of a long-term-investment nature (that is, settlement is not planned or anticipated in the foreseeable future), are recognised as a part of exchange translation adjustment directly in equity in the consolidated financial statements in which the entities to the transaction are consolidated, combined, or accounted for by the equity method.

Further, under IFRS, exchange differences on available-for-sale ("AFS") debt securities resulting from changes in amortised cost are recognised in income statement (same amount as if the bond is classified as held-to-maturity) and other changes (i.e., the difference) in the carrying amount are recognised in equity. Under US GAAP, the entire change in the fair value of AFS debt securities is recorded in equity (including the portion attributable to changes in exchange rates).

Translation - consolidated financial statements

Translation from functional currency to presentation (reporting) currency or of a non-integral foreign operation:

This methodology is applied in preparing consolidation financial statements, where operations (whether a branch, subsidiary, associate or joint venture) have a functional currency that is different from the presentation (reporting) currency of the reporting entity, or when a reporting entity opts to present its financial statements in a presentation (reporting) currency different from its functional currency.

	Translation to presentation currency using the exchange rate:
Assets and liabilities	at the balance sheet date
Equity	at historical rates[1]
Income statement	at historical rate or an average rate as practical alternative, provided the exchange rate does not fluctuate significantly

[1] Under IFRS, management has a policy 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 resulting exchange differences are recognised in equity and thus the policy choice has no impact on the amount of total equity. In absence of guidance, in practice, historical rates are used under Indian GAAP.

IFRS	US GAAP	Indian GAAP
Tracking of translation differences in equity		
Translation differences in equity are separately tracked and the cumulative amounts disclosed. Release of the CTA balance would be triggered by disposal (through sale, liquidation, repayment of share capital or abandonment of all or part) of a foreign operation, sale of a second-tier subsidiary or repayment of permanent advances. The payment of a dividend forms part of a disposal only when it constitutes a return of the investment. In case of partial disposal, only the proportionate share of CTA is released to the income statement.	The CTA balance is released into the income statement in the event of sale (partial or complete) or complete or substantially complete liquidation of a foreign operation. A partial liquidation does not trigger the release of the CTA. Amounts in the CTA should generally not be released into income statement when a first-tier foreign subsidiary sells or liquidates a second-tier subsidiary, because the first-tier subsidiary still contains investments in foreign assets. This principle may be overcome in certain cases. Repayment of permanent advances does not result in a release of the CTA unless it constitutes a substantially complete liquidation of the foreign entity.	Similar to **IFRS**, except no guidance on sale of a subsidiary.

IFRS	US GAAP	Indian GAAP
Hyper-inflationary economies		
Hyperinflation is indicated by characteristics of the economic environment of a country. These characteristics include, the general populations attitude towards the local currency; prices linked to a price Index and the cumulative inflation rate over three years is approaching or exceeds 100%. The preparation of **IFRS** financial statements by companies in hyperinflationary economies requires measurement in the local currency based on current purchasing power. **IFRS** requires an entity, in the first year it identifies the existence of hyperinflation in the economy of its functional currency, to apply hyperinflationary accounting retrospectively.	Economy which has a cumulative inflation over a 3 year period of 100% or more is deemed to be a hyperinflationary economy. The preparation of **US GAAP** financial statements by companies in hyperinflationary economies requires measurement in a stable reporting currency as if it was the functional currency. **US GAAP** accounts for a change in hyperinflation status prospectively.	No specific guidance.
Technical references		
IFRS	Framework, IAS 21, IAS 29, IAS 39, IFRS 5.	
US GAAP	FAS 52, FAS 133, FIN 37, EITF 96-15.	
Indian GAAP	AS 11.	

Recent amendment - Indian GAAP

On 31 March 2009, the Central Government has amended AS 11 and pursuant to the amendment, a new paragraph has been inserted in AS 11 to allow amortisation or capitalisation of foreign exchange differences arising on long-term monetary items.

Through this amendment, companies are provided with an option which is irrevocable and to be exercised retrospectively, in respect of accounting periods commencing on or after 7 December 2006 and ending on or before 31 March 2011. The exchange differences on long-term foreign currency monetary items can be:

a) Added to or deducted from the cost of the asset, if the long term foreign currency monetary item relates to acquisition of a depreciable capital asset or

b) In other cases, accumulated in the 'Foreign Currency Monetary Item Translation Difference Account' and amortised over the life of the monetary item but not beyond 31 March 2011.

Earnings per share

Earnings per share (EPS) is disclosed by entities whose ordinary shares or potential ordinary shares are publicly traded, and by entities in the process of issuing such securities under all three frameworks. All three frameworks use similar methods of calculating EPS, although there are detailed application differences.

All three frameworks define and require disclosure of basic and diluted EPS. Broadly similar, but differences arise in the detailed calculation of diluted EPS.

IFRS	US GAAP	Indian GAAP
Diluted earnings-per-share calculation		
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.	The treasury stock method for year-to-date diluted EPS requires that the number of incremental shares included in the denominator be determined by computing a year-to-date weighted average number of incremental shares by using the incremental shares from each quarterly diluted EPS computation.	In absence of a separate guidance, dilutive potential common shares is determined independently for each period presented, including year-to-date computation. However, a simple average of last six months weekly closing prices from the balance sheet date is used in computing the fair value (i.e., average price of equity shares during the period).
The contracts that can be settled in either common shares or cash at the election of the entity or the holder are always presumed to be settled in common shares and included in diluted EPS; that presumption may not be rebutted.	The guidance 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 and the resulting potential common shares be included in diluted EPS. However, that presumption may be overcome if past experience or a stated policy provides a reasonable basis to believe that the contract will be paid in cash. In those cases where the holder controls the means of settlement, the more dilutive of the methods (cash versus shares) should be used to calculate potential common shares.	The number of equity shares which would be issued on the conversion of dilutive potential equity shares is determined from the terms of the potential equity shares. The computation assumes the most advantageous conversion rate or exercise price from the standpoint of the holder of the potential equity shares.
The potential common shares arising from contingently convertible debt securities would be included in the dilutive EPS computation only if the contingency price was met as of the reporting	Contingently convertible debt securities with a market price trigger (e.g., debt instruments that contain a conversion feature that is triggered upon an entity's stock price reaching a predetermined price) should always	Similar to **IFRS**, however limited guidance under **Indian GAAP.**

IFRS	US GAAP	Indian GAAP
price was met as of the reporting date. Balance sheet date is regarded as end of contingency period for contingently issuable shares.	a predetermined price) should always be included in diluted EPS computations unless anti-dilutive regardless of whether the market price trigger has been met. That is, the contingency feature should be ignored and the instrument treated as a regular convertible instrument.	
Contractual arrangement needs to be assessed to determined appropriate treatment of share application money.	Similar to **IFRS**.	Share application money pending allotment or any advance share application money as at the balance sheet date, which is not statutorily required to be kept separately and is being utilised in the business of the enterprise, is treated in the same manner as dilutive potential equity shares.
Disclosures		
The basic and diluted amounts per share are disclosed on the face of the income statement at the following levels: • EPS from net income • EPS from continuing operations • EPS from discontinued operations (or in notes) • EPS due to change in accounting policies (only disclosed in notes, to the extent practicable) Both basic and diluted EPS is disclosed for each class of ordinary shares that has a different right to share in profit for the period. In limited circumstances, EPS may be disclosed for preferred stock or other participating securities.	Similar to **IFRS**. However, additionally EPS on extraordinary item is required to be disclosed on the face of the income statement or in the notes. Although the presentation of EPS is only required for each class of common stock, it does not prohibit disclosure of EPS for preferred stock or other participating securities.	Similar to **US GAAP**, except that EPS from discontinued operations and changes in accounting policies is not required to be disclosed. Both basic and diluted EPS is disclosed for each class of ordinary shares that has a different right to share in profit for the period. Further, it allows use of other measures on a voluntarily basis with appropriate disclosures.

Technical references

IFRS	IAS 33.
US GAAP	FAS 128, EITF 04-08.
Indian GAAP	AS 20.

Recent proposal - US GAAP and IFRS

In August 2008, both the FASB and the IASB issued a revised exposure draft that clarifies and simplifies the computation of earnings per share and converges the requirements of FAS 128 with those of IAS 33, Earnings per Share. This proposed statement would clarify that the computation of basic EPS should include outstanding common shares and instruments that the holder has (or is deemed to have) the right to share in current-period earnings with common shareholders. As a consequence, if ordinary shares issuable for little or no cash or other consideration or mandatorily convertible instruments do not meet this condition, there will be no longer affect basic EPS. It proposes to modify the treasury stock and reverse treasury stock methods by requiring an entity to include the end-of-period carrying value of certain liabilities as assumed proceeds, and to use the end-of-period market price of common shares in computing the number of incremental shares that would be issued upon an assumed exercise or conversion. It would require entities to compute EPS each period independently from any prior-period computation.

This proposed statement, together with the proposed amendments to IAS 33, would enhance the comparability of EPS by reducing the differences between the EPS denominator reported under US GAAP and IFRS as well as by simplifying the application of FAS 128.

Related-party disclosures

The objective of the disclosures required by all three framework in respect of related-party relationships and transactions is to ensure that users of financial statements are made aware of the extent to which the financial position and results of operations may have been influenced by the existence of related parties.

Related-party relationships are generally determined by reference to the control or indirect control of one party by another, or by the existence of joint control or significant influence by one party over another. The accounting frameworks are broadly similar as to which parties would be included within the definition of related parties, including subsidiaries, joint ventures, associates, directors and shareholders. However, under Indian GAAP, in practice, the determination may be based on legal form rather than substance. Hence, the scope of parties covered under the definition of related party could be less in comparison to IFRS or US GAAP.

Certain disclosures are required if the relationship is one based on control, regardless of whether transactions between the parties have taken place. These include the existence of the related-party relationship, the name of the related party and the name of the ultimate controlling party.

IFRS	US GAAP	Indian GAAP
Relationships		
Principal owners (owners of record or known beneficial owners of more than 10% of the voting interests of the enterprise) automatically are not included in the definition of related parties.	Principal owners are considered related parties.	Similar to **IFRS**.
Close members of the family include family members (spouse, children and dependents of self or spouse) who may influence or may be influenced by dealings between the person concerned and the reporting entity.	Immediate family is defined similar to **IFRS** as being those members whom a principal owner or a member of management might control or influence or be controlled or influenced by,	AS 18 distinctly enumerates certain relations to be considered for the determination of related parties. Relative - in relation to an individual, means the spouse, son, daughter, brother, sister,

IFRS	US GAAP	Indian GAAP
IAS 24 is not definitive about the form of the relation but emphasises the substance instead.	because of the family relationship.	father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise.
IAS 24 covers executive as well as non-executive directors in the definition of Key Management Personnel.	The provisions and requirements of FAS 57 are similar to that of IAS 24.	The term Key Management Personnel as defined under AS 18, does not include non-executive directors, unless they have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise.
Specifically includes parties having joint control of the entity as a related party.	Does not specifically include parties having joint control of the entity as a related party, unless they meet other criteria.	Does not specifically include parties having joint control of the entity as a related party, unless they meet other criteria.
Post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity is 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 are related parties	Does not specifically identify employee benefit trusts as related parties.
Disclosures		
For transactions with related parties there is a requirement to disclose the amounts involved in a transaction, the amount, terms and nature of the outstanding balances and any doubtful amounts related to those outstanding balances for each major category of related parties. There is no specific requirement to disclose the name of the related party (other than the immediate parent entity, the ultimate parent entity and the ultimate controlling party). The compensation of the Key Management Personnel is disclosed by category and in aggregate in the notes.	Similar to **IFRS**, except that (i) there is no specific requirement for disclosure of any allowance for doubtful debts and any amounts written off during the period with a related party and (ii) compensation of key management personnel is not required to be disclosed.	Similar to **IFRS**, except that transactions need not be disclosed (i) with providers of finance, trade unions, public utilities and state controlled entities in the normal course of business or (ii) if it would conflict with the reporting entity's duties of confidentiality in terms of statute, regulator or similar competent authority. No exemption for separate financial statements of subsidiaries.

Technical references

IFRS	IAS 1R and IAS 24.
US GAAP	FAS 57.
Indian GAAP	AS 18, The Companies Act, 1956.

Recent proposal - IFRS

In December 2008, the IASB has issued an exposure draft to amend IAS 24, *Related Party Disclosures*, after considering the responses received by the board for the exposure draft issued in 2007.

The main objective was not intended to reconsider IAS 24 fundamentally and has a limited scope as follows:

(a) Providing an exemption from disclosure requirements for transactions between entities controlled, jointly controlled or significantly influenced by the same state ('state-controlled entities'), regardless of whether influence actually exists in such relationships.

(b) Amending the definitions of a related party and of a related party transaction to clarify the intended meaning and remove some inconsistencies.

Segment reporting (Operating Segment)

All three frameworks have specific requirements about the identification, measurement and disclosure of segment information. Following the issue of IFRS 8, Operating Segments effective from annual reporting periods beginning on or after 1 January 2009, the requirements under IFRS and US GAAP are very similar. Set out below is a comparison between IFRS/US GAAP and Indian GAAP.

Issue	IFRS and US GAAP	Indian GAAP
General requirements		
Scope	Public listed entities (debt or equity instruments) and entities that file, or are in the process of filing, financial statements with a securities or other regulator for the purposes of issuing any class of instrument in a public market.	All entities except SMC.
Format	Based on operating segments and the way the chief operating decision-maker evaluates financial information for the purposes of allocating resources and assessing performance.	Based on business and geographical reporting one as primary format, the other as secondary. The choice will depend on the impact on business risks and returns. The secondary format requires less disclosure.

Issue	IFRS and US GAAP	Indian GAAP
Identification of segment		
General approach	Based on the internally reported operating segments.	Based on profile of risks and returns and internal reporting structure.
Aggregation of similar operating segments	Specific aggregation criteria are given to determine whether two or more operating segments are similar.	Similar criteria apply for the aggregation of similar operating segments.
Threshold for reportable segments	Revenue, results or assets are 10% or more of all segments. If revenue of reported segments is below 75% of the total, additional segments are reported until the 75% threshold is reached. Further additional operating segments may be considered reportable and separately disclosed where management believes that disclosure would be useful.	Similar to **IFRS** and **US GAAP**.
Segments not reported	Segments not identified are included in all other category, with source of revenue disclosed.	Segments not identified as above are included as unallocated items.
Maximum numbers of reported segments	No limits.	No limits.
Measurement		
Accounting policies for segments	Those adopted for internal reporting to the chief operating decision-maker for the purposes of allocating resources and assessing performance.	Those policies adopted for financial statements are to be used. Entities may disclose additional segment data based on internal accounting policies.
Symmetry of allocation of assets/liabilities, revenue/expenses	Symmetry is not required, but asymmetrical allocations are disclosed.	Symmetry required.
Main disclosures		
Factors used to identify reportable segments	Disclosure required includes basis of organisation (for example, based on products and services, geographical areas, regulatory environments) and types of product and service from which each segment derives its revenues.	No such specific disclosure is required.

Issue	IFRS and US GAAP	Indian GAAP
Components of profit of each reportable segment	Required if included in the measure of segment income statement 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 income statement e.g. third party revenues, inter-segment revenues, interest income and interest expense, depreciation and amortisation, income taxes etc.	No such specific disclosure is required.
Assets of the reportable segment	Requires disclosure of non-current assets including intangible assets. However, **US GAAP** excludes reporting of intangibles.	Similar to **IFRS**.
Liabilities of reportable segment	Required if regularly reported to chief operating decision-maker. However, under **US GAAP** does not require disclosure of a measure of segment liabilities.	Liabilities should be reported as a part of segment disclosures.
Other items to be disclosed by reportable segment	Investments accounted for by equity method and additions to certain non-current assets (principally PPE and intangible assets) where included in the assets reported to the chief operating decision-maker or are otherwise regularly reported to the chief operating decision-maker.	No such specific disclosure is required.
Major customers	Total revenue is disclosed, as well as the relevant segment that reported the revenues, for each external customer greater than or equal to 10% of consolidated revenue.	No such specific disclosure is required.
Third-party revenues	Also disclosed for each product and service if this has not already been disclosed.	No such specific disclosure is required.
Geographical information	Third-party revenues from and certain non-current assets (principally PPE and intangible assets) located in country of domicile and all foreign countries (in total and, if material, by country) are disclosed.	No such specific disclosure is required.

Issue	IFRS and US GAAP	Indian GAAP
Reconciliations of segment to the corresponding totals of the entity	Reconciliations of total segment revenue, total segment measures of income statement, total segment assets, total segment liabilities and any other significant segment totals are required.	Similar to **IFRS** and **US GAAP**.
Technical references		
IFRS	IFRS 8.	
US GAAP	FAS 131.	
Indian GAAP	AS 17, ASI 20R.	

Discontinued operations

IFRS and US GAAP have requirements for the measurement and disclosures of 'discontinued operations'. Indian GAAP only has requirements for the disclosures of "discontinuing operations" and requires an entity to apply recognition and measurement principles established in other relevant accounting standards to recognise and measure the changes in assets and liabilities and the revenue, expenses, gains, losses and cash flows relating to discontinuing operations. For example, accounting standard on impairment of assets, provisions etc should be followed.

IFRS	US GAAP	Indian GAAP
Definition of a component		
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. It represents, among other things, a separate major line of business, a geographic area of operations or a subsidiary acquired exclusively with a view to resale.	A component comprises operations and cash flows that can be clearly distinguished operationally and for financial reporting. It may be a reportable segment, operating segment, reporting unit, subsidiary or asset group.	A component that represents a separate major line of business or geographical area of operations and can be distinguished operationally and for financial reporting purposes.
Partial disposal resulting into loss of control		
Partial disposals characterised by movement from a controlling to a non-controlling interest could qualify as discontinued operations.	Assets classified as held for disposal should be a component which has distinct operations and cash flows. The entity should not have significant continuing involvement in the component. The entire subsidiary need not necessarily be classified as discontinued on disposal of a 'component'.	No specific guidance.

IFRS	US GAAP	Indian GAAP
How discontinued		
Operations and cash flows that have been disposed of or classified as held for sale.	Similar to **IFRS**. Operations and cash flows have been or will be eliminated, and entity will not have significant continuing involvement.	Pursuant to a single plan, either substantially in its entirety or piecemeal or terminated through abandonment.
Envisaged timescale		
Completed within a year, with limited exceptions.	Similar to **IFRS**.	No timeframe specified. Standard envisage several months or longer, but emphasise on a single coordinated plan.
Starting date for disclosure		
From the date on which a component has been disposed of or, if earlier, classified as held for sale.	Similar to **IFRS**.	Earlier of the date of announcement of a board approved detailed formal plan or entering into a binding sale agreement.
Measurement		
Lower of carrying value or fair value less costs to sell.	Similar to **IFRS**.	Apply other relevant accounting standards, e.g., by applying accounting standard on impairment of assets, provisions, etc.
Subsequent increase in fair value less cost to sell		
An entity shall recognise a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised.	Similar to **IFRS**.	The increased carrying amount of the asset due to a reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior accounting periods.

IFRS	US GAAP	Indian GAAP
Presentation		
A single amount is presented on the face of the income statement comprising the post-tax income statement of discontinued operations and the post-tax income statement recognised in the measurement to fair value less costs to sell or the disposal of the assets or disposal group(s) constituting the discontinued operation. An analysis of this amount is required either on the face of the income statement or in the notes for both current and prior periods.	Similar to **IFRS.** From measurement date, results of operations of discontinued component (and gain or loss on disposal) are presented as separate line items in the income statement, net of tax, after income from continuing operations.	At a minimum, the following is disclosed on the face of the income statement separately from continuing operations: (a) pre-tax income statement and related taxes (b) pre-tax gain or loss on disposal. Income and expenses line items from continuing and discontinued operations are segregated and disclosed in the notes. However they are presented on a combined basis in the income statement. No separate presentation for balance sheet items.
Ending date of disclosure		
Until completion of the discontinuance.	Similar to **IFRS**.	Similar to **IFRS**.
Comparatives		
Income statement re-presented for effects of discontinued operations but not balance sheet.	Similar to **IFRS**.	Similar to **IFRS**.

Technical references

IFRS	IFRS 5.
US GAAP	FAS 144, FAS 95, EITF 03-13.
Indian GAAP	AS 24.

Recent proposal - IFRS

In September 2008, the IASB has issued an exposure draft to amend IFRS 5 - Non-current assets held for sale and discontinued operations. The main objective of this project is to develop a common definition of discontinued operations and require common disclosures related to disposals of components of an entity as it is a joint project with the FASB.

Post-balance-sheet events

IFRS	US GAAP	Indian GAAP
Adjusting events after the balance sheet date		
Adjusting events that occurred after the balance sheet date are events that provide additional evidence of conditions that existed at the balance sheet date and that materially affect the amounts included. The amounts recognised in the financial statements are adjusted to reflect adjusting events after the balance sheet date.	Similar to **IFRS,** referred to as 'Type 1' events.	Similar to **IFRS**.
Non-adjusting events after the balance sheet date		
Non-adjusting events that occur after the balance sheet date are defined as events that are indicative of conditions that arose after the balance sheet date. Where material, the nature and estimated financial effects of such events are disclosed to prevent the financial statements from being misleading.	Similar to **IFRS,** referred to as 'Type 2' events.	Non-adjusting events are not required to be disclosed in financial statements but are disclosed in report of approving authority e.g. Director's Report.
Declaration of a dividend relating to the financial year just ended		
This is a non-adjusting event. Dividend declared after the balance sheet date but before the financial statements are authorised for issue is not recognised as liability at the balance sheet date.	The declaration of a cash dividend is a non-adjusting event, but a stock dividend is an adjusting event.	Dividend proposed relating to the financial year just ended is adjusted in the financial statements even though it is subject to shareholders approval at the balance sheet date.
Technical references		
IFRS	IAS 10.	
US GAAP	AU Section 560.	
Indian GAAP	AS 4, The Companies Act, 1956.	

Recent proposal US GAAP

On October 9, 2008, the Board issued a proposed Statement, Subsequent Events that would provide guidance on the recognition and disclosure of subsequent events, that is, events or transactions that occur after the balance sheet date, but before financial statements are issued or are available to be issued.

The Board decided to carry forward the subsequent events guidance as set forth in AU Section 560, subject to certain modifications that are not expected to result in a change in current practice. Those modifications are:

1. To name the two types of subsequent events: *recognized subsequent events* and *nonrecognized subsequent events*
2. To revise the definition of subsequent events to include the concept of financial statements *being available to be issued*.

The Board considered changing certain of the subsequent events guidance in AU Section 560, such as addressing inconsistencies with International Financial Reporting Standards (IFRSs) in the areas of refinancing short-term obligations and curing violations of borrowing covenants, but decided against those changes.

Interim financial reporting

IFRS	US GAAP	Indian GAAP
Stock exchange requirements		
IFRS does not require public entities to produce interim statements but encourages interim reporting - see Additional guidance below.	Similar to **IFRS**, the FASB does not mandate interim statements. However, if required by the SEC, domestic US SEC registrants should follow APB 28 and comply with the specific financial reporting requirements in Regulation S-X applicable to quarterly reporting.	Similar to **IFRS**, the standard does not mandate interim financial reporting. However, if an entity is required or elects to present interim financial report, it needs to comply with AS 25. Pursuant to the listing agreement, all listed companies in India are required to furnish interim financial results on a quarterly basis in a format prescribed in the listing agreement.
Disclosure of compliance		
IAS 34 provides that an entity should disclose the fact that its Interim Financial Report complies with IAS 34, if it does so. The standard further states that the interim financial report should comply with all the requirements of **IFRS** so as to be described as complying with **IFRS**.	Requires compliance with all the requirements of **US GAAP** read with APB 28.	Requires compliance with all the requirements of **Indian GAAP** read with AS 25.
Technical references		
IFRS	IAS 34, IFRIC 10.	
US GAAP	APB 28, FAS 130, FAS 131.	
Indian GAAP	AS 25 and Listing Agreement.	

Additional guidance

Additional guidance under the three frameworks is similar. They include the following:

- Condensed balance sheet, income statement (including segment revenue/profit), cash flow statement, changes in equity (excluding Indian GAAP), selected notes and (under IFRS) a statement of comprehensive income.
- Other than for the balance sheet, quarterly interim reports contain comparatives for the cumulative period-to-date numbers in the corresponding period of the preceding year. In addition, comparative for current interim income statement is presented. Comparatives for the balance sheet are taken from the last annual financial statements.
- Consistent and similar basis of preparation of interim statements, with previously reported annual data and from one period to the next.
- Use of accounting policies consistent with the previous annual financial statements, together with adoption of any changes to accounting policies that it is known will be made in the year-end financial statements (for example, application of a new standard).
  - 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. Incomplete transactions are therefore treated in the same way as at the year-end. Impairment losses recognised in interim periods in respect of goodwill, or an investment in either an equity instrument or a financial asset carried at cost, are not reversed. (IFRS and Indian GAAP).
  - Whereas 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.
  - However, the tax charge in all three frameworks is based on an estimate of the annual effective tax rate applied to the interim results.
- A narrative commentary.

IFRS pronouncements

International Financial Reporting Standards (IFRS)	
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based payment
IFRS 3	Business Combinations (Revised)
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
International Accounting Standards (IAS)	
IAS 1	Presentation of financial statements (Revised)
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the balance sheet date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of changes in Foreign Exchange Rates
IAS 23	Borrowing Costs (Revised)
IAS 24	Related Party disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans

IAS 27	Consolidated and Separate Financial Statements (Revised)
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture
International Financial Reporting Interpretation Committee (IFRIC)	
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members Shares in Co - operative Entities and Similar Instruments
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2 - Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate.

IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of assets from customers
Standard Interpretation Committee (SIC)	
SIC 7	Introduction of the Euro
SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 12	Consolidation - Special Purpose Entities
SIC 13	Jointly Controlled Entitles - Non-Monetary Contributions by Venturers
SIC 15	Operating Leases - Incentives
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC 29	Disclosure - Service Concession Arrangements
SIC 31	Revenue - Barter Transactions Involving Advertising Services
SIC 32	Intangible Assets - Web Site Costs

Abbreviations

AFS	Available for Sale
AICPA	American Institute of Certified Public Accountants
AOCI	Accumulated Other Comprehensive Income
APB	Accounting Principles Board Opinions
APIC	Additional Paid-in Capital (Share Premium)
ARB	Accounting Research Bulletins
ARO	Asset Retirement Obligation
AS	Accounting Standard
ASB	Accounting Standards Board of India
ASI	Accounting Standard Interpretation
ASR	Accounting Series Release
AU	Codification of Statements on Auditing Standards
CESR	Committee of European Securities Regulators
CGU	Cash Generating Unit
CODM	Chief Operating Decision Maker
CON	Statement of Financial Accounting Concepts
CTA	Cumulative Translation Adjustments
DIG	Derivatives Implementation Group
EITF	Emerging Issues Task Force
EPS	Earnings Per Share
ESOP	Employee Stock Option Plan
FAS	Statement of Financial Accounting Standards
FASB	Financial Accounting Standards Board
FIN	FASB Interpretations
FTB	FASB Technical Bulletins
FVTPL	Fair Value through Profit or Loss
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GN	Guidance Notes
HFT	Held for trading
HTM	Held-to-Maturity
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICAI	The Institute of Chartered Accountants of India
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards

Indian GAAP	Generally Accepted Accounting Principles in India
IPR&D	In-process Research and Development
MAT	Minimum Alternative Tax
NACAS	National Advisory Committee on Accounting Standards
OCI	Other Comprehensive Income
PCAOB	Public Company Accounting Oversight Board
PPE	Property, Plant and Equity
R&D	Research and Development
RBI	Reserve Bank of India
SAB	SEC Staff Accounting Bulletin
SEBI	The Securities and Exchange Board of India
SEC	Securities and Exchange Commission of United States
SG	SEBI Guildlines
SIC	Interpretations by Standing Interpretations Committee
SMC	Small and Medium sized Company
SoCIE	Statement of Changes in Equity
SOP	AICPA Statement of Position
SoRIE	Statement of Recognised Income and Expense
SoX	Sarbanes Oxley Act, 2002
SPE	Special Purpose Entity
US GAAP	Generally Accepted Accounting Principles in United States of America
VIE	Variable Interest Entity
VSOE	Vendor Specific Objective Evidence

Financial Instruments

Consolidation

Business combinations

Other accounting and reporting topics

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Comprehensive guidance on all aspects of the requirements for financial instruments accounting. Detailed explanations illustrated through worked examples and extracts from company reports.

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Covers in detail the practical issues in achieving hedge accounting under IAS 39. It provides answers to frequently asked questions and step-by-step illustrations of how to apply common hedging strategies.

IAS 39 Derecognition of financial assets in practice
Explains the requirements of IAS 39, providing answers to frequently asked questions and detailed illustrations of how to apply the requirements to traditional and innovative structures.

A practical guide to share-based payments
Answers the questions we have been asked by entities and includes practical examples to help management draw similarities between the requirements in the standard and their own share-based payment arrangements. November 2008.

IFRS 3R: Impact on earnings the crucial Q&A for decision-makers
Guide aimed at finance directors, financial controllers and deal-makers, providing background to the standard, impact on the financial statements and controls, and summary differences with US GAAP.

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