PwC ReportingInBrief

Year-end reminders – 31 March 2019

A look at the accounting and financial reporting updates on Ind AS

April 2019

pwc

What’s inside?

What you need to know

Welcome to our publication on year-end reminders designed to keep you informed about the latest accounting and financial reporting updates under Indian Accounting Standards (Ind AS).

This publication attempts to collate updates in Ind AS during the year ended 31 March 2019 at one place for easy reference. We have also provided links to our previously issued publications on related topics.

We hope the information and insights in this publication will keep you updated and help companies navigate through various practical issues arising on implementation of Ind AS.

This publication includes the following:

Financial reporting updates

Ind AS roadmap

This includes RBI notification on deferment of Ind AS for Banks and also a notification issued by National Housing Bank regarding implementation of Ind AS by Housing Finance Companies (HFCs).

MCA

This includes summary of new Ind AS standards notified, amendments to the existing Ind AS standards and updates from MCA on financial reporting.

SEBI

Circular issued with regard to the format for publication of financial results by listed companies has been included in this section.

ICAI

This rounds up on all educational materials, EAC opinions, FAQs, disclosure checklists, press releases and exposure drafts which have been issued by the ICAI.

Ind AS Technical Facilitation Group (ITFG)

Includes a summary of all clarifications issued by the ITFG vide bulletins 15 to 18.

Publications

This section includes a list of our various Ind AS/ IFRS publications.

Ind AS roadmap

Deferment of Ind AS applicability for banks

Legislative amendments recommended by the Reserve Bank of India (RBI) in the Banking Regulation Act, 1949 facilitating implementation of Ind AS are under consideration of the Government of India. Accordingly, RBI has deferred Ind AS implementation for banks until further notice vide its notification dated 22 March 2019.

Click here for the notification >>

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11506&Mode=0

Applicability of Ind AS to Housing Finance Companies

National Housing Bank (NHB) received references from various Housing Finance Companies (HFCs) in connection with the implementation of Ind AS. In this context, attention is drawn to paragraph 24 of the Housing Finance Companies (NHB) Directions, 2010 ('Directions') which states that HFCs shall follow accounting standards and guidance notes issued by the Institute of Chartered Accountants of India (ICAI) to the extent they are not inconsistent with any of the directions.

Accordingly, HFCs are required to follow the extant directions on Prudential Norms, including on asset classification, provisions etc. issued by the NHB. With regard to implementation of Ind AS, HFCs shall be guided by the extant provisions of Ind AS, including the date of implementation.

Click here for the notification >>

http://nhb.org.in/wp-content/uploads/2018/04/NHBND-DRS-Policy-Circular-88-2017-18.pdf

MCA

The Companies (Indian Accounting Standards) Amendments Rules, 2018

The Ministry of Corporate Affairs (MCA) has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 on 28 March 2018. The rules among other key amendments to Ind AS 12, *Income Taxes*, Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*, Ind AS 28, *Investments in Associates and Joint Ventures* and Ind AS 40, *Investment Property*, notify Ind AS 115, *Revenue from Contracts with Customers*. Ind AS 115 supersedes Ind AS 11, *Construction Contracts* and Ind AS 18, *Revenue.* These rules come into effect from 1 April 2018.

Click here for the notification >>

http://www.mca.gov.in/Ministry/pdf/INDAsEngRule2018_29032018.pdf

Also refer our publication >> https://www.pwc.in/assets/pdfs/publications/2018/pwc-reportinginbrief-companies-indian-accounting-standards-amendment-rules-2018.pdf

Companies (Indian Accounting Standards) Second Amendment Rules, 2018

MCA notified the Companies (Indian Accounting Standards) Second Amendment Rules, 2018 on 20 September 2018. The Rules amend Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance* to allow entities the option of recording non-monetary government grants at a nominal amount and present government grants related to assets by deducting the grant from the carrying amount of the asset. The rules come into effect from 1 April 2018. The Rules also include consequential amendments to other Ind AS.

Click here for the notification >>

http://www.mca.gov.in/Ministry/pdf/CompaniesIASsecondAmendment_21092018.pdf

Also refer our publication >> https://www.pwc.in/assets/pdfs/publications/2018/reportinginbrief-amendments-to-ind-as-20.pdf

Almost all entities will be effected by Ind AS 115. The effect of Ind AS 115 will vary depending on the industry and `current accounting practices followed by entities. Management shall consider changes that might be necessary to the IT systems, processes and internal controls to capture new data and address changes in financial reporting.

MCA

Companies (Indian Accounting Standards) Amendment Rules, 2019

MCA issued the Companies (Indian Accounting Standards) Amendment Rules, 2019 on 30 March 2019 notifying the leasing standard Ind AS 116, Leases.

Ind AS 116 is applicable to Companies from financial years beginning on or after 1 April 2019.

Click here for the notification >>

http://www.mca.gov.in/Ministry/pdf/RuleIndAsEng_30032019.pdf

We have conducted a study to assess the high-level impact on adoption of Ind AS 116 on the financial statements of Companies. The results of our study has been summarised in our publication “A Study on impact of lease capitalisation”. Click here for our publication >> https://www.pwc.in/assets/pdfs/services/accounting-advisory/a-study-on-the-impact-of-lease-capitalisation.pdf

Also refer below for our publication on expected disclosures in the financial statements for the year ended 31 March 2019 in respect of new standards that have been issued but not yet adopted >> https://www.pwc.in/assets/pdfs/research-insights/2019/pwc-reportinginbrief-overview-of-ind-as-116-leases-and-other-recent-ind-as-amendments.pdf

Ind AS 116 requires a lessee to recognise almost all lease contracts on the balance sheet. The new leasing standard will impact presentation of operating lease arrangements in the balance sheet, statement of profit and loss and the statement of cash flows. Ind AS 116 will affect key performance indicators and ratios such as EBIT, EBITDA, debt/equity ratio and operating cash flows for companies that have material operating leases.

Accounting remains substantially same for the lessors. However, the lessors should be aware of the new guidance on the definition of a lease, sub-leases and accounting of sale and lease back transactions.

Enhanced disclosures specified in the standard will affect both the lessors and the lessees.

MCA

Companies (Indian Accounting Standards) Second Amendment Rules, 2019

MCA issued the Companies (Indian Accounting Standards) Second Amendment Rules, 2019 on 30 March 2019. The rules propose amendments to Ind AS 12, *Income Taxes,* Ind AS 19, *Employee Benefits,* Ind AS 23, *Borrowing Costs,* Ind AS 28, *Investments in Associates and Joint Ventures,* Ind AS 103, *Business Combinations,* Ind 111, *Joint Arrangements* and Ind AS 109, *Financial Instruments.* The rules have also notified Appendix C to Ind AS 12, *Uncertainty over Income Tax Treatments* which corresponds with IFRIC 23, issued by the IFRS interpretations committee.

The rules are applicable for annual reporting periods beginning on or after 1 April 2019.

Click here for the notification >>

http://www.mca.gov.in/Ministry/pdf/RuleIndAsSecondEng_30032019.pdf

Also refer below for our publication on disclosures required to be made in the financial statements for the year ended 31 March 2019 in respect of amendments that have been issued but not yet adopted >> https://www.pwc.in/assets/pdfs/research-insights/2019/pwc-reportinginbrief-overview-of-ind-as-116-leases-and-other-recent-ind-as-amendments.pdf

The above amendments are summarised below:

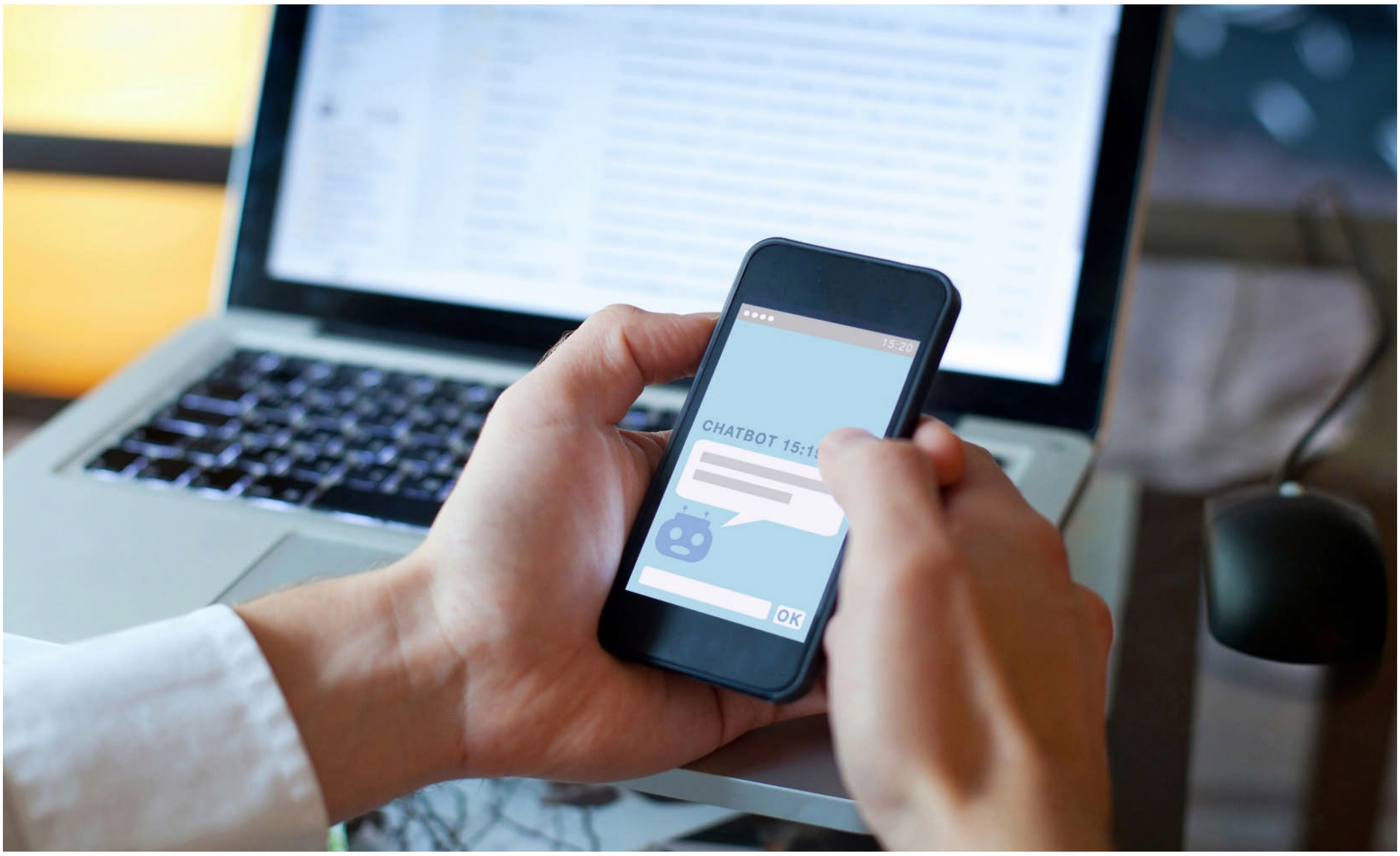
Title	Key requirements
Appendix C, Uncertainty over Income Tax *Treatments,* to Ind AS 12	The amendments have inserted a new Appendix C to Ind AS 12, *Uncertainty over Income Tax Treatments*. The appendix explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses: • how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty; • that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. detection risk should be ignored; • that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment; • that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and • that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

MCA

Title	Key requirements
Amendments to Ind AS 28 - Long-term Interests in Associates and Joint Ventures	The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under Ind AS 109 before applying the loss allocation and impairment requirements in Ind AS 28.
Amendments to Ind AS 109 - Prepayment Features with Negative Compensation	The amendments enable entities to measure at amortised cost some prepayable financial assets with negative compensation. The assets, which include some loan and debt securities, would otherwise have been measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.
Amendments to Ind AS 19 – Plan amendment, curtailment or settlement	The amendments to Ind AS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change; • any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and • separately recognise any changes in the asset ceiling through other comprehensive income.
Amendment to Ind AS 103 – Control over a joint operation achieved in stages	The amendments clarify that obtaining control of a business that is a joint operation, is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at the acquisition date.
Amendment to Ind AS 111 – Joint control over a joint operation achieved in stages	The amendments clarify that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation.

MCA

Title	Key requirements
Amendments to Ind AS 12 – Income tax consequences of payments on financial instruments classified as equity	The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividends should be recognised in profit or loss, or in equity, and the scope of the existing guidance was ambiguous
Amendments to Ind AS 23 – Borrowing costs eligible for capitalisation	The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.



MCA

Amendment to Schedule III to Companies Act, 2013

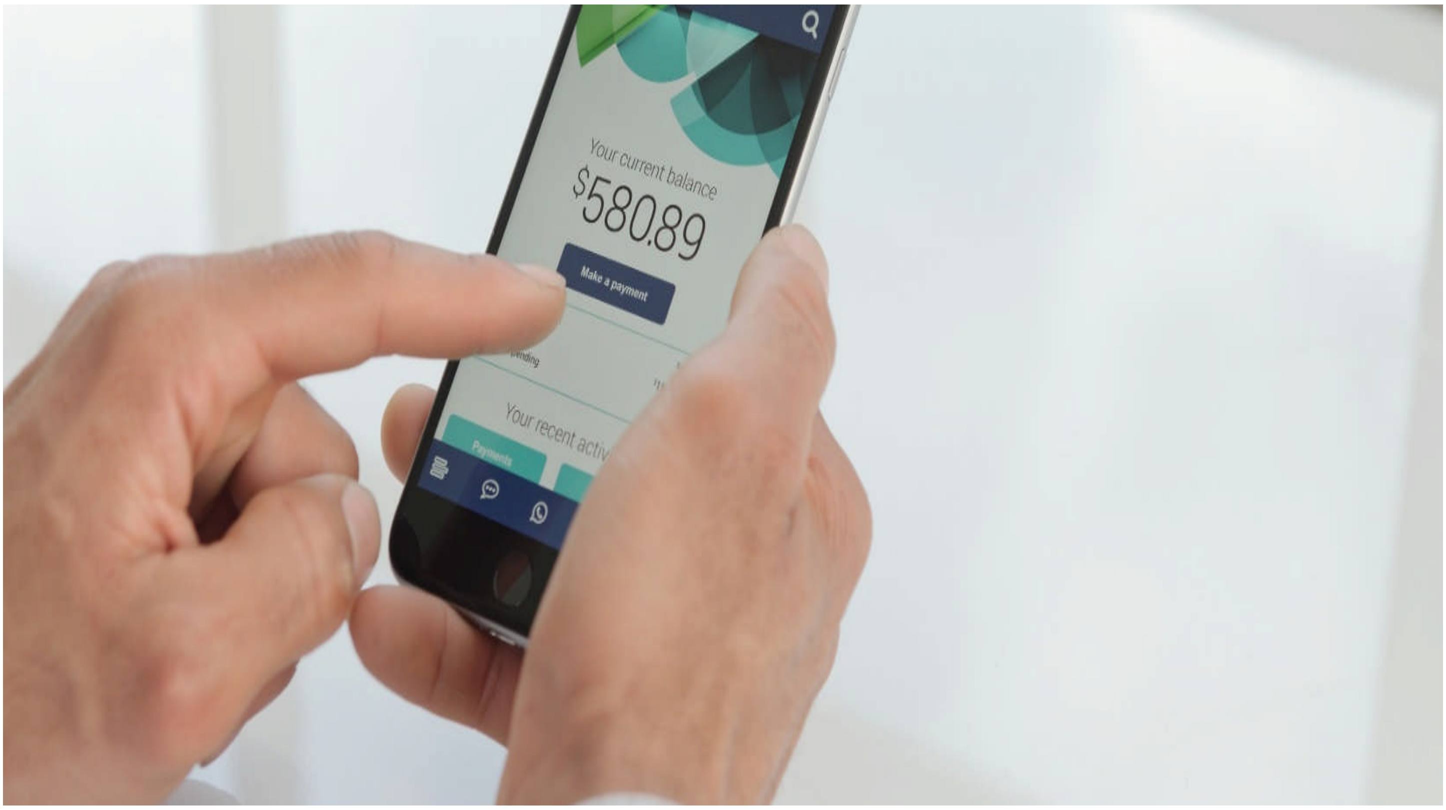
The MCA vide its notification dated 11 October 2018 amended Schedule III to the Companies Act, 2013 by introducing Division III, which provides guidelines for presentation of financial statements by a Non-Banking Financial Company (NBFC) that is required to comply with Ind AS.

Division II of Schedule III (applicable to non-NBFC corporates required to comply with Ind AS) has also been amended to include new presentation and disclosure requirements in respect of trade payables (i.e. relating to disclosure of dues to micro and small enterprises), trade receivables and loans receivable.

Certain amendments have also been made to Division I of Schedule III, applicable for companies preparing financial statements in accordance with Indian GAAP.

Click here for the notification >>

http://www.mca.gov.in/Ministry/pdf/NotificationScheduleIII_12102018.pdf



SEBI

Formats for publishing financial results - clarification

Pursuant to the certain amendments in Division I, Division II and Division III of Schedule III to the Companies Act, 2013 made by the MCA, vide notification dated 11 October 2018, Securities and Exchange Board of India (SEBI) has clarified about the applicability of formats for presentation of financial results as under:

- Listed entities to follow the existing formats till the quarter ended 31 December 2018.
- Entities shall follow amended formats for annual financial statement / quarter ending on or after 31 March 2019

Click here for the circulars issued by NSE and BSE:

https://www.bseindia.com/corporates/Displaydata.aspx?Id=2a1421a9-cf06-47b0-bb7c-a7a0a7171cc7&Page=cir

https://www.nseindia.com/content/equities/NSE_Circular_22112018.pdf

ICAI

Educational material on Ind AS 115, *Revenue from contracts with customers*

Ind AS 115 establishes the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Ind AS Implementation Group of ICAI has issued educational material on Ind AS 115. The educational material contains summary of key requirements in the standard and Frequently Asked Questions (FAQs) covering the issues which are expected to be encountered frequently while implementing the standard.

Click here for the educational material:

https://resource.cdn.icai.org/51388indas41073.pdf

Educational material on Ind AS 27, *Separate Financial Statements* and Ind AS 28, *Investments in Associates and Joint Ventures*

Ind AS 27 prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates in the separate financial statements and Ind AS 28 sets out how to determine if an investment is an associate and provides guidance on the use of equity method of accounting for investments in associates and joint ventures. The educational material on Ind AS 27 and Ind AS 28 contains summary of the key requirements in the standards and FAQs on issues frequently encountered in practice. Educational material also summarizes the clarifications issued by the ITFG on certain practice matters identified in the implementation of the Ind AS 27.

Click here for the educational material:

https://resource.cdn.icai.org/50756indas40425edmat.pdf

ICAI

Educational material on Ind AS 110, *Consolidated Financial Statements*

Ind AS 110 defines the principles of control, provides guidance on how to apply the principles of control in practice and explains the accounting requirements for preparing consolidated financial statements. The educational material contains a summary of the key requirements in the standard and also contains FAQs and illustrations on issues commonly encountered in practice.

Click here for the educational material:

https://resource.cdn.icai.org/53621asb43065.pdf

Educational material on Ind AS 103, *Business Combinations*

Ind AS 103 lays down the principles for accounting of business combinations. Appendix C to the standard establishes principles for accounting of businesses combination of entities or businesses under common control. The educational material summrises the key requirements in the standard and provides guidance on practical application of the standard in the form of FAQs.

Click here for the educational material:

https://resource.cdn.icai.org/49531indas39251.pdf

Educational material on Ind AS 111, *Joint Arrangements*

Ind AS 111 lays down the principles of how an entity, that is a party to a joint arrangement, determines the type of joint arrangement by assessing its rights and obligations and account for those rights and obligations in accordance with the type of joint arrangement. This educational material provides a summary of key requirements in the standard and also contains FAQs on issues that are commonly encountered in implementing the standard.

Click here for the educational material:

https://resource.cdn.icai.org/54124indas43413.pdf

ICAI

Ind AS Disclosure checklist 2018

The role and importance of disclosures in the financial statements have enhanced the role and responsibility of the auditors regarding financial statement disclosures to support their opinion on the financial statements as a whole. Disclosure requirements in Ind AS are voluminous, some are labelled as 'minimum' requirements and some standards set out the disclosure objective along with examples of the types of information that might meet the objective.

Ind AS Disclosure checklist is a compilation of all the disclosures required by Ind AS at one place. The publication presents a checklist of disclosure requirements under Ind AS. The disclosure checklist is based on Ind AS that are effective as on 1 April 2018, including disclosures required under Ind AS 115.

Click here for the disclosure checklist:

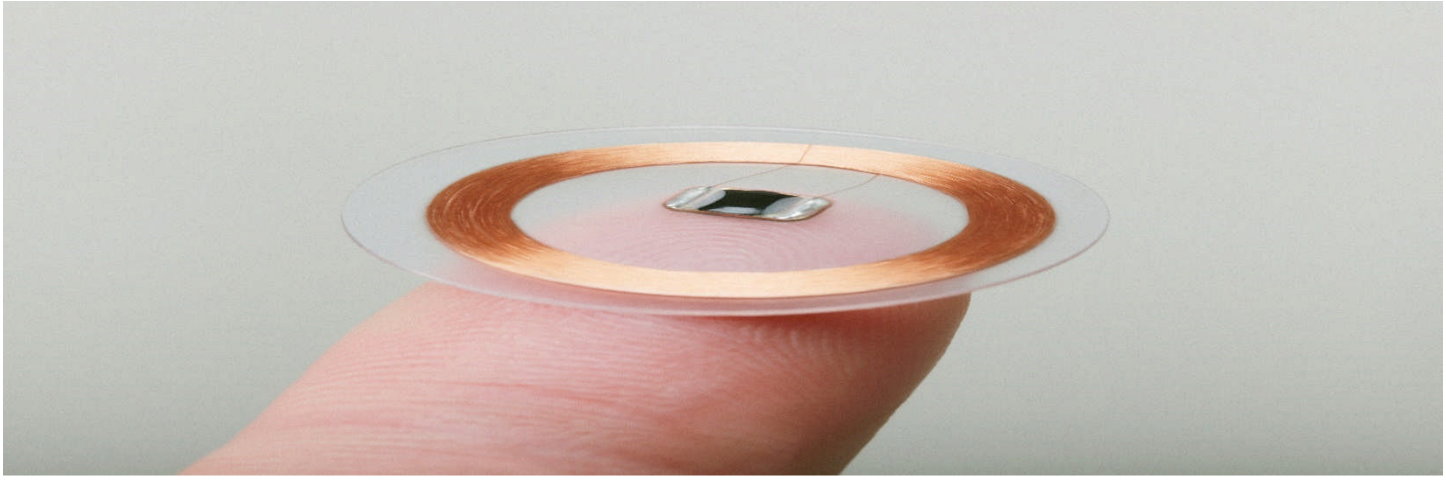
https://resource.cdn.icai.org/50819indas40481a.pdf

Ind AS (IFRS converged): Successful implementation (Impact Analysis and Industry Experience)

The Accounting Standards Board (ASB) of the ICAI has issued a publication on *Impact Analysis and Industry Experience* upon transition to Ind AS. Quantitative and qualitative impact study is primarily based on high level review of publicly available consolidated financial statements of randomly selected 170 listed companies, covered in first phase of Ind AS implementation roadmap. Quantitative analysis was focused on Ind AS transition impact on few key financial parameters whereas the qualitative analysis approach involved a broad view of disclosures relating to areas that were expected to materially change upon transition to Ind AS. The analysis also contains feedback from the stakeholders on the qualitative and quantitative impact.

Click here for the publication:

https://resource.cdn.icai.org/50820indas40481b.pdf



ICAI

Announcement for withdrawal of *the Guidance Note on Accounting for Real Estate Transactions* (for entities to whom Ind AS is applicable)

During May 2016, ICAI had issued the *Guidance Note on Accounting for Real Estate Transactions* (for entities to whom Ind AS is applicable). The guidance note was based on principles of Ind AS 11 and Ind AS 18. On issuance of Ind AS 115, Ind AS 11 and Ind AS 18 stand omitted. Accordingly, the Guidance Note also stands withdrawn from the date Ind AS 115 is effective.

Click here for the announcement:

https://www.icai.org/new_post.html?post_id=14815

Press Release – Implementation of Ind AS 115 in the context of real estate sector

In its press release, ICAI clarified that Ind AS 115 does allow recognition of revenue using Percentage of Completion Method (POCM). The standard contains explicit and specific requirements to recognise revenue, where performance obligation is satisfied over a period of time. Paragraphs 35-37 of Ind AS 115 explicitly permit recognition of revenue using POCM, where the performance obligation is satisfied over time.

Recognition of revenue as the construction progresses is possible considering the prevalent long established legal system/ jurisprudence in India, and facts and circumstances of individual case/contract. It may be noted that Paragraph 35(b) & (c) of Ind AS 115 are intended to address situations of real estate sector.

Click here for the announcement:

https://www.icai.org/new_post.html?post_id=14932

ICAI

Exposure draft of Definition of Business (Amendments to Ind AS 103, *Business Combinations*)

ASB of the ICAI has issued an exposure draft proposing amendments to the definition of a business in Ind AS 103. Proposed guidance provides that an acquisition should include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

It is no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. The amendment also provides for an 'optional test', where substantially all of the fair value of gross assets is concentrated in a single asset (or group of similar assets), the assets acquired would not represent a business.

The amendments are proposed to be effective for reporting periods beginning on or after 1 April 2020.

The exposure draft was open for comments till 6 April 2019.

Click here for the exposure draft:

https://resource.cdn.icai.org/54299asb43587indas103.pdf

Exposure draft on Definition of Material (Amendments to Ind AS 1 and Ind AS 8)

Exposure draft on amendments to Ind AS 1, *Presentation of Financial Statements and* Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies the definition of 'material'. The amendments are proposed to be effective for reporting periods beginning on or after 1 April 2020.

The exposure draft was open for comments till 6 April 2019.

Click here for the exposure draft:

https://resource.cdn.icai.org/54298asb43587indas8.pdf

Exposure draft on amendments to Ind AS 40, *Investment Property*

The exposure draft proposes to reinstate the fair value option thereby providing the entities an accounting policy choice to subsequently measure investment properties using either the cost model or the fair value model. The amendments are proposed to be effective for annual reporting periods beginning on or after 1 April 2020.

The exposure draft was open for comments till 11 July 2018

Click here for the exposure draft:

https://resource.cdn.icai.org/50496asb40212-5.pdf

ICAI

Exposure draft of Revised Guidance Note on Division II to Ind AS Schedule III

Corporate Laws and Corporate Governance Committee of the ICAI has issued an Exposure Draft of revised Guidance Note on Division II to Ind AS Schedule III. The objective of the Guidance Note is to provide guidance in the preparation and presentation of financial statements for companies adopting Ind AS. The disclosure requirements under Ind AS, Companies Act, 2013, other pronouncements of the ICAI, other statutes etc., would be in addition to the guidance provided in this guidance note.

The exposure draft is open for comments till 20 April 2019.

Click here for the exposure draft:

https://resource.cdn.icai.org/54822clcgc43966b.pdf

Compendium of Indian Accounting Standards

ICAI has issued first edition of the compilation of Indian Accounting Standards (Ind AS) titled Compendium of Ind AS, bounded in 2 volumes that covers notified Ind AS applicable as on 1 April 2018.

Click here for the compendium:

https://www.icai.org/post.html?post_id=15365

Ind AS Guidance Material

Ind AS are derived from IFRS standards issued by the IFRS foundation. Therefore, it is useful and appropriate to read Ind AS along with Implementation Guidance, Illustrative Examples and Basis for Conclusions which are part of the IFRS standards. ICAI has published Ind AS Guidance Material in two parts, i.e. Part B which contains the Implementation Guidance and Illustrative Examples to the IFRS standards and Part C which is the Basis for Conclusions for the IFRS standards.

Click here for Ind AS Guidance Material:

https://www.icai.org/post.html?post_id=15366

Indian Accounting Standards (Ind AS): An Overview (Revised 2018)

Following amendments to certain Ind AS and IFRS standards, Ind AS implementation Group has issued Ind AS: An Overview (Revised 2018) capturing all the recent amendments. The publication explains the approach to IFRS-converged Ind AS, provides a summary of Ind AS, highlights differences between Ind AS and IFRS standards with reasons and highlights various Ind AS implementation initiatives.

Click here for the publication:

https://resource.cdn.icai.org/50757indas40425indas.pdf

ICAI

Expert Advisory Committee (EAC) opinion – Prepayment Penalty

The EAC of the ICAI published an opinion on accounting for ‘prepayment penalty’ incurred on foreclosure of an existing loan and availment of a new loan under Ind AS.

The Committee opined that prepayment penalty is the transaction cost of extinguishment of the existing financial liability which is payable to the existing lender rather than the incremental cost of acquisition or issue of the new financial liability. Prepayment penalty is incurred to extinguish the existing liability to get the benefits due to lower interest cost on the new loan and not for availing the new financial liability.

Accordingly, the Committee opined that prepayment penalty cannot be considered as transaction cost of the new loan; rather should be treated as transaction cost of extinguishment of existing loan, which should be recognised as part of the gain or loss on extinguishment in the statement of profit and loss.

Click here for the opinion:

https://resource.cdn.icai.org/54208eac43482-25.pdf

EAC opinion - Provision for un-encashable Half Pay Leave (HPL)

The EAC published an opinion on the provision for HPL under Ind AS. In the fact pattern, HPL are encashable by executives on superannuation to the extent of the privilege leave to their credit, falling short of a specified maximum limit. The benefit of HPL encashment on superannuation has not been extended to the non-executives employees.

The Committee opined that irrespective of whether un-encashable accumulating HPL is classified as ‘short-term employee benefits’ or as ‘other long-term employee benefits’, a provision for HPL shall be provided as per the requirements of AS 15, *Employee Benefits*/ Ind AS 19. The provision shall be reviewed at each reporting date to recognise the effects of changes in estimates.

Click here for the opinion:

https://resource.cdn.icai.org/52376cajournal-nov18-8.pdf

ICAI

EAC opinion - Treatment of principal and interest on disputed amounts

Entity has legal cases pending before various authorities, which are disclosed as contingent liabilities in the financial statements. Entity has not disclosed the interest payable on the disputed amount as contingent liabilities. There is no demand for interest from the statutory authorities.

The Committee opined that the entity should assess whether there is a present or possible obligation towards the demand raised by various judicial authorities. If it is considered probable that a present obligation exists at the balance sheet date and the said obligation will be settled, of which a reliable estimate can be made, the entity should recognise a provision for the demand raised. However, if it is considered that the recognition criteria for making a provision has not been met, then the entity should disclose the same as a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

Entity shall also consider all facts and circumstances available on the balance sheet date such as past decisions taken by the taxation and judicial authorities in similar cases, etc., to decide as to whether the interest liability that may arise in respect of cases pending before various authorities is required to be computed and disclosed as a contingent liability or not.

Click here for the opinion:

https://resource.cdn.icai.org/52893cajournal-dec18-9.pdf

EAC opinion - Amortisation of goodwill under Ind AS

Under Indian GAAP, entity recognised goodwill on acquisition of subsidiaries and jointly controlled entities in its consolidated financial statements. Entity was amortising goodwill under Indian GAAP. On transition to Ind AS, the company availed the business combination exemption available under Ind AS 101, *First-time adoption of Indian Accounting Standards* and continued with the previous Indian GAAP carrying value of the goodwill.

The committee opined that the carrying amount of goodwill (arising on consolidation of subsidiary or jointly controlled entities under Indian GAAP) on the date of transition cannot be amortised under Ind AS. The carrying amount of goodwill or goodwill acquired under business combination will have to be tested for impairment periodically.

Click here for the opinion:

https://resource.cdn.icai.org/50383cajournal-june18-7.pdf

ICAI

EAC opinion – Accounting for interest-free subordinated loan from a Parent upon transition

Parent provided funds by way of interest-free loan to its subsidiary. Subsidiary also availed loans from a consortium of banks. The interest-free loan is repayable after repayment of loans from banks. The loan from the Parent is outstanding on the date of transition to Ind AS.

The EAC opined that the difference between the fair value and transaction price of the interest-free subordinated debt at the date of initial recognition should be taken to other equity. Interest expense from the date of initial recognition of liability till Ind AS transition date, which would have been recognised using effective interest rate method, should be debited to retained earnings as of date of transition to Ind AS.

Click here for the opinion:

https://resource.cdn.icai.org/51120cajournal-august18-9.pdf

EAC opinion – Disclosure of impairment loss on long-term loans as an exceptional item

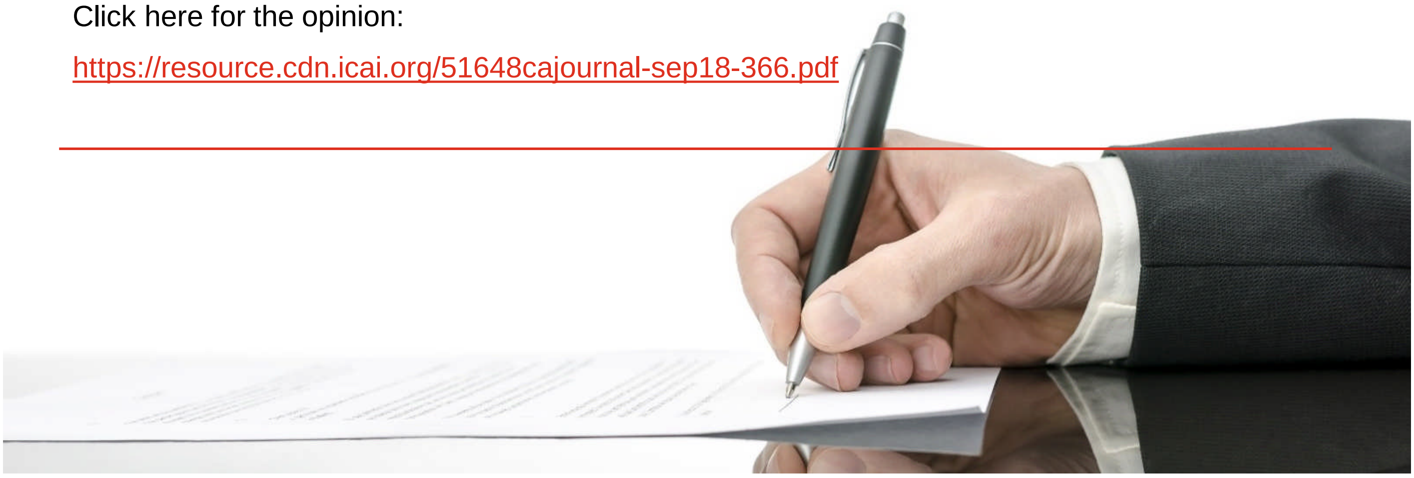
Entity recognised an impairment loss on equity investments made in a joint venture in its separate financial statements. The impairment loss has been disclosed as an 'exceptional item' on the face of the statement of profit and loss. The amount of impairment loss is material and is not expected to occur regularly.

Committee opined that, assuming the impairment loss is material and expected not to occur regularly, presentation of impairment loss on long term equity investments as an exceptional item is appropriate. Entity shall also provide the disclosures required in accordance with Ind AS 36, *Impairment of Assets.*

Mere possibility that the provision for impairment losses can be reversed in future, as and when the financial condition of the joint venture will improve, does not preclude its classification as an exceptional item.

Click here for the opinion:

https://resource.cdn.icai.org/51648cajournal-sep18-366.pdf



ICAI

EAC opinion - Temporary income in relation to construction contract

Entity undertakes construction of warships. Entity is entitled to a price which is spread over 10-12 milestones. Funds received during the initial period result in a temporary surplus, which are deployed in short term fixed deposits. Entity earns interest income on the short term fixed deposits.

Committee opined that, revenue arising from use by others of entity's assets yielding interest should be recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. In this case, it is probable that the interest income will flow to the entity and the same can be measured reliably. Accordingly, the company should recognise the interest earned on such advance fee as its income.

Classification of an item as "other operating revenue" or "other income" is a matter of judgement, considering the nature of activity an entity is engaged in. Accordingly, in this instance, committee opined that interest income from temporary investments shall be classified as "other income" and not as "other operating revenue".

Click here for the opinion:

https://resource.cdn.icai.org/54197eac43482-14.pdf

ICAI

EAC opinion – Applicability of Expected Credit Losses (ECL) to dues from Government Undertakings

Entity is primarily engaged in business with Government Undertakings. Entity has an extended collection period for its trade receivables due from Government Undertakings.

Committee opined that impairment requirement of Ind AS 109 is mandatory. No exemption is available from recognising and measuring impairment loss using the ECL method where the amounts are due from Government Undertakings.

Click here for the opinion:

https://resource.cdn.icai.org/51886cajournal-oct18-8.pdf

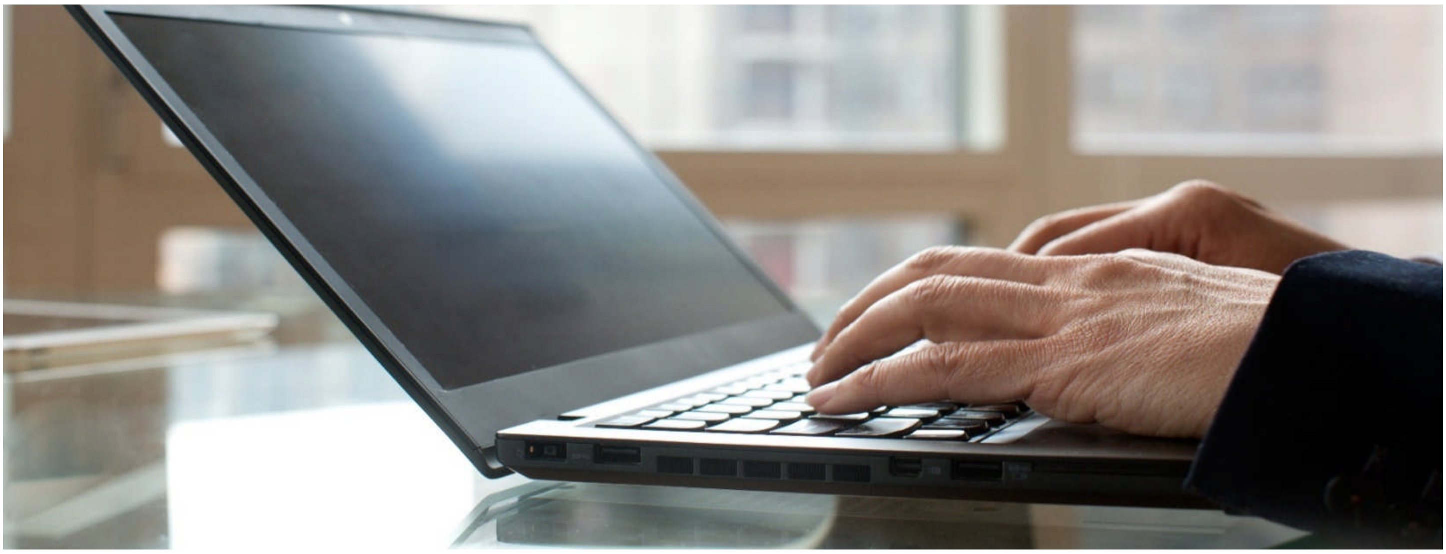
EAC opinion – Accounting for free-of-cost land provided by a customer

Entity is engaged in the business of setting up CNG stations for supply of gas to its customers. At one of the CNG stations, customer has provided land free-of-cost for laying the pipelines up to the station area. CNG gas from the station shall be provided only to the buses belonging to the customer. Ownership of the land remains with the customer.

Committee opined that only right to use the land for limited purposes of supplying gas to buses has been transferred to the entity. Entity can use the land only for setting up CNG station and not for any other purpose such as, exchange, lease, use it to settle liability, or to distribute it to owners etc. Therefore, entity does not control the land transferred to it by the customer and accordingly it cannot recognise land as a free-of-cost asset. Further, land provided by the customer in the extant case cannot be treated as a government grant / assistance. Appropriate disclosures should be made in the notes to the financial statements in this regard.

Click here for the opinion:

https://resource.cdn.icai.org/53826cajournal-feb19-8.pdf



ICAI

EAC opinion – Recognition and measurement of provision for wage revision

Wage revision for entity's executive and non-executive level employees is due from 1 January 2017. Salary revision for executives is subject to affordability condition as issued by the Department of Public Enterprises (DPE) i.e. linked to the performance of the entity. Salary revision for non-executive employees is subject to the condition that pay scales of the non-executives should not exceed the pay scales of executives at any grade.

Committee opined that Ind AS 19 does not provide guidance on when the employee benefits should be considered as expected to be paid. Further, the Framework for preparation and presentation of Financial Statements also does not provide guidance on when a present obligation is considered to exist. In the absence of detailed guidance in Ind AS 19 and the Framework, entity should consider the requirements of Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets. Entity shall determine whether the provision for wage revision is required to be recognised or be disclosed as a contingent liability by applying the requirements of Ind AS 37.

Click here for the opinion:

https://resource.cdn.icai.org/54697cajournal-apri19-10.pdf

EAC opinion – Accounting for Funded Interest Term Loan (FITL)

Entity adopted Ind AS from F.Y. 2016-17. Entity had taken loans from B Ltd, a Government Undertaking which is also a 26% shareholder of the entity from 2002-03 to 2007- 08. During this period, entity was unable to pay interest on the loan. An agreement was signed with B Ltd in 2009, as per which B Ltd converted the unpaid interest into a FITL. FITL was interest free and had to be repaid in instalments as per the stipulated schedule.

Committee opined that a first time adopter shall not apply the de-recognition requirements of Ind AS 109 retrospectively. Therefore, the entity is not required to reassess whether de-recognition of old term loan and the interest accrued and due thereon and the recognition of a new term loan (including the interest free FITL) upon modification of the contractual terms is appropriate under Ind AS. Entity is required to determine the fair value of FITL on the date of financial restructuring, as its initial recognition amount. If B Limited is acting in the capacity as a shareholder, then the difference between the nominal amount and initial recognition amount of FITL shall be recognised in equity. Benefit of interest free loan provided by B Ltd is not in the nature of a government grant or assistance.

Click here for the opinion:

https://resource.cdn.icai.org/54324cajournal-mar19-12.pdf

ICAI

FAQ on accounting treatment of increase in liability due to enhancement of the gratuity ceiling

Facts:

The Accounting Standard Board of the ICAI issued a FAQ on accounting treatment of increase in liability on account of enhancement of the gratuity ceiling from INR 10 lakh to INR 20 Lakh due to the Payment of Gratuity (Amendment) Act 2018.

Query:

ABC Ltd. is covered by the Payment of Gratuity Act, 1972, which is required to pay gratuity to its employees. Due to amendment in the aforesaid Act, there is a substantial increase in the liability of the company. Is there any exemption or relief available to the company under Accounting Standards with regard to the accounting treatment of such increase in the liability?

Response:

The gratuity benefit is an employee benefit and accordingly any increase in company's liability due to enhancement of the gratuity ceiling from INR 10 Lakh to INR 20 Lakh would be accounted for as per the principles of AS 15 or Ind AS 19, as the case may be.

The effect of above type of amendments need to be dealt with reference to accounting treatment of past service costs considering the definition of past service cost in AS 15 and Ind AS 19.

The FAQ opined that the increase in liability arising due to enhancement of gratuity ceiling from INR 10 Lakh to INR 20 lakh falls within the definition of past service cost. Neither AS 15 nor Ind AS 109 provide any exemption/one time relief with regard to the accounting treatment of increase in liability arising on account of past service cost.

Accordingly, ABC Ltd. is required to account for any increase in the liability on account of increase in gratuity ceiling as expense as per the requirements of the relevant applicable standard.

Click here for the FAQ: https://resource.cdn.icai.org/50220asb39816.pdf

Refer to our publication - PwC ReportingInbrief – Payment of Gratuity (Amendment) Act, 2018 >>> https://www.pwc.in/assets/pdfs/publications/2018/pwc-reportinginbrief-payment-of-gratuity-amendment-act-2018.pdf

ICAI

IFRS convergence status

The ICAI has issued the updated version of the IFRS Convergence status of Ind AS on 31 March 2019.

Click here for the convergence status >>

https://resource.cdn.icai.org/54758asb43889.pdf

ITFG

Where it is concluded that an incentive receivable under a Government scheme is in the nature of a financial asset, entities need to consider recognition, measurement, presentation and disclosure requirements applicable to financial assets in accordance with Ind AS 109 and Ind AS 107, Financial Instruments: Disclosures.

Bulletin 15 Clarifications

- In determining the fair value of the liability component of a compound financial instrument with an equity conversion option, all the contractually determined future cash flows under the instrument shall be discounted at the market rate of interest prevailing at the time of issue. The discount rate shall be comparable to the instrument with respect to currency, time period, credit status and cash flows, but without the equity conversion option.
- Non-cumulative mandatorily redeemable preference share where payment of dividend is at the discretion of the issuer is a compound financial instrument. On initial recognition, fair value of the liability component is determined by discounting the eventual redemption amount using a market rate of interest. The residual amount represents the equity component. Furthermore, discretionary dividends will be recognised when they are declared and paid and are attributable to the equity component.
- Incentives receivable under a government scheme is a financial asset to be recognised in accordance with Ind AS 109, provided an entity has complied with the conditions attached to the scheme. An understanding between the government and the entity that on complying with the stipulated conditions under the scheme, the entity will be granted incentives constitutes a 'contract' in accordance with Ind AS 32, *Financial Instruments: Presentation*.
- Applicability of Ind AS to an entity having net worth less than INR 250 crores as on 31 March 2017 in the following scenarios:
    - i. The entity began the process of listing at the beginning of financial year 2017-18 and gets listed as at the end of the year: It shall be required to prepare its financial statements in accordance with Ind AS from 2017-18.
    - ii. The entity is de-listed during the financial year 2017-18: It shall prepare its financial statements in accordance with Ind AS since it was listed as at the beginning of the year.
    - iii. The entity began the process of listing during the financial year 2017-18 and may or may not get listed by the year end: It shall comply with Ind AS from that financial year, irrespective of whether the listing is completed by the year end.
    - iv. The entity issues debentures which were listed during financial year 2017-18. These debentures were delisted during the same financial year. Entity would not be required to comply with Ind AS since the entity did not have the status of a listed entity both at the beginning and at the end of the year.

ITFG

Bulletin 15 Clarifications - Contd…

- From the time a Non-Banking Finance Company (NBFC) ceases to carry on the activities of a NBFC, it shall determine the applicability of Ind AS following the roadmap as applicable to a Non-NBFC company. Roadmap applicable to a Non-NBFC company shall be followed even if the entity's application for termination of membership is in the process with the SEBI.
- If an entity has not taken exemption under Ind AS 101 of not restating past business combinations, the entity will be required to retrospectively apply the requirements of Ind AS 103. The requirements of Appendix C to Ind AS 103 shall also be applied retrospectively to past business combinations under common control.
- Interest free refundable security deposits shall be discounted and measured at their present value on initial recognition. Rate of interest to be used for the purpose of discounting shall be determined considering the prevailing market rate of interest for a similar instrument with a similar credit rating.
- Lessor shall recognise land given on finance lease as a receivable at an amount equal to the net investment in the lease. If the entire lease rentals are received upfront there will be no receivable.
- Amounts outstanding towards retired partners' capital in a partnership firm are in the nature of financial liabilities repayable on demand. Such amounts outstanding are not required to be discounted both on initial recognition and subsequent measurement.
- Investors (other than the parent) and fellow subsidiaries of an entity would not be required to mandatorily adopt Ind AS for their statutory reporting, merely because the entity meets the net worth or the listing criteria in the Ind AS roadmap and is therefore required to prepare its financial statements in accordance with Ind AS.

Click here for the ITFG bulletin 15:

https://resource.cdn.icai.org/49554indas39277.pdf

Refer our publication *PwC ReportingInbrief – ITFG Bulletin 15, on this topic >>*
https://www.pwc.in/assets/pdfs/publications/2018/pwc-reportinginbrief-ind-as-transition-facilitation-group-itfg-clarification-bulletin-15.pdf

ITFG

Bulletin 16 clarifications

1. When a subsidiary provides a financial guarantee to a bank in respect of a loan availed by its parent without charging any guarantee fee or commission, the economic substance of the arrangement is that the subsidiary has effectively made a distribution to parent. In the separate financial statements, the subsidiary should initially recognise the financial guarantee obligation at fair value with a corresponding debit to equity. The financial guarantee should be subsequently measured at the higher of the expected credit loss determined in accordance with Ind AS 109 and the amount initially recognised (i.e. fair value) less any cumulative amount of income recognised in accordance with Ind AS 18 / Ind AS 115. The parent shall in its separate financial statements, credit the fair value of the guarantee to profit or loss (unless the distribution clearly represents a recovery of part of the cost of the investment measured at fair value through other comprehensive income) with a corresponding debit to the carrying amount of the loan. Such adjustment to the loan would have the effect of the fair value of guarantee being included in determination of effective interest rate on the loan.
2. Where a parent has provided a financial guarantee to a bank in respect of a loan availed by its subsidiary without charging any guarantee fee or commission and the subsidiary repays the loan before its tenure, the unamortised guarantee obligation outstanding in the books of the parent should be recognised in profit or loss.
3. Interest and penalty payable under Section 234A/B/C of the Income-tax Act; 1961 is not based on the taxable profit of an entity (but are based on the current tax liability of an entity). Accordingly, these payments are not in the nature of income taxes within the meaning of IAS 12, *Income Taxes* or Ind AS 12 and should not be clubbed with current tax for presentation purposes. Other interest and penalties under the Income-tax Act; 1961 are also generally not expected to qualify as income taxes. As per the Guidance Note on Division II- Ind AS Schedule III to the Companies Act, 2013 (the ‘Guidance Note’) issued by ICAI, interest and penalties which are compensatory in nature shall be presented as ‘interest expense’ and other penalties as ‘other expenses’.

ITFG

Bulletin 16 clarifications – Contd…

4. Where there is an assignment of a loan from bank to asset reconstruction company (ARC), the borrower should assess whether there is a legal release of its primary liability to the bank. If it is so concluded, then the existing loan is extinguished. In such case, the original loan from bank is derecognised and a new loan from ARC is recognised at fair value. The difference between the fair value of the new loan recognised and the carrying amount of original loan derecognised is recognised in profit or loss. If the change in lender does not result in legal release of the borrower from its primary liability to the bank, the borrower needs to consider whether there is substantial modification of the terms of the original liability. A substantial modification of the terms is accounted as an extinguishment of the financial liability. The terms are considered to be substantially different if the present value of the cash flows under the new terms discounted using the original effective interest rate is different from the carrying amount of the original liability by 10% or more. Where the difference is below the threshold of 10%, a qualitative test may be required to be carried out to determine whether modifications of the terms that are not captured by the quantitative analysis are substantial.
5. Investment made by an entity in units of money-market mutual funds (MMFs) would generally not meet the definition of 'cash equivalent' as per Ind AS 7, *Statement of Cash Flows* since value of MMFs keeps changing due to changes in interest rates. Accordingly, the amount of cash that will be received from redemption or sale of units may not be known at the time of the initial investment and the value of such units may be subject to a more than insignificant risk of change during the investment period.

Ind AS 109 requires an entity to de-recognise an existing financial liability and recognise a new financial liability if the difference between present value of the new cash flows (after modification of the terms) and present value of the remaining cash flows of the original liability using the original effective interest rate is more than 10%. The standard is not clear on whether the quantitative analysis (described above) is the definition of 'substantially different', or whether it is only an example such that a broader analysis that considers qualitative factors can also be performed. The ITFG has clarified that where present value of the new cash flows under the new terms is different from the present value of the remaining cash flows of the original liability by less than 10%, a qualitative assessment may be required to be performed to determine whether the modification of the terms that are not captured by the quantitative analysis are substantial.

ITFG

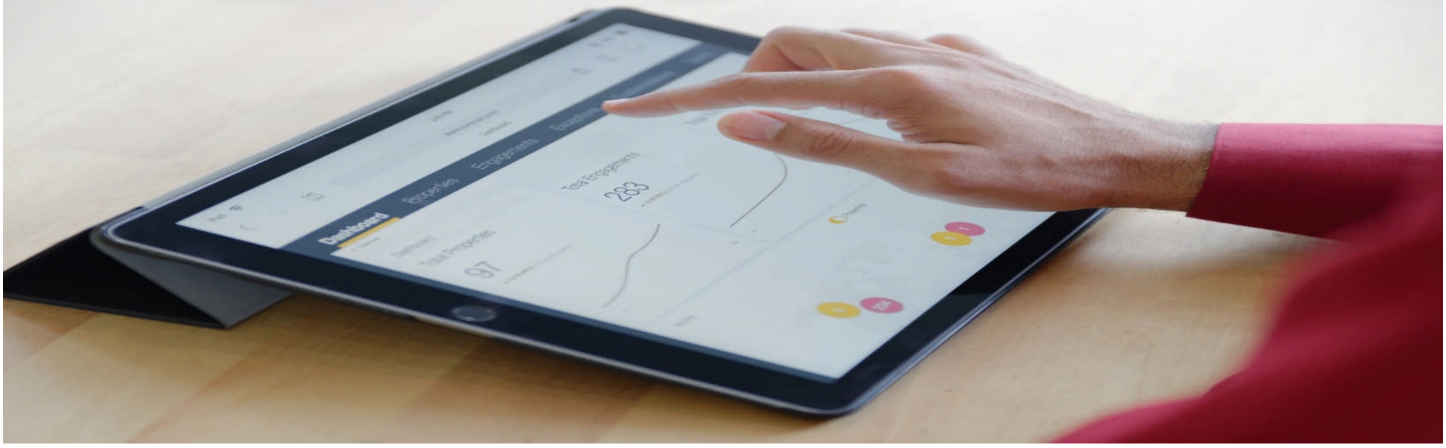
Bulletin 16 clarifications – Contd…

6. Demerger of business from parent to its subsidiary after the transition date to Ind AS shall be accounted by the subsidiary (acquirer) as common control business combination as per Appendix C of Ind AS 103 i.e. as per pooling of interest method. Where the accounting treatment of demerger is approved by the court/tribunal in the scheme of demerger, the accounting approved by the court/tribunal needs to be followed. If the accounting treatment approved by the court/NCLT is not in accordance with Ind AS, the financial statements of acquirer (i.e. the subsidiary in this case) should include appropriate disclosures with respect to such deviation.
7. Classification of lease of land as finance or operating lease depends on the indicators for classification of lease provided in Ind AS 17, *Leases*. Where a lessee pays a nominal amount for lease of land and a large lump sum amount for use of common infrastructure facilities of a textile park, the lump sum amount paid includes an element towards lease of land. An entity (lessee) needs to assess whether the common infrastructure facilities are essential to utilise the right in relation to lease of land such as access roads. If it is concluded in the affirmative, then the right to use both land and common infrastructure facilities is accounted as a single set of right, unless the terms of the agreement such as tenure, renewal option in respect of land and common infrastructure facilities are different. Further, if it is concluded that textile park is providing services in the form of common infrastructure facilities, the upfront payment needs to be split between the minimum lease payments (MLPs) towards lease of land and prepayment for future services. The amount allocated to MLPs towards lease of land has to be considered for the purpose of determining the classification of lease of land as operating or finance lease as per Ind AS 17.

Click here for the bulletin >>>

https://resource.cdn.icai.org/51647indas41303.pdf

Refer to our publication - PwC ReportingInbrief – ITFG bulletin 16 on this topic >>
https://www.pwc.in/assets/pdfs/publications/2018/reportinginbrief-itfg-clarification-bulletin-16.pdf



ITFG

Bulletin 17 clarifications

1. MCA notified the Companies (Indian Accounting Standards) Second Amendment Rules, 2018 (the 'Rules') on 20 September 2018. The Rules are effective for annual periods beginning on or after 1 April 2018. Among other matters, the Rules amended Ind AS 20 to allow entities the option to record non-monetary government grants at a nominal amount. Prior to the Rules, Ind AS 20 required non-monetary government grants (both grant and asset) to be accounted for at fair value only. Accordingly, an entity transitioning to Ind AS in FY 2018-2019 i.e. a first-time adopter of Ind AS, which had accounted the non-monetary government grant at nominal amount under previous Indian GAAP, can measure such non-monetary government grant on the date of transition to Ind AS at nominal amount or fair value. For an entity which is not a first-time adopter of Ind AS, a change in accounting of non-monetary government grant from fair value to nominal amount, would be a voluntarily change in accounting policy since the Rules do not contain any transition provision. As per Ind AS 8 such voluntary change in accounting policy is only permitted when the change results in the financial statements providing a reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.
2. Where preference shares issued by an entity are classified as liability, dividend payable thereon is in the nature of interest and should be recognised in profit or loss in accordance with the effective interest method. The dividend distribution tax (DDT) payable on such preference dividend should be considered in determination of effective interest rate (EIR) of the preference shares.
3. Benefit received by a software technology park (STP)/ special economic zone (SEZ) unit in the nature of exemption from payment of taxes and duties levied by government on import/export of goods upon fulfilment of certain conditions is a government grant. The classification of such government grant as 'asset' or 'income' related government grant will require exercise of judgement and examination of the facts, objective and conditions attached to the scheme of grant. The purpose of the grant and the costs for which the grant is intended to compensate would also need to be assessed.
4. Subsequent measurement of a financial asset (debt instrument) at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) depends upon entity's business model for managing the financial asset and the contractual cash flows characteristics of the financial asset. Income from a financial asset subsequently measured at amortised cost or FVOCI is recognised using EIR method, irrespective of the legal form of income (interest or dividend). Depending upon the business model and the contractual cash flows characteristics test, if such preference shares are subsequently measured at amortised cost or FVOCI, then dividend income on such preference shares is recognised using EIR method.

Bulletin 17 clarifications – contd…

5. When an investor acquires a control or joint control or significant influence over an investee, Ind AS 103 or Ind AS 28 requires goodwill or bargain purchase gain/capital reserve to be identified based on the fair value (and not book value) of the identifiable assets and liabilities of the investee as at the acquisition date. The fair value of the identifiable assets and liabilities of the investee on acquisition date is the cost of such assets or liabilities for the investor. Accordingly, appropriate adjustment arising out of fair valuation of assets/liabilities impacting profit or loss of the investee should be made by investor. For example, depreciation of investment property of investee shall be based on its fair value at acquisition date. The above requirement of Ind AS 103/ Ind AS 28 to measure identifiable assets and liabilities of investee at fair value in the financial statements of the investor do not contradict with other Ind AS such as Ind AS 40 that require cost-based measurement in the financial statements of the investee.
6. Supply of electricity by subsidiary (sole distributor of electricity in a specific geographical area) to parent is a 'related part transaction' that would attract the disclosures of Ind AS 24, *Related Party Disclosures*. The disclosures of Ind AS 24 are required for such transaction, notwithstanding the fact that parent is charged electricity tariffs as determined by an independent rate-setting authority i.e. the terms of supply of electricity are at par with those applicable to other customers. Ind AS 24 does not exempt an entity from disclosing related party transactions merely because they have been carried out on arm's length basis. If the parent-subsidiary relationship did not exist and the only relationship between the entities was that of a supplier and a customer of electricity, then such parties are not considered as related parties as per Ind AS 24.
7. As per Ind AS 32, a derivative is a financial liability if it 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. A derivative that will be settled by the issuer only by exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments is classified as 'equity'. This is commonly referred to as the 'fixed for fixed' requirement. The term 'fixed amount of cash' refers to an amount of cash fixed in functional currency of the reporting entity. Since, an amount fixed in a foreign currency has the potential to vary in terms of functional currency of the reporting entity due to exchange rate fluctuations, it does not represent "a fixed amount of cash". Ind AS 32 provides the following two exceptions to the 'fixed for fixed' requirement where the variation is due to foreign currency:
    i. Rights issue to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights issue pro rata to all of its existing owners of the same class of its own equity instruments.

ITFG

Bulletin 17 clarifications – contd…

ii. Equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of the entity's own equity instruments is an equity instrument if the exercise price is fixed in any currency. This exception is a carve-out from IAS 32, *Financial Instruments: Presentation* issued by International Accounting Standards Board (IASB). This exception cannot be applied by analogy to equity conversion options embedded in other types of financial instruments denominated in a foreign currency such as preference shares.

8. An entity issues preference shares denominated in its own functional currency. The preference shares carry discretionary non-cumulative dividend of 12% per annum and are convertible at the option of the holder at any time during the term into fixed number of equity shares of the entity. The holder of the preference shares also has an option to put the preference shares back to the entity at any time for the par amount. Accordingly, the preference shares is a compound financial instrument containing both liability component (representing the redemption feature in cash) and equity component (representing the discretionary dividend and holder's equity conversion option) from issuer's perspective. Ind AS 113, *Fair Value Measurement* states that fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid. Since the entity has a contractual obligation to pay the par amount at any point in time at the option of the holder, preference shares represent a financial liability with a demand feature. Accordingly, the entire issue proceeds of the preference shares is allocated to the liability component and no amount is assigned to equity component.

9. Presentation of interest payable on delayed payment of taxes levied by local authority ('local taxes') depends upon whether the interest is compensatory in nature for time value of money or penal in nature. This requires exercise of judgement based on evaluation of facts of the case. If it is concluded that interest is compensatory in nature, then it shall be classified as 'finance cost'. If interest is penal in nature, then it shall be classified as 'other expenses'.

10. Under the Income-tax Act, 1961, the conversion of capital asset into stock-in-trade is taxable in the year of sale of stock-in-trade and not in the year of conversion. Accordingly, no current tax liability arises in the year of conversion. A deductible temporary difference exists where the asset is carried at historical cost in the books but its tax base is indexed i.e. adjusted for inflation. Deferred tax asset on such deductible temporary difference should be recognised, provided the recognition criteria of Ind AS 12 is met. The difference between the asset's indexed cost and its fair value on the date of conversion does not meet the definition of temporary difference as per Ind AS 12 and accordingly, no deferred tax has to be recognised for such difference.

Click here for the bulletin >> https://resource.cdn.icai.org/53225indasitfg42666.pdf

Refer to our publication - PwC ReportingInbrief – ITFG bulletin 17 on this topic >> https://www.pwc.in/assets/pdfs/research-insights/2019/pwc-reportinginbrief-ind-as-transition-facilitation-group-itfg-clarification-bulletin-17.pdf

ITFG

ITFG in its Bulletin 11 had clarified that non-corporate entities are required to follow accounting standards issued by the ICAI. Such entities cannot adopt Ind AS even voluntarily. Therefore Ind AS is not applicable to partnership firms, LLPs and other forms of non-corporate entities.

Bulletin 18 clarifications

1. A first-time adopter who upon transition to Ind AS chooses to continue with the policy adopted under Indian GAAP to account for exchange differences arising from translation of long-term foreign currency monetary items shall not be permitted to apply paragraph 6(e) of Ind AS 23 to that part of exchange differences arising on long-term foreign currency monetary items that can be considered as an adjustment to interest cost.
2. A parent shall recognise tax credit for Dividend Distribution Tax (DDT) paid by the subsidiary in the consolidated financial statements in the period in which it receives dividend, provided the parent reasonably expects at the reporting date that it would be able to avail the tax credit in respect of DDT paid by the subsidiary.
3. At initial recognition, a subsidiary shall recognise the difference between the loan amount and fair value of an interest-free loan from its parent as an equity infusion by directly crediting to equity.
4. Accounting for business combinations effected through a Court or National Company Law Tribunal (NCLT) approved schemes:
    - Where business combination occurs on or after the date of transition by an entity to Ind AS, the accounting treatment prescribed under the scheme would override the requirements of Ind AS 103; and
    - Where business combination occurred before the date of transition to Ind AS, it has to be evaluated whether the scheme approved by the relevant authority does not preclude restatement upon transition to Ind AS. Restatement is permissible subject to complying with the conditions laid down in this behalf in Ind AS 101.
5. Ind AS shall not be applicable to a Limited Liability Partnership (LLP). This would be equally applicable even if the LLP was established as a corporate entity and had adopted Ind AS, prior to its date of conversion into a LLP.

Click here for the bulletin >>

https://resource.cdn.icai.org/54022indas43379.pdf

Refer to our publication - PwC ReportingInbrief – ITFG bulletin 18 on this topic >>
https://www.pwc.in/assets/pdfs/research-insights/2019/pwc-reportinginbrief-ind-as-technical-facilitation-group-itfg-clarification-bulletin-18.pdf

Publications

We have summarised our Ind AS publications issued during the year, which you may find useful while preparing the 31 March 2019 Ind AS financial Statements.

PwC ReportingInbrief - ITFG Bulletin 15

This InBrief provides an overview of the clarifications issued by the ITFG in its bulletin 15 and our insights on these clarifications and related interpretative issues.

https://www.pwc.in/research-insights/2018/pwc-reportinginbrief-ind-as-transition-facilitation-group-itfg-clarification-bulletin-15.html

PwC ReportingInbrief - ITFG Bulletin 16

This InBrief provides an overview of the clarifications issued by the ITFG in its bulletin 16 and our insights on these clarifications and related interpretative issues.

https://www.pwc.in/assets/pdfs/publications/2018/reportinginbrief-itfg-clarification-bulletin-16.pdf

PwC ReportingInbrief - ITFG Bulletin 17

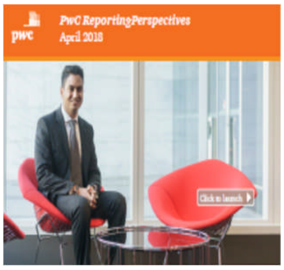
This InBrief provides an overview of the clarifications issued by the ITFG in its bulletin 17 and our insights on these clarifications and related interpretative issues.

https://www.pwc.in/assets/pdfs/research-insights/2019/pwc-reportinginbrief-ind-as-transition-facilitation-group-itfg-clarification-bulletin-17.pdf

PwC ReportingInbrief - ITFG Bulletin 18

This InBrief provides an overview of the clarifications issued by the ITFG in its bulletin 18 and our insights on these clarifications and related interpretative issues.

https://www.pwc.in/assets/pdfs/research-insights/2019/pwc-reportinginbrief-ind-as-technical-facilitation-group-itfg-clarification-bulletin-18.pdf

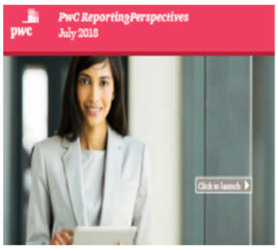


PwC Reporting Perspectives – April 2018

Our quarterly newsletter covers the latest developments in financial reporting as well as other regulatory updates.

https://www.pwc.in/research-insights/2018/pwc-reportingperspectives-april-2018.html

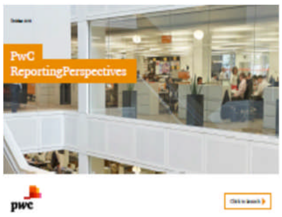
Publications



PwC Reporting Perspectives – July 2018

Our quarterly newsletter covers the latest developments in financial reporting as well as other regulatory updates.

https://www.pwc.in/research-insights/2018/pwc-reportingperspectives-july-2018.html



PwC Reporting Perspectives – October 2018

Our quarterly newsletter covers the latest developments in financial reporting as well as other regulatory updates.

https://www.pwc.in/research-insights/2018/pwc-reportingperspectives-october-2018.html

PwC Reporting Perspectives – January 2019

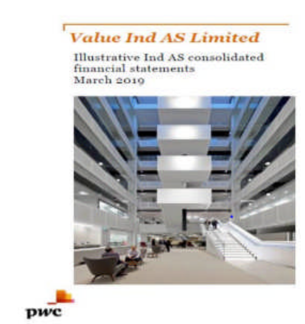
Our quarterly newsletter covers the latest developments in financial reporting as well as other regulatory updates.

https://www.pwc.in/assets/pdfs/research-insights/2019/pwc-reportingperspectives-january-2019.pdf

PwC ReportingInbrief - Companies (Indian Accounting Standards) Amendment Rules, 2018

This InBrief provides an overview of the amendments to Ind AS in accordance with the Ind AS amendments rules, 2018.

https://www.pwc.in/assets/pdfs/publications/2018/pwc-reportinginbrief-companies-indian-accounting-standards-amendment-rules-2018.pdf



Illustrative Ind AS consolidated financial statements for the year ended 31 March 2019

The illustrative provides presentation and disclosures to be made by Companies in preparing their Ind AS compliant financial statements for the year ended 31 March 2019. This version of the illustrative also includes disclosures required to be provided by entities adopting Ind AS 115 from 1 April 2018.

https://www.pwc.in/assets/pdfs/services/accounting-advisory/value-ind-as-limited-march-2019.pdf

Publications

A study on the impact of lese capitalisation

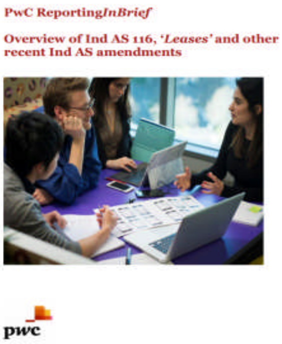
This publication summarises results of our study assessing at a high-level impact on adoption of Ind AS 116 on the financial statements of Companies.

https://www.pwc.in/assets/pdfs/services/accounting-advisory/a-study-on-the-impact-of-lease-capitalisation.pdf

PwC ReportingInbrief - Amendments to Ind AS 20

This InBrief provides an overview of the amendments to Ind AS 20 pursuant to the Companies (Ind AS) second amendment rules, 2018.

https://www.pwc.in/research-insights/2018/reportinginbrief-amendments-to-ind-as-20.html



PwC ReportingInbrief – Overview of Ind AS 116, *Leases* and Other recent Ind AS amendments

This Inbrief provides an overview of the disclosures expected in the financial statements of Companies for the year ended 31 March 2019 regarding impact of adoption of Ind AS 116 and other recent amendments to the Ind AS standards.

https://www.pwc.in/assets/pdfs/research-insights/2019/pwc-reportinginbrief-overview-of-ind-as-116-leases-and-other-recent-ind-as-amendments.pdf

IFRS publications


December year-end accounting reminders – IFRS

December 2018 year-end accounting reminders - IFRS

This publication summarises the key developments in IFRS.

https://www.pwc.com/gx/en/audit-services/ifrs/publications/pwc-ifrs-year-end-accountng-reminder-dec-2018.pdf

Key takeaways

During the year ended 31 March 2019, there have been a number of updates, guidance and clarifications issued by various regulators to help preparers with the practical application of the Ind AS. In this publication, we have attempted to summarise various Ind AS developments during year ended 31 March 2019. The publication incorporates important updates till 17 April 2019.

We hope you find this publication informative and of continued interest.

We welcome your feedback at pwc.update@in.pwc.com

For a variety of additional resources offering more in-depth perspectives on the impact and other aspects of Ind AS, please visit our website at www.pwc.in

Thank you!