

# IND AS 1

J P Chawla & Co. LLP

Chartered Accountants

Taxation | Audit | Outsourcing | Regulatory | Transaction Advisory | Consultancy Services



The Ind AS are converged IFRS standards, which have been introduced to standardize the way Indian companies report their financial information to various stake holders.

Reliable, consistent and uniform financial reporting is important part of good corporate governance practices worldwide in order to enhance the credibility of the businesses in the eyes of investors to take informed investment decisions. In pursuance of G-20 commitment given by India, the process of convergence of Indian Accounting Standards with IFRS has been carried out in Ministry of Corporate Affairs through wide ranging consultative exercise with all the stakeholders. Thirty-nine Indian Accounting Standards converged with International Financial Reporting Standards are (henceforth called IND AS) are currently notified by the Ministry. These are: IND ASs 1, 2, 7, 8, 10, 12, 16, 19, 20, 21, 23, 24, 27, 28, 29, 32, 33, 34, 36, 37, 38, 40,41, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110,111,112,113,114,115, 116.

Companies follow Ind AS either Voluntarily or Mandatorily. Once a company follows Indian AS, either mandatorily or voluntarily, it cannot revert to old method of Accounting.The Mandatory Applicability from Accounting Period beginning on or after 1 April 2017 is for :

- Every Listed Company or company in process of being listed.
- Unlisted Companies with Net worth greater than or equal to Rs. 250 crore (2.5 billion)

The Ministry of Corporate Affairs has implemented the IFRS converged Indian Accounting Standards in a phased manner after various issues including tax related issues have been resolved with the concerned departments.

We have prepared a simple analysis for below mentioned Ind AS for your ready reference which can act as ready-reckoner for your day to day use.

**Hope you enjoy reading our Analysis.**

**Happy reading!!**

**Team J P Chawla & Co. LLP**

**Rajat Chawla**

He is a Fellow member of the Institute of Chartered Accountants of India. He is also a C.P.A; Certified Public Accountant from The American Institute of Certified Public Accountants, United States of America. He is also a commerce honours graduate from Delhi University, Delhi, India. He is also a Certified Information System Auditor (C.I.S.A) and a member of Information system Audit and Control Association, United States of America.

His area of expertise includes Audit and Assurance, International Taxation ,Transfer Pricing, International business advisory, Valuations, FEMA/ RBI advisory, Goods & Service tax (GST), Merger and Acquisitions, Management consultancy, Due Diligence, Information system audit and development, reporting under US GAAP and IFRS, Accounting process improvement, Business process outsourcing, Knowledge process outsourcing and Business process off shoring.

He has been a regular speaker at various forums on various topics related to Tax, finance and commerce. He has also contributed in various tax publications as author / co-author. He has also co-authored two books on transfer pricing, published by Lexis – Nexis and Taxmann respectively.

**Mohit Dixit**

He is a member of the Institute of Chartered Accountants of India and he is also a commerce honours graduate from Delhi University.

He is having 5 + years of experience in the area of statutory audits, internal audits, assurance & Transaction Advisory related engagements in industries such as manufacturing, retail, infrastructure, information technology, e-commerce, banking, telecommunication, health and aviation sectors.

His area of expertise includes Indian GAAP and IND AS Advisory, Management accounting, outsourcing, audit & assurance, financial reporting and valuation.

## Ind AS-1 Presentation of Financial Statements

There may be different type of groups of people who might be interested to know about the financial position and performance of any organization. Further there requirement may be different as per their specific need. Few of them may be interested to know the capital structure of the organization whereas some of them want to know the liquidity. For an organization it is not possible to prepare different financial statement for their different users. Therefore there is a need to prepare general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

General purpose financial statements are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.

### Why Ind AS 1?

This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

An entity shall apply this Standard in preparing and presenting general purpose financial statements in accordance with Indian Accounting Standards (Ind ASs).

### Complete set of financial statements

*A complete set of financial statements comprises:*

1. a balance sheet as at the end of the period ;
2. a statement of profit and loss for the period;
3. statement of changes in equity for the period;
4. a statement of cash flows for the period;
5. notes, comprising a summary of significant accounting policies and other explanatory information; and comparative information in respect of the preceding period; and
6. a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial.

### Balance Sheet

There is no any prescribed format of Balance Sheet in this AS. However Schedule III of Companies Act, 2013 prescribes a format of Balance Sheet.

As a minimum, the balance sheet shall include line items that present the following amounts:

Assets	Equities	Liabilities
Property, plant and equipment	Issued capital and reserves attributable to owners of the parent	Trade and other payables
Investment property	Non-controlling interests, presented within equity	Provisions
Intangible assets		Financial liabilities
Financial assets		Liabilities for current tax
Investments accounted for using the equity method		Liabilities included in disposal groups classified as held for sale
Biological assets		Liabilities included in disposal groups classified as held for sale
Inventories		Deferred tax liabilities
Trade and other receivables		
Cash and cash equivalents		
Total of assets classified as held for sale and assets included in disposal groups classified as held for sale		
Assets for current tax		
Deferred tax assets		

### Current/Non-Current Distinction

An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet in accordance except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.

Current Assets	Current Liabilities
<p>An entity shall classify an asset as current when:</p> <ul style="list-style-type: none"> <li>a) it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;</li> <li>b) it holds the asset primarily for the purpose of trading;</li> <li>c) it expects to realise the asset within twelve months after the reporting period; or</li> <li>d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.</li> </ul> <p><b><i>An entity shall classify all other assets as non-current.</i></b></p>	<p>An entity shall classify a liability as current when:</p> <ul style="list-style-type: none"> <li>a) it expects to settle the liability in its normal operating cycle;</li> <li>b) it holds the liability primarily for the purpose of trading;</li> <li>c) the liability is due to be settled within twelve months after the reporting period; or</li> <li>d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counter party, result in its settlement by the issue of equity-instruments do not affect its classification.</li> </ul> <p><b><i>An entity shall classify all other liabilities as non-current.</i></b></p>

**Statement of Profit and Loss**

The statement of profit and loss shall present, in addition to the profit or loss and other comprehensive income sections:

1. Profit or loss;
2. Total other comprehensive income;
3. Comprehensive income for the period, being the total of profit or loss and other comprehensive income.

An entity shall present the following items, in addition to the profit or loss and other comprehensive income sections, as allocation of profit or loss and other comprehensive income for the period:

Profit or loss for the period attributable to	<ul style="list-style-type: none"> <li>• Non-controlling interests, and</li> <li>• Owners of the parent</li> </ul>
Comprehensive income for the period attributable to	<ul style="list-style-type: none"> <li>• Non-controlling interests, and</li> <li>• Owners of the parent</li> </ul>

In addition to items required by other Ind ASs, the profit or loss section of the statement of profit and loss shall include line items that present the following amounts for the period:

- Revenue, presenting separately interest revenue calculated using the effective interest method
- Gains and losses arising from the de-recognition of financial assets measured at amortized cost
- Finance costs
- Impairment losses (including reversals of impairment losses or impairment gains)
- Share of the profit or loss of associates and joint ventures accounted for using the equity method
- If a financial asset is reclassified out of the amortized cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortized cost of the financial asset and its fair value at the reclassification date
- If a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognized in other comprehensive income that is reclassified to profit or loss
- Tax expense
- A single amount for the total of discontinued operations

**Other comprehensive income**

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that is not recognized in profit or loss as required or permitted by other Ind ASs.

<b>Components of other comprehensive income.....</b>	Changes in revaluation surplus
	Re-measurements of defined benefit plans
	Gains and losses arising from translating the financial statements of a foreign operation
	Gains and losses from investments in equity instruments designated at fair value through other comprehensive income
	Gains and losses on financial assets measured at fair value through other comprehensive income
	The effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income
	For particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk
	Changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value
	Changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument

### **Statement of Changes in Equity**

An entity shall present a statement of changes in equity, showing all the changes in owners' equity. This statement shall comprise all the changes in equity due to "Total Comprehensive Income" and "Effect of retrospective restatement as per Ind AS 8".

### **Statement of Cash Flows**

Cash flow information provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilize those cash flows.

Ind AS 7 sets out requirements for the presentation and disclosure of cash flow information.

### **Notes**

The notes shall:

- Present information about the basis of preparation of the financial statements and the specific accounting policies,
- Disclose the information required by Ind ASs that is not presented elsewhere in the financial statements; and
- Provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

An entity shall present notes in a systematic manner. An entity shall cross-reference each item in the balance sheet and in the statement of profit and loss, and in the statements of changes in equity and of cash flows to any related information in the notes.

An entity whose financial statements comply with Ind ASs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with Ind ASs unless they comply with all the requirements of Ind ASs.

### **Comparative Information**

An entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements except when Ind ASs require otherwise. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.

An entity shall present:

- Minimum two balance sheets ,
- Two statements of profit and loss
- Two statements of cash flows,
- Two statements of changes in equity,
- Related notes.

### **General features that should have in Financial Statement**

<b>True and Fair View</b>	Presentation of true and fair view requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of Ind ASs, with additional disclosure when necessary, is presumed to result in financial statements that present a true and fair view.
<b>Going Concern</b>	<p>While preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern.</p> <p>An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.</p> <p>If management comes to about of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties.</p> <p>If an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.</p>



<b>Accrual Basis of Accounting</b>	An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.
<b>Materiality and Aggregation</b>	An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial except when required by law.
Offsetting	An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Ind AS.
Frequency of reporting	An entity shall present a complete set of financial statements at least annually. When an entity presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements: a) the reason for using a longer or shorter period, and b) the fact that amounts presented in the financial statements are not entirely comparable.
Structure and Contents	An entity shall clearly identify each financial statement and the notes. Further entity shall display the following information prominently, and repeat it when necessary for the information presented to be understandable: <ul style="list-style-type: none"> <li>• Name of the reporting entity</li> <li>• Whether the financial statements is Stand Alone or Consolidated</li> <li>• Reporting period or the period covered by financial statement</li> <li>• Currency</li> <li>• The level of rounding</li> </ul>

### Disclosures

An entity shall disclose in the summary of significant accounting policies:

- a) The measurement basis used in preparing the financial statements, and
- b) The other accounting policies used that are relevant to an understanding of the financial statements.

Further entity shall disclose

- The judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.
- Assumptions and sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year with nature of those assets and liabilities and their carrying amount.
- Information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

- Puttable financial instruments classified as equity.
- The amount of dividends proposed or declared before the financial statements were approved for issue but not recognized as a distribution to owners during the period, and the related amount per share and the amount of any cumulative preference dividends not recognized.
- The domicile, legal form of the entity, its country of incorporation, the address of its registered office, a description of the nature of the entity's operations, its principal activities, the name of the parent and the ultimate parent of the group and if it is a limited life entity, information regarding the length of its life.

***Change in accounting policy, retrospective restatement or reclassification***

If entity:	AND	THEN
<ul style="list-style-type: none"> <li>• Applies an accounting policy retrospectively,</li> <li>• Makes a retrospective restatement of items in its financial statements or</li> <li>• Reclassifies items in its financial statements.</li> </ul>	<p>It has a material effect on the information in the balance sheet at the beginning of the preceding period.</p>	<p>An entity shall present a third balance sheet as at the beginning of the preceding period in addition to the minimum comparative financial statements</p>

If an entity changes the presentation or classification of items in its financial statements, if comparative amounts	
Practicable to reclassify	Impracticable to reclassify
<p>Then Disclose:</p> <ol style="list-style-type: none"> <li>1. the nature of the reclassification;</li> <li>2. the amount of each item or class of items that is reclassified; and</li> <li>3. the reason for the reclassification.</li> </ol>	<p>Then Disclose:</p> <ol style="list-style-type: none"> <li>1. the reason for not reclassifying the amounts, and</li> <li>2. the nature of the adjustments that would have been made if the amounts had been reclassified.</li> </ol>

**Dear Valuable Client / Colleague,**

In case you require any further detailed analysis on above mentioned content, please do get back to us and we shall be happy to provide you the same.

**With Best Regards,**

**Team JPC**

## **About JPC**

JPC is a professional services firm based in Noida- National Capital Region and New Delhi, India. We were established in the year 1974 with the aim to create value for our clients by delivering quality, comprehensive, timely, practical and innovative services. We offer a comprehensive range of services, including taxation services, regulatory services, transaction advisory services, financial & management consultancy services, assurance & risk services, and outsourcing services. Over the past several decades, we have established significant competitive presence in the country. Our vast and diversified client base includes Multinational enterprises, domestic companies, high net worth individuals, government companies and institutions in all leading industry verticals. We are a team of distinguished Chartered Accountants, Management Accountants, Corporate Financial Advisors and Tax Consultants. Our team has the requisite skills and experience to provide complex business, financial, assurance, tax and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country. For more information about JPC's service offerings, visit [www.jpc.co.in](http://www.jpc.co.in)

In this document, "JPC" refers to J P Chawla & Co. LLP Chartered Accountants (a limited liability partnership firm regulated by the Institute of Chartered Accountants of India, FRN : 001875N/ N500025).

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