IND AS 101

J P Chawla & Co. LLP

Chartered Accountants

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

FOREWORD

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-101 First-time Adoption of Indian Accounting Standards Overview

In India, the entities are preparing financial statements as per Accounting Standards or as per other Indian GAAP but after introduction of Indian Accounting Standards (Ind AS), now entities will have to prepare financial statement in compliance of Ind AS. Entities who are preparing their financial statements as per previous GAAP, now they will have to make a start to move on Ind AS. In this starting, there are many problems, confusions and difficulties as the Ind AS have major differences in comparison to previous GAAP.

Why Ind AS 101 is introduced?

Ind AS 101 is introduced for smooth adoption and to give a starting point for preparation of financial statements as per Ind AS. The objective of this Ind AS is to ensure that an entity's first Ind AS financial statements, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that:

1. is transparent for users and comparable over all periods presented;
2. provides a suitable starting point for accounting in accordance with Ind AS; and
3. can be generated at a cost that does not exceed the benefits.

Applicability of Ind AS 101:

An entity shall apply this Ind AS in:

1. its first Ind AS financial statements; and
2. each interim financial report, if any, that it presents in accordance with Ind AS 34, Interim Financial Reporting, for part of the period covered by its first Ind AS financial statements.

Note: *MCA has issued a road map for mandatorily adoption of Ind AS to Companies. So in accordance to that road map, when a company will start preparing its financial statement as per Ind AS, the financial statement will be its first Ind AS financial statement.*

Key Terms:

First-time Adoption of Indian Accounting Standards

Step	Activity	Points to be Noted
1	Identify comparative and opening Financial Statement	**Comparative Financial Statement:** In Ind AS comparative Financial Statement is previous year's Financial Statements. Comparison should be done with at least previous year (Mandatory). However comparison may be done with more than 1 previous year (Optional). **Opening Financial Statement:** Opening Financial Statement is the Financial Statement at the beginning of year of comparative Financial Statement.

Prepare Opening Financial Statement adopting Ind AS with following remaining steps:		
2	Select Accounting Policies for preparation of Opening Financial Statement	These Accounting Policies should be in line with Ind AS. Accounting Policies do not have any conflict with Ind AS.e.g.LIFO is prohibited under Ind AS, so consider FIFO or weighted average method. Further these accounting policies should be same in all financial statements
3	Recognize all assets and liabilities whose recognition is required by Ind AS.	If any asset or liability is requires to be recognized as per anyInd AS and the same is not recognized as per previous GAAP then recognize the same asset or liability.
4	De-Recognize items as assets or liabilities if Ind AS does not permit such recognition.	If any item is already recognized as asset or liability as per previous GAAP and any Ind AS does not recognized it as asset or liability then de-recognize the same as asset or liability.
5	Reclassify the items of Assets, Liabilities and Equities	Reclassify items that it recognized in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with Ind AS.
6	Re-measure all recognized assets and liabilities	Re-measure all recognized assets and liabilities by applying Ind ASs.
An Ind AS adopted opening Financial Statement is prepared by applying above steps. Now		
7	Prepare Comparative and Current Year's Financial Statements	In Comparative and Current Year's Financial Statement apply same accounting policies as applied in preparation of opening financial statement.

Note: *for recognition/ de-recognition of previous year balance, adjust the balance in retained earnings and for the current year adjust the balance in profit and loss account.*

Presentations and Disclosures as per Ind AS 101

Disclosure Requirement of Other Ind ASs	This Ind AS does not provide exemptions from the presentation and disclosure requirements in other Ind ASs. It means disclosure requirement as per other Ind ASs is to be fulfilled.
Comparative information	An entity's first Ind AS financial statements shall include: • at least three Balance Sheet, • two Statements of profit and loss, • two Statements of cash flows and • two Statements of changes in equity and related notes, includingcomparative information for all statements presented
Explanation of transition to Ind ASs	An entity shall explain how the transition from previous GAAP to Ind ASs affected its reported Balance sheet, financial performance and cash flows.

Reconciliations	An entity's first Ind AS financial statements shall include: 1. reconciliations of its equity reported in accordance with previousGAAP to its equity in accordance with Ind ASs for both of thefollowing dates: • the date of transition to Ind ASs; and • the end of the latest period presented in the entity's mostrecent annual financial statements in accordance with previousGAAP. 2. Reconciliation to its total comprehensive income in accordance with Ind ASs for the latest period in the entity's most recent annual financial statements. 3. If the entity recognized or reversed any impairment losses for the first time in preparing its opening Ind AS Balance Sheet, the disclosures that Ind AS 36, Impairment of Assets, would have required if the entity had recognized those impairment losses or reversals in the period beginning with the date of transition to Ind ASs.

Mandatory and Optional Exemptions for Retrospective application of Ind ASs

Mandatory Exemptions:

For these aspects, Ind AS 101 Prohibited retrospective application……	• Estimates • De-recognition of financial assets and financial liabilities • Hedge accounting • Non-controlling interests • Classification and measurement of financial assets • Impairment of financial assets • Embedded derivatives • Government loans

Optional Exemptions:

An entity may elect to use one or more of these exemptions……	• Share-based payment transactions • Insurance contracts • Deemed cost • Leases • Cumulative translation differences • Investments in subsidiaries, joint ventures and associates • Assets and liabilities of subsidiaries, associates and joint ventures • Compound financial instruments • Designation of previously recognised financial instruments • Fair value measurement of financial assets or financial liabilities at initial recognition • Decommissioning liabilities included in the cost of property, plant and equipment • Financial assets or intangible assets accounted for in accordance with Service Concession Arrangements • Borrowing costs

An entity may elect to use one or more of these exemptions……	• Extinguishing financial liabilities with equity instruments • Severe hyperinflation • Joint arrangements • Stripping costs in the production phase of a surface mine • Designation of contracts to buy or sell a non-financial item • Revenue from contracts with customers • Non-current assets held for sale and discontinued operations • Exemptions for Business Combination

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

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).

J P Chawla & Co. LLP

Chartered Accountants

New Delhi office:
43 Darya Ganj,
New Delhi - 110002
INDIA

Noida office:
C-129, Sector 2,
Noida - 201 301 (U.P.), INDIA
Phone: +91-120-4573207, 4573208
General Email: info@jpc.co.in

Main Partners Hand Phone & Email

Rajat Chawla +91-9871494499 | rajatchawla@jpc.co.in
J.P. Chawla +91-9811028918 | jpchawla@jpc.co.in
Richa Chawla +91-9990509709 | richajuneja@jpc.co.in

For further information, please email your details to rajatchawla@jpc.co.in or call +91-9871494499.