IND AS 1

Presentation of Financial Statement

- Objectives and scope of Ind AS 1
- Components of financials Statements
- Key Principles
- Structure of Financial Statements
- Key Differences

Objectives and scope of Ind AS 1

Objective

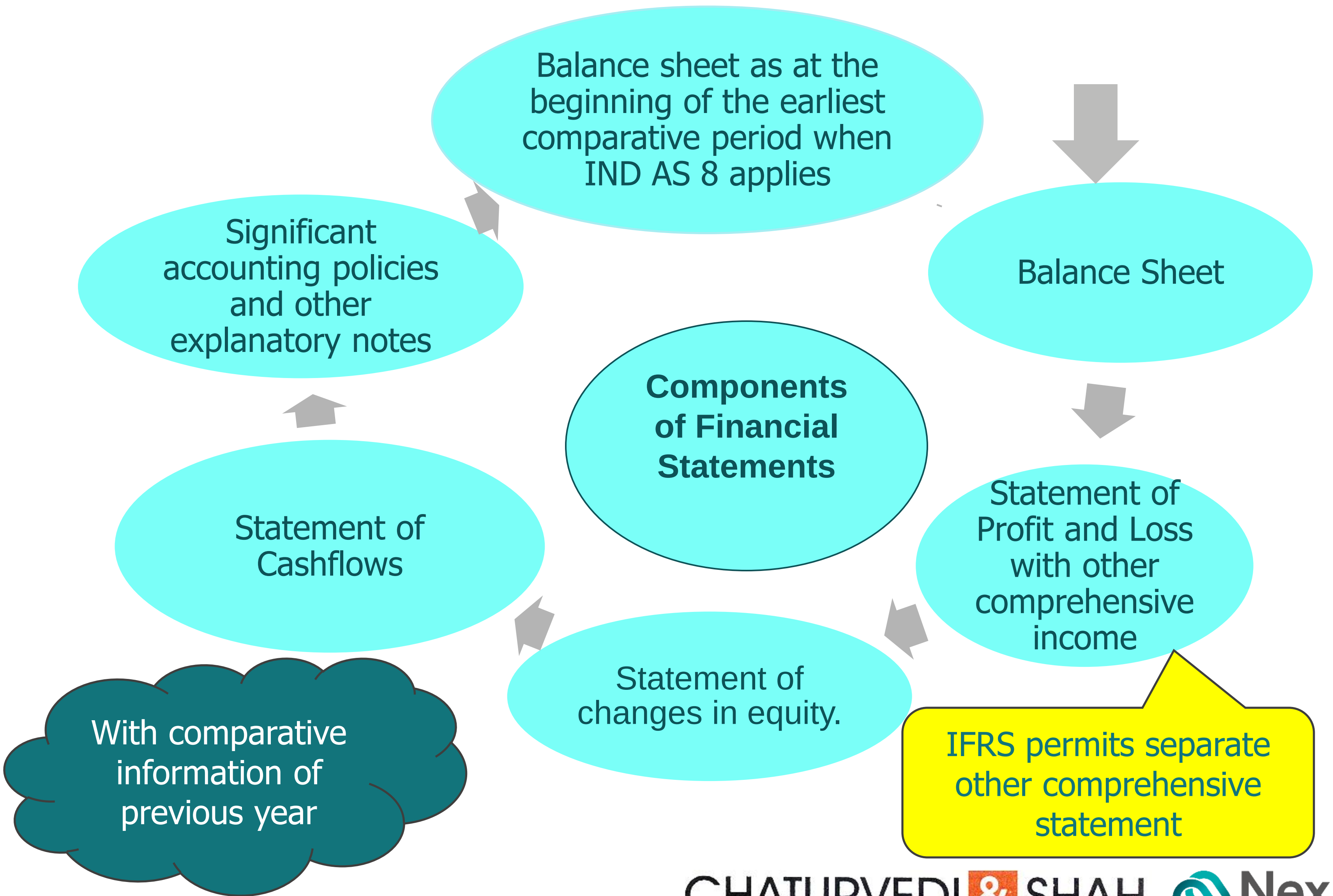
- IND AS 1 describes financial statements as a structured representation of the financial position and financials performance of an entity.
- Objective of the financial statement is to provide useful information about the:
  - Financial Position (Assets, Liabilities & equity)
  - Financial Performance (Income, Expenses including gains and Losses)
  - Cash Flows (Including Cash Equivalents)

Scope

- IND AS 1 applies in preparing and presenting general purpose financial statement
- Other IND AS set out recognition, measurement and disclosure requirements of specific transactions and events
- IND AS 1 prescribes the basis for presentation of financial statements to ensure comparability both with:
  - Entity's own financial statements of previous periods; and
  - Financial Statements of other entities.

Components of financial statements

Components of Financial Statements



- Entities may present additional information on a voluntary basis with are outside the scope of IND AS, for example Environment Reports, Value added statements, review by management including financial and other commentary

Draft Sch III

- IndAS requires any change in treatment or disclosure, Sch III stand modified
- Disclosure as per Sch III are in addition to Ind AS and not substitution.
- Additonal disclosure to be made if any Act/regulation requires in additional to IndAS and Sch III

Key Principles

Key Principles

True and Fair View	Compliance With IND AS	Going Concern
Accrual Basis of Accounting	Materiality and Aggregation	Offsetting
Frequency of Reporting	Comparative Information	Consistency of Presentation

True and Fair View

- IND AS 1 requires that financial statements 'true and fair view of' the financial position, financial performance and cash flows of the entity.
- A Presentation of true & fair view requires an entity to select and apply accounting policies as per IND AS 8.
- Cannot rectify inappropriate policy by disclosure or note
- If management concludes compliance with an IND AS is misleading and conflicts with objective, departure from that Standard requires
  - Comprehensive disclosure requirements
  - Only if relevant regulatory framework requires or does not prohibit
  - Extremely rare

Compliance with IND AS

- IND AS 1 requires an explicit and unreserved statement of compliance with IND AS to be included in the notes.
- Compliance with all the applicable IND AS’s.

Going Concern

- An entity is a going concern unless:
  - Cease business trading
  - Intends to liquidate or no realistic alternative but to do so.
- Management shall make an assessment of an entity's ability to continue as a going concern
- When financials are not prepared on a going concern basis, the financial statements should disclose that fact together with the reason why the entity is not considered as a going concern.

Accrual basis of Accounting

- Financial statements (except the statement of cash flows) should be prepared under the accrual basis of accounting.

- Assets, Liabilities, Equity, Income, and Expenses are recognized only when they meet the definitions and recognition criteria in the ICAI Framework.

Materiality

Present Separately

Each material class of similar items

Items of dissimilar nature unless they are immaterial, except when required by the law

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Offsetting

- Assets, liabilities, also income and expenses, should not be offset except:
  - ✓ When required or permitted by an IND AS.

- For Example:
  - ✓ Revenue recognized is after offsetting trade discounts and volume rebates. The same is allowed by IND AS.
  - ✓ Gains / losses on disposal of non current assets with selling expenses for same

Frequency of Reporting

- As Per IND AS 1, a complete set of financial statements should be presented at least annually.
- When there is change in the end of reporting period and presents for a period longer or shorter than 1 year, an entity should disclose:

IFRS also permits 52 weeks

Reason for using a longer or shorter period

The fact that the amounts presented in the financials are not entirely comparable

Comparative Information

- Numerical comparative information in respect of the previous period should be disclosed in financial statements unless an IND AS permits/ Requires otherwise.
- Narrative and descriptive comparative information is also required, to understand the current period's financial statements.
- Additional comparative information may also be provided voluntarily, say 3rd P&L
- Reclassify or represent the comparative amounts to conform to the new presentation or classification

Comparative Information

- 3rd Balance sheet at beginning of preceding period if there is retrospective change in accounting policy or reclassification or restatement
- For material reclassification disclose nature, amount and reason
- If impracticable to reclassify comparative amounts, disclose reasons for not classifying and nature of adjustment that would have been made if reclassified.

Consistency

- IND AS 1 requires the presentation and classification of items in financial statements to be consistent from one period to other unless:
  - ✓ Change will result in more appropriate presentation due to change in entity operations or another presentation would be more appropriate having regard to criteria for selection and application of accounting policies in Ind AS 8
  - ✓ Change required by an IND AS / law.

Other Key Points

- IND AS 1 requires the following information:
  - ✓ Indentify each financial statement and the notes presented (e.g., Balance sheet)
  - ✓ Name of reporting entity
  - ✓ Whether financial statements relate to an individual entity or a group of entities
  - ✓ Reporting date and reporting period
  - ✓ Presentation Currency
  - ✓ Level of rounding used (e.g ‘000s)

Sch III: Turnover –
< Rs.100 crore – hundred, thousand, lakh or million
>Rs. 100 crore – lakh, million or crore

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Structure of Financial Statements

Balance sheet

- At a minimum, the face of the statement of financial position should include line items that present the following amounts:

  a) Property, plant equipment
  b) Investment property
  c) Intangible Assets
  d) Financial Assets (excluding amounts under “e, h and j” items below);
  e) Investment accounted for under the equity method;
  f) Biological Assets;
  g) Inventories;
  h) Trade and other Receivables;
  i) Held for Sale non- current assets and disposal groups;
  j) Cash & cash equivalents
  k) Trade and other payables;

Balance sheet

l) Provisions;
m) Financial liabilities (excluding k)
n) Current tax liabilities
o) Deferred Tax Liabilities and Assets;
p) Liabilities included in held for sale disposal groups;
q) Non controlling Interests;
r) Issued equity capital and reserves (attributable to owners of the parent).

Balance sheet

- Present additional line items, headings and subtotals when such presentation is relevant
- Deferred tax asset/liability shall be classified as non current

- Presentation
  - ✓ Current / Non current
  - ✓ Liquidity
  - ✓ Both

Balance sheet

Current Assets			Non- Current Assets
Current Assets	Asset current if: ➢ Expected to be realized, or is intended for sale or consumption in the normal course of the operating cycle. ➢Held for trading purposes ➢Expected to be realized within 12 months after the reporting period. ➢Cash or a cash equivalent which is not restricted in use.	All other assets are classifies as Non – Current. It can be applied to all tangible, intangible and financial assets of a long- term nature.	Non- Current Assets

Balance sheet

Current Liabilities

Liability current if:	All other liabilities are classifies as Non – Current.
➢ Expected to be settled in the normal course of the operating cycle. ➢ Held for trading purposes ➢ To be settled within 12 months. ➢ No unconditional right to defer settlement for at least 12 months after the reporting period.	

Non- Current Liabilities

Balance Sheet

- Non operating cycle if not clearly identifiable, then assumed to be 12 month
- Financial liability is classified as **current** when due within 12 months, even if original term is for > 12 months and agreement to refinance is completed **after** reporting date
- Loan due within 12 months is classified as **Non current**, if entity has discretion to refinance (eg rollover is approved before reporting date)
- Long term loan is classified as current in case there is breach of a material provision before reporting period resulting into loan becoming payable except:

  Where before the approval of the financial statements for issue, the lender had agreed not to demand payment as a consequence of the breach or provided grace period of > 12 months to rectify breach.

IFRS – before reporting date

Statement of profit or loss and other comprehensive income

- IND AS1 requires that all items of income and expense recognized in a period must be presented in a single Statement of profit & loss and other comprehensive income;
- Both profit or loss and Other comprehensive income must be attributed, separately, to:
  - ✓ Non – Controlling interest ; and
  - ✓ Owners.

Statement of profit or loss and other comprehensive income

- An entity shall present an analysis of expenses recognized in profit or loss on their nature.

IFRS permits functional classification also

- Shall present:

a) Revenue - interest revenue calculated as per effective interest method seperately

b) Gains/losses on derecognition of Financial assets at amortised cost

c) Finance cost

d) Impairment losses (including reversals)

e) Share of profit /loss of associate/Joint venture accounted under equity method

f) Gain/loss on reclassfication of certain financial assets

g) Tax expenses

h) Single amount for total discontinued operations

Statement of profit or loss and other comprehensive income

- Shall not present any items as extra ordinary / Exceptional

Draft Sch III – Permits disclosure of exceptional item as separate line ? - what overides Sch III or IndAS

- Recognise all items of income and expenses in Profit and loss unless Ind AS requires otherwise
- Separate disclosure in notes for material items of income and expenses for eg – restructuring cost, litigation settlements,

Statement of profit or loss and other comprehensive income

- Other comprehensive income comprises of income/expenses and reclassification that are not recognised in P&L as permitted by **other Ind AS.**

  ✓ Revaluation surplus (IndAS 16)
  ✓ Remeasurement of defined benefit plan (IndAS19)
  ✓ Gains/losses on translation of foreign operations (IndAS21)
  ✓ Gains/losses on equity investment / financial asset designated at FVOCI (IndAS109)
  ✓ Effective portion of Gain/losses on hedging instruments in cashflow hedge (IndAS109)
  ✓ Gain/losses on hedging instruments that hedge equity investment designated as FVOCI (IndAS109)
  ✓ For financial liabilities designated at FVPL, change in fair value attributable to change in liability's credit risk (IndAS109)

Reclassification Adjustments

- Other comprehensive income shall present line items grouped as:
  - ✓ Will not be reclassified subsequently to P&L
  - ✓ Will be reclassified to P&L when specific conditions are met.
- Amounts reclassification from other comprehensive income to profit or loss
- Disclose reclassification adjustments.
- Provide users with information to assess the effect of such reclassification on profit or loss
- Example:
  - ✓ On disposal of a Foreign operation
  - ✓ Cash flow hedge affect profit or loss

Statement of Changes in Equity

- Total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
- For each component of equity, the effect of retrospective application or retrospective restatement (per IND AS 8);
- The amounts of transaction with owners in their capacity as owners, showing separately contributions and distributions; and
- Any item recognised directly in equity as capital reserve

Statement of Changes in Equity

- For each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, disclosing each change separately.
- In addition an entity should present, either in this statement or in the notes, dividends recognized as distributions to shareholders during the period, and the related amount per share.

Statement of Cash Flows

- IND AS 7 sets out requirements for the presentation of the cash flow statement and related disclosures.

Notes to the Financial Statements

- Provides information about items that do not qualify for recognition in the financial Statements.
- Include narrative description and disaggregation of items disclosed in the Financial Statement.
- Present information in systematic order and cross reference to Balance Sheet, statement of comprehensive income and statement of cash flows.
- Management’s judgments in applying accounting policies with Significant effects on amount recognized.
- Key assumptions concerning the future and key sources of estimation uncertainty
- Information on entity’s objectives, policies and process for managing capital.

Notes to the Financial Statements

- Notes to the Financial Statements shall present:
  - ✓ Company information- Entity's domicile, legal form, country of incorporation, nature of operations, parent and ultimate parent's name
  - ✓ Basis of presentation of the financial statements
  - ✓ Statements of compliance with IND AS.
  - ✓ Summary of significant policies
  - ✓ Supporting information for items presented in financial Statements
  - ✓ Other Disclosures

Key Differences

Issue	IND AS 1	IGAAP
Components of financial statements	The requirements for the presentation of financial statements are given in IND AS 1. (draft Sch III – for IndAS)	The requirement for the presentation of financial statements are laid down in schedule III of the Companies Act, 2013.
Format	Specifies the line items to be presented in the Balance sheet, statement of Profit or loss and other Comprehensive Income and Statements of changes in equity.	Schedule III prescribes the minimum requirements for disclosure on the face of the balance sheet and statement of profit & Loss and notes.
Classification of Financial Liabilities upon breach of Convenants	If the entity breaches, a covenant on or before the end of the reporting period, with the effect that the liability becomes payable on demand, it classifies the liabilities as non current, even if the lender agreed after the reporting period and before the authorization of the Financial Statement for issue, not to demand payment as a consequence of the breach.	No guidance. Schedule III Specifies that financial liabilities where the company does not have an unconditional right to defer settlement of the liability for atleast 12 months after the reporting date will be classified as Current Liabilities.

Key Differences

Issue	IND AS 1	IGAAP
Statement of changes in equity	IND AS 1 requires the presentation of Statements of changes in Equity.	A Statement of changes in equity is currently not presented.
Extra Ordinary Items	Presentation of any items of income or expense as extraordinary is prohibited.	Extraordinary items are disclosed separately in the statement of profit & loss and are included in the determination of net profit or loss for the period.

Key Differences

Issue	IND AS 1	IGAAP
Reclassification	When comparative amounts are reclassified, nature, amount, and reason for reclassification are disclosed	A disclosure is made in financial statement that comparative amounts have been reclassified to conform to the presentation in the current period
Critical Judgments	IND AS 1 requires disclosure of critical judgments made by management in applying accounting policies.	AS 1 does not specifically require disclosure of judgements that management has made in the summary of significant accounting policies or other notes.
Estimation Uncertainty	Requires disclosure of key sources of estimation uncertainty at the end of the reporting period.	AS 1 does not specifically require an entity to disclose information about the assumption that it makes about the future and other major sources of estimation uncertainty.

Key Differences

Issue	IND AS 1	IGAAP
Capital	Requires disclosure of information about management of capital and compliance with externally imposed capital requirements, if any.	AS 1 does not require an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes of managing capital.
Presentation of profit or loss attributable to non – controlling interests (Minority Interests)	Profit or loss attributable to non-controlling interests and equity holders of the parent are disclosed in the statement of profit or loss and other comprehensive income as allocations for the period.	As per AS 21, profit or loss attributable to minority interests is disclosed as deduction from the profit or loss for the period as an item of income or expense.

THANK YOU

FOR YOUR ATTETION