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# Ind AS financials (as per the amended Schedule III)

# Introduction

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With the applicability of the new Ind AS on certain class of Companies, it was evident that there was now a need for an amendment to the Schedule III of The Companies Act, 2013.

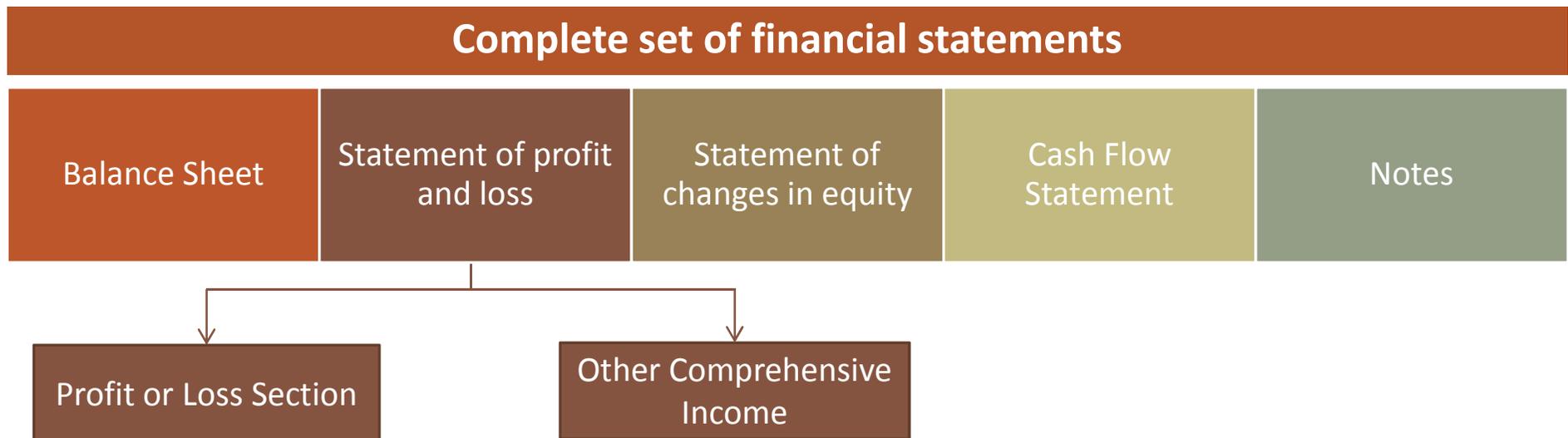
With the change right there and the Ind ASs now commenced in their entirety, it is time to understand what the new financial statements (under Ind AS) actually present and imply.

# Ind AS Financial Statements

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The MCA on 6 April 2016, amended Schedule III to include general instructions for preparation of financial statements of a company whose financial statements are required to comply with Ind AS.

Ind AS 1 as well as the Act defines a “Complete Set Of Financial Statements” as follows:

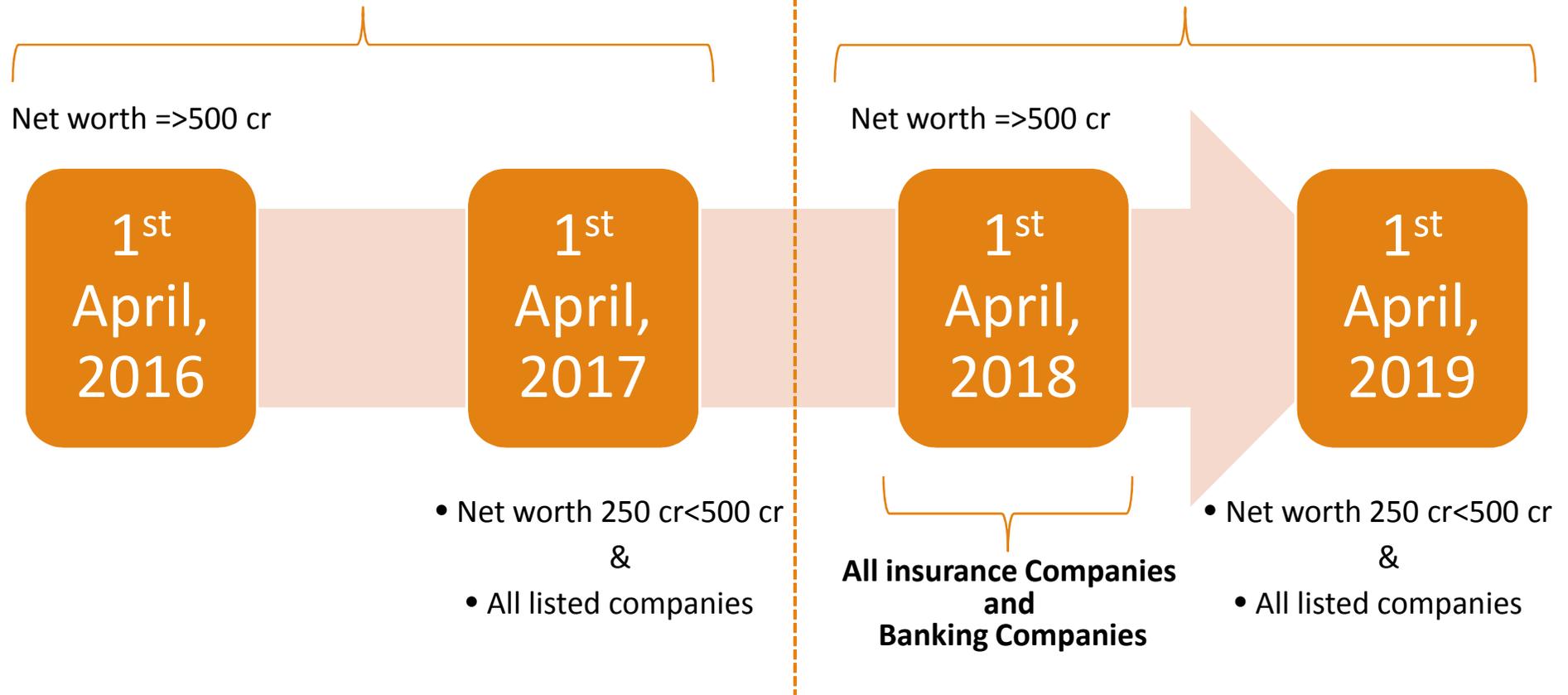


## Phase I

## Phase II

Companies other than those covered under Phase II

NBFCs



Once applicable on a company, its holding, subsidiary, joint venture or associate companies shall also be required to apply the Ind AS from the same period.

# Idea behind Ind ASs and its Financials

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## Objectives of adoption (or convergence)

- Presentation at fair value.
- Recognition of time value of money.
- Making the financials *shock proof* (by recognizing uncertainties timely (in the form of provisions) and increased disclosures).

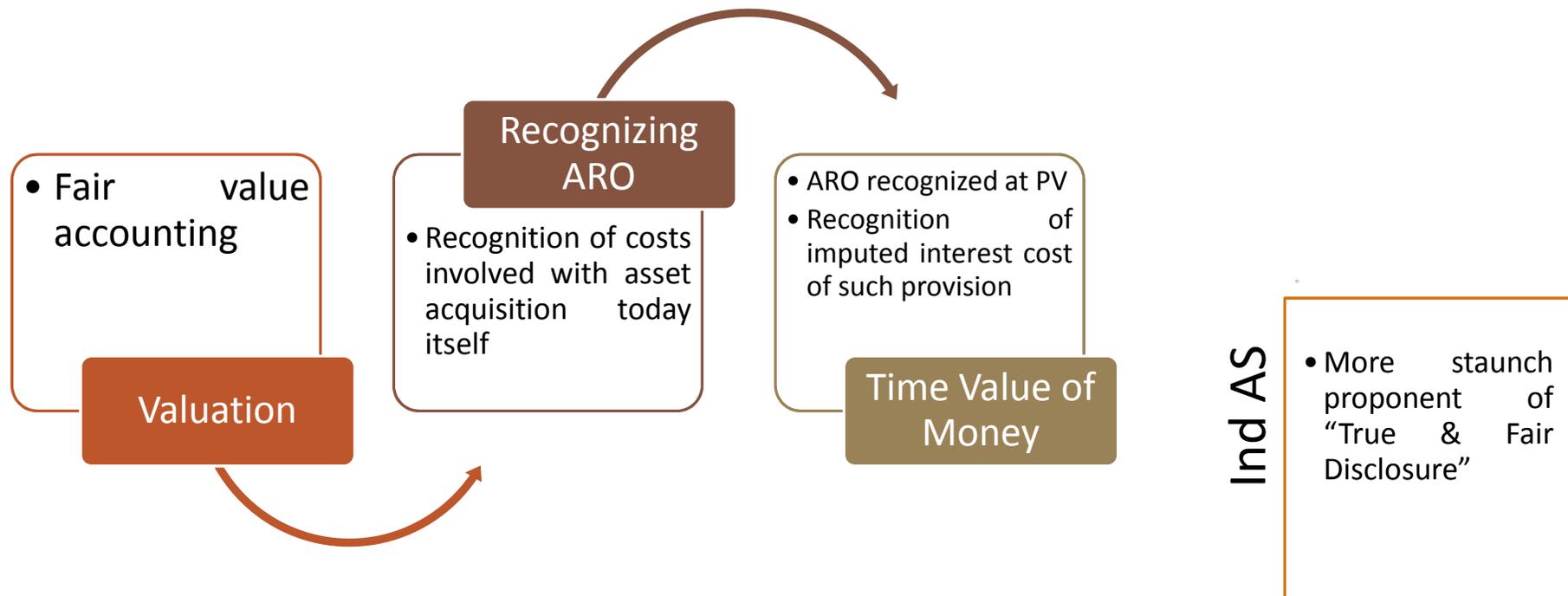
Let us better understand this through an example.

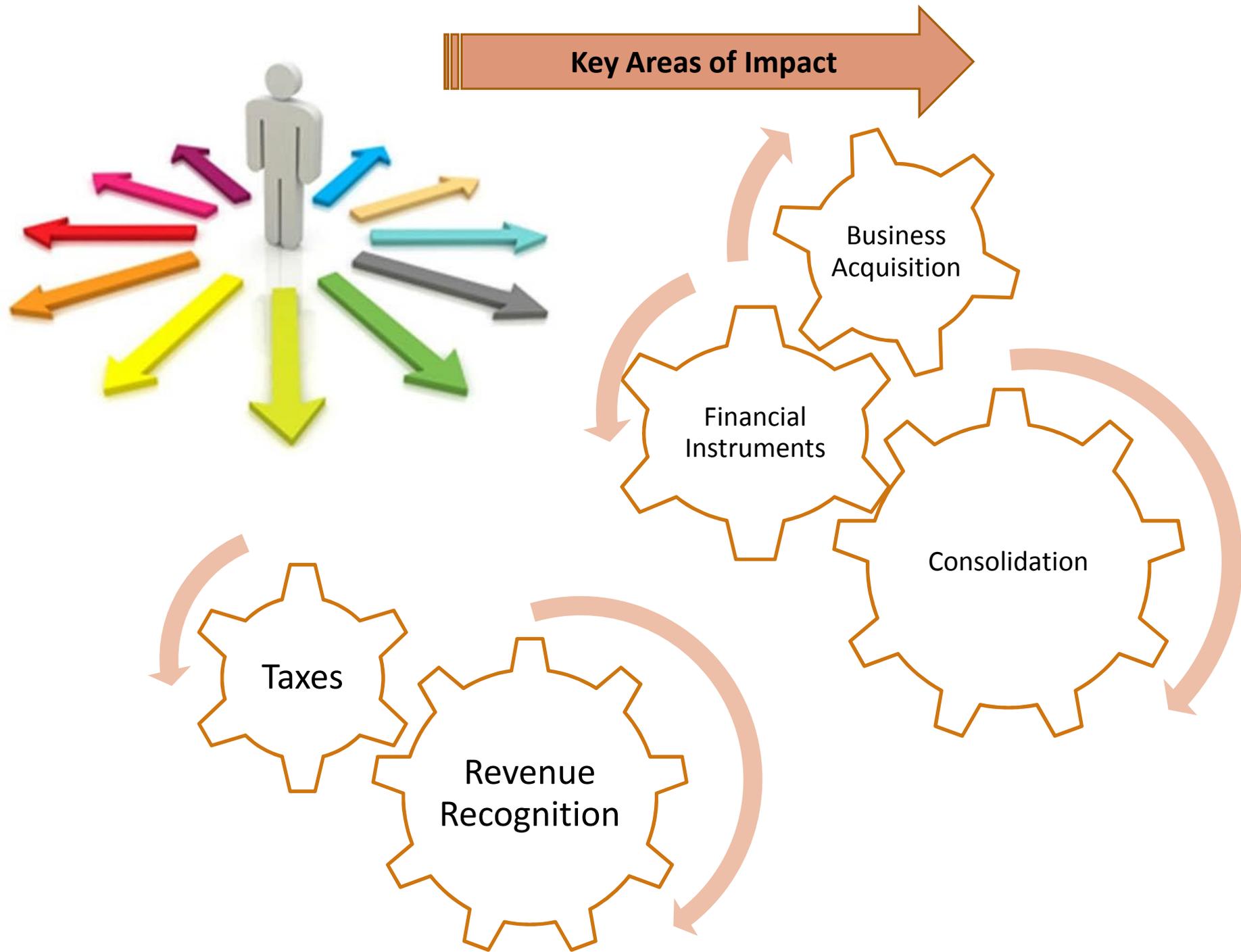


**Example:** Ind AS 16, *Property, Plant and Equipments, inter alia*, requires

- Valuation of assets at fair value (or optionally at cost),
  - Recognition of estimated Asset Retirement Obligation (**ARO**) as part of cost of asset,
  - Measuring the supra at the discounted value.
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**Objectives achieved:**





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# DIVISION II\*

## of the Schedule III

### to the Companies Act, 2013

\*Division I contains the for Financial Statements applicable to those companies who are required to prepare their financials as per the existing Accounting Standards.

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# PART I – BALANCE SHEET

In accordance with the minimum disclosure requirements under Ind AS 1

	Particulars	Note No.	Figures as at the end of current reporting Period	Figures as at the end of the previous reporting period
(1)	<b>ASSETS</b>			
	<b>Non-current assets</b>			
	(a) Property, Plant and Equipment			Renamed
	(b) Capital work-in-progress			
	(c) Investment Property			
	(d) Goodwill			
	(e) Other Intangible assets			
	(f) Intangible assets under development			
	(g) Biological Assets other than bearer plants			
	(h) Financial Assets			
	(i) Investments			Change in nomenclature
	(ii) Trade receivables			
	(iii) Loans			
	(iv) Others (to be specified)			
	(i) Deferred tax assets (net)			
(j) Other non-current assets				
(2)	<b>Current assets</b>			
(a) Inventories				
(b) Financial Assets				
(i) Investments				New entry
(ii) Trade receivables				
(iii) Cash and cash equivalents				
(iv) Bank balances other than (iii) above				
(v) Loans				
(vi) Others (to be specified)				
(c) Current Tax Assets (Net)				
(d) Other current assets				
	<b>Total Assets</b>			

In accordance with the minimum disclosure requirements under Ind AS 1

	Particulars	Note No.	Figures as at the end of current reporting Period	Figures as at the end of the previous reporting period
	<b>EQUITY AND LIABILITIES</b>			
	<b>Equity</b>			<b>Renamed</b>
	(a) Equity Share capital			
	(b) Other Equity			
(1)	<b>LIABILITIES</b>			
	<b>Non-current liabilities</b>			
	(a) Financial Liabilities			<b>New heading</b>
	(i) Borrowings			
	(ii) Trade payables			
	(iii) Other financial liabilities (other than those specified in item (b), to be specified)			
	(b) Provisions			<b>Change in nomenclature</b>
	(c) Deferred tax liabilities (Net)			
	(d) Other non-current liabilities			
(2)	<b>Current liabilities</b>			
	(a) Financial Liabilities			
	(i) Borrowings			
	(ii) Trade payables			
	(iii) Other financial liabilities (other than those specified in item (c))			
	(b) Other current liabilities			
	(c) Provisions			
	(d) Current tax liabilities (Net)			<b>New entry</b>
	<b>Total Equity and Liabilities</b>			

# Ind AS Balance Sheet

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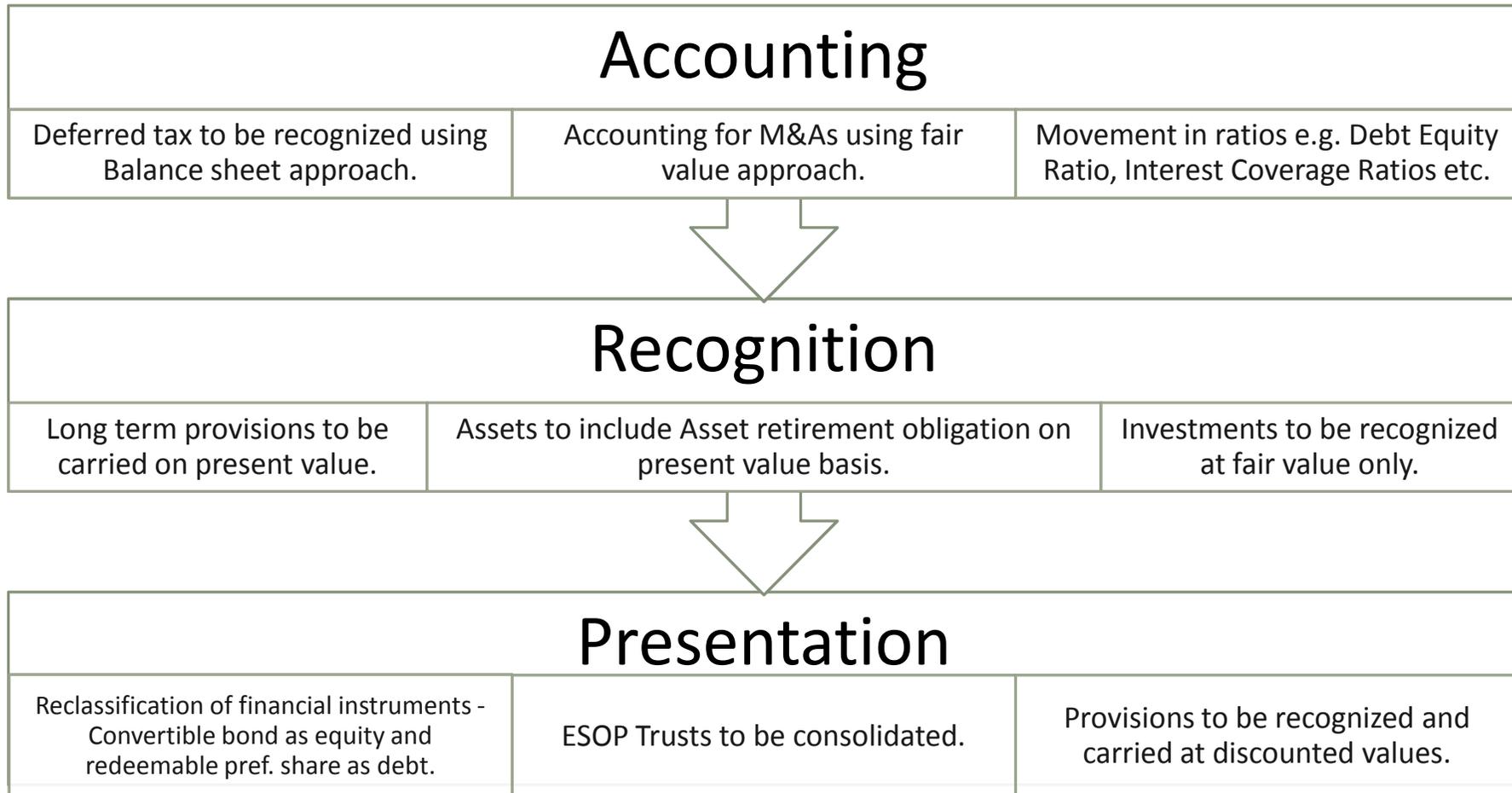
An Ind AS balance sheet starts with disclosures of Assets, followed by disclosures of Equity & Liabilities. The following is a summary of the key changes vis-a-vis an IGAAP balance sheet:

S.No.	Change	Reason
1.	Removal of the head “Fixed assets” (comprised of tangible and intangible assets).	Elimination of nomenclature mismatch between the balance sheet and the AS.
2.	“Tangible assets” renamed as “Property, Plant and Equipment”.	<ul style="list-style-type: none"><li>• In line with the name of the new AS.</li><li>• Elimination of mismatch of naming convention between the balance sheet and the AS.</li></ul>
3.	Introduction of a separate head “Investment Property”.	Introduction of separate Ind AS on Investment Properties.

S.No.	Change	Reason
4.	Disclosure of “Goodwill” separately from “Other Intangibles”.	In line with presentation under IFRS.
5.	Disclosure of “Biological Assets other than bearer plants” separately.	Introduction of separate Ind AS on Agriculture.
6.	Introduction of new heads “Financial Assets”.	Introduction of separate Ind AS on Financial Instruments.
7.	Clubbing of Investments, Trade receivables, Loans, Cash and cash equivalents, etc. under the head “Financial Assets”.	Coverage of all such items clubbed under a single set of Ind AS on Financial Instruments.
8.	Disclosure of “Current Tax Assets (Net)” on the face of the Balance Sheet.	As per the requirement of Ind AS 12, “Income Taxes”.
9.	“Share Capital” renamed as “Equity Share capital”.	Since Share Capital now comprises of only equity share capital.

S.No.	Change	Reason
10.	“Reserves and Surplus” now replaced with “Other Equity”.	<ul style="list-style-type: none"> <li>• Inclusion of new components like Equity component of Compound Financial Instruments and merger of other heads like Share Application Pending Allotment.</li> <li>• Introduction of the new concept of OCI.</li> </ul>
11.	Introduction of new heads “Financial Liabilities”.	Introduction of separate Ind AS on Financial Instruments.
12.	Clubbing of Borrowings, Trade payables etc. under the head “Financial Liabilities”.	Coverage of all such items clubbed under a single set of Ind AS on Financial Instruments.
13.	Disclosure of “Current Tax Liabilities (Net)” on the face of the Balance Sheet.	As per the requirement of Ind AS 12, “Income Taxes”.
14.	Bank deposits maturing after more than 12 months to be shown under “Other Financial Assets” instead of “Cash and Cash Equivalents”.	Classifying such bank deposits under Cash and Cash Equivalents led to such assets being classified under Current Assets rather than Non Current.

# Impact of Ind AS on Balance Sheet



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# Detailed discussion on the major changes in the Balance Sheet

## Fixed Assets



- The heading “Fixed Assets”, under which the Tangible and Intangible Assets were grouped caused a nomenclature mismatch between the Accounting Standards and the Balance Sheet, since the AS name *Fixed Asset*, i.e. AS 10 covered only Tangibles while Intangibles were covered under AS 26.

## Property, Plant and Equipment



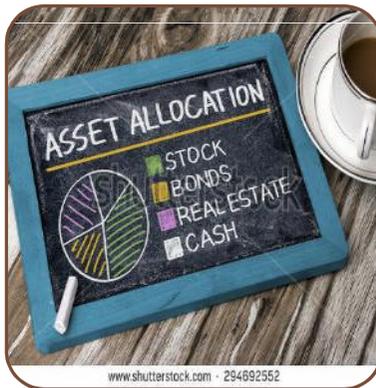
- Classification to be given in the similar manner as was given under the existing standards, i.e. Land, Buildings, Plant and Equipment, etc. with a reconciliation for each class of assets.

## Investment Property



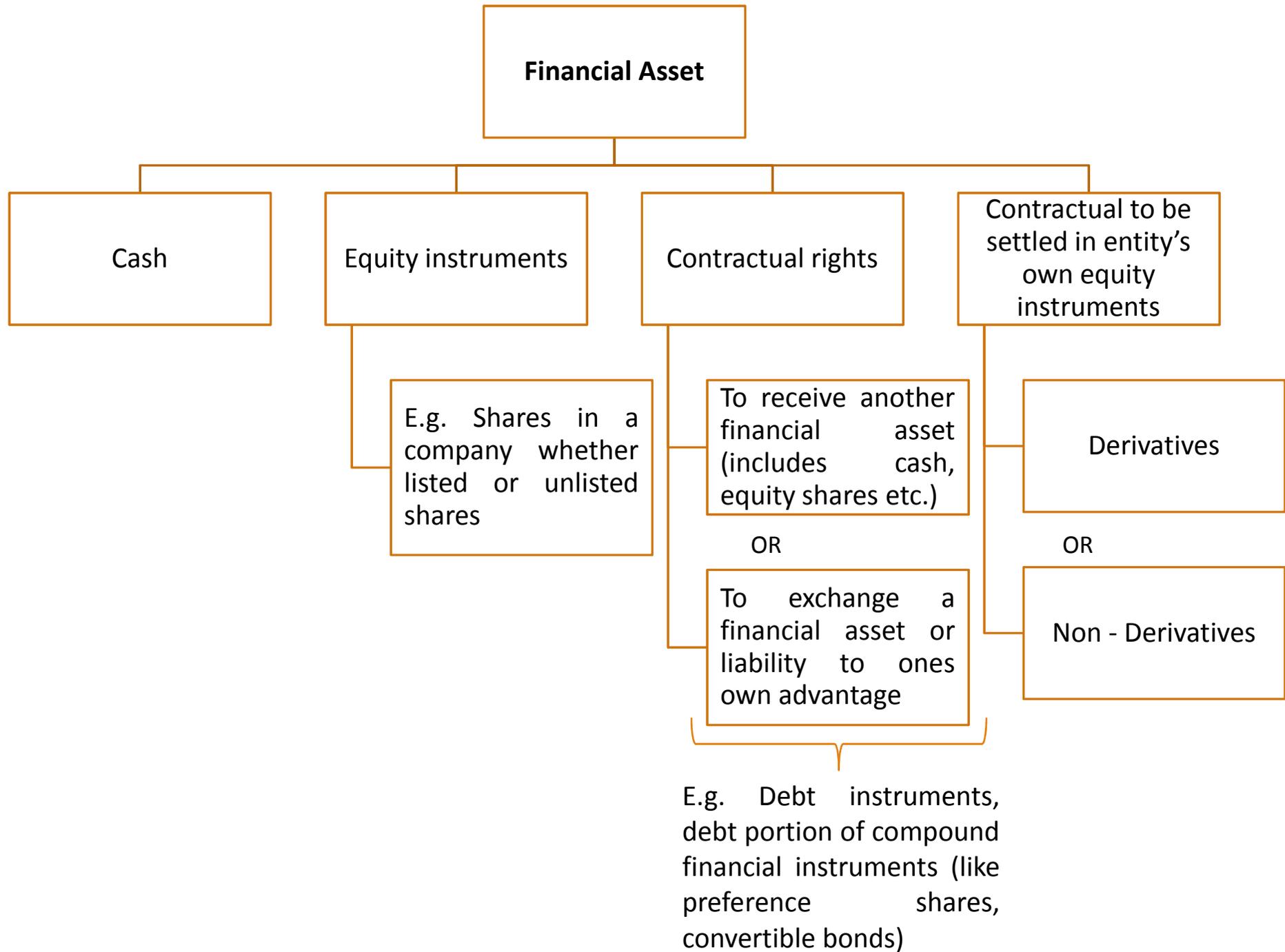
- As per Ind AS 40, Investment Property, an Investment Property has been defined as a land or building (or part thereof) held to earn capital appreciation or rental or both.
- Under the existing structure, such assets were governed by AS 13 and thus disclosed under the head Investments itself.
- Only COST model is applicable for valuation of Investment Properties.

## Financial Assets\* and grouping of assets under it



- Under the AS regime, ASs on Financial Instruments (AS 31, 31, 32) were not mandatory and thus could not carved into the standard format of a Balance Sheet.
- Since Ind AS contain separate guidance in this regard and on the lines of IFRS, the head Financial Assets was introduced in the Balance Sheet.
- Consequently, all assets (specifically Investments, Trade Receivables, Cash, etc.) under the definition (detailed on the next page) of Financial Assets were clubbed under this major head.

\* Explained and defined on the next slide





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# STATEMENT OF CHANGES IN EQUITY

# Statement of Changes in Equity

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The Statement Of Changes In Equity has been introduced on the lines of IFRS. An SOCE is prepared in order to reconcile the various components of equity in the balance sheet for any period.

The 2 divisions created herein are the analysis of **“Equity”** in the Balance Sheet. It can also be said to an Analysis of Change in Net Worth of an Entity.

## ***Comparative Figures in an SOCE:***

Due to the extensive format of an SOCE, it is not possible to present the comparative figures in vertical format. Thus the comparatives may be presented either before or after the SOCE for the current year as is presently done by preparers of IFRS financials.

## A. Equity Share Capital

Balance at the beginning of the reporting period	Changes in equity share capital during the year	Balance at the end of the reporting period

## B. Other Equity

Earlier, appeared as a separate entry in the Balance Sheet

Reflects the change in the fair value of the Equity Instruments where FVTOCI\* is opted for.

	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus				Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income (specify nature)	Money received against share warrants	Total
			Capital Reserve	Securities Premium Reserve	Other Reserves (specify Nature)	Retained Earnings								
Balance at the beginning of the reporting period														
Changes in accounting policy or prior period errors														

The most significant part. Compound Financial Instruments include Convertible Preference Shares and Debentures.

Reflects the change in the fair value of the Debt Instruments is required to be valued at FVTOCI\*.

\*FVTOCI – Fair value Through Other Comprehensive Income

Restated balance at the beginning of the reporting period														
Total Comprehensive Income for the year														
Dividends														
Transfer to retained earnings														
Any other change (to be specified)														
Total Comprehensive Income for the year														
Dividends														
Transfer to retained earnings														
Any other change (to be specified)														
Balance at the end of the reporting period														

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# PART II – STATEMENT OF PROFIT AND LOSS

Expenses classified on the basis of **Nature of Expenses**

	Particulars	Note No.	Figures as at the end of current reporting Period	Figures as at the end of the previous reporting period
I	Revenue From Operations			
II	Other Income			
III	<b>Total Income (I+II)</b>			
IV	<b>EXPENSES</b>			
	Cost of materials consumed			
	Purchases of Stock-in-Trade			
	Changes in inventories of finished goods, Stock-in -Trade and work-in-progress			
	Employee benefits expense			
	Finance costs			
	Depreciation and amortization expense			
	Other expenses			
	<b>Total expenses (IV)</b>			
V	<b>Profit/(loss) before exceptional items and tax (I- IV)</b>			
VI	Exceptional Items			
VII	<b>Profit/(loss) before tax (V-VI)</b>			
VIII	Tax expense: (1) Current tax (2) Deferred tax			
IX	<b>Profit (Loss) for the period from continuing operations (VII-VIII)</b>			
X	Profit/(loss) from discontinued operations			

Renamed

In accordance with the requirements of Ind AS 1

In accordance with the requirements of Ind AS 33, EPS

	Particulars	Note No.	Figures as at the end of the current reporting Period	Figures as at the end of the previous reporting period
XI	Tax expense of discontinued operations			
XII	Profit/(loss) from Discontinued operations (after tax) (X-XI)			
<b>XIII</b>	<b>Profit/(loss) for the period (IX+XII)</b>			
XIV	Other Comprehensive Income A (i) Items that will not be reclassified to profit or loss (ii) Income tax relating to items that will not be reclassified to profit or loss B (i) Items that will be reclassified to profit or loss (ii) Income tax relating to items that will be reclassified to profit or loss			
<b>XV</b>	<b>Total Comprehensive Income for the period (XIII+XIV)(Comprising Profit (Loss) and Other Comprehensive Income for the period)</b>			
XVI	Earnings per equity share (for continuing operation): (1) Basic (2) Diluted			
XVII	Earnings per equity share (for discontinued operation): (1) Basic (2) Diluted			
XVIII	Earnings per equity share (for discontinued & continuing operations) (1) Basic (2) Diluted			

Renamed

New entry

# Ind AS Statement of Profit and Loss

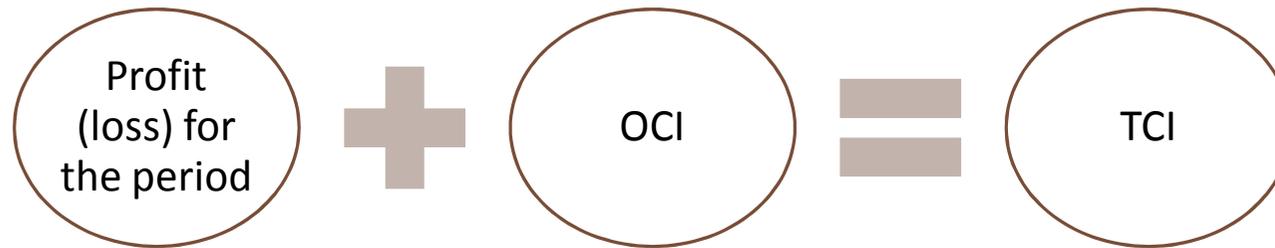
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An Ind AS P&L consists of 2 section the Profit and Loss and the OCI (other Comprehensive Income). The following is a summary of the key changes vis-a-vis an IGAAP balance sheet:

S.No.	Change	Reason
1.	Removal of “extra-ordinary items” from the SPL.	Ind AS 1 strictly prohibits disclosure of an item as an extra-ordinary item.
2.	“Discontinued operations” instead of “Discontinuing Operations”.	Due to change in the scope of the relevant Ind AS vis-à-vis the AS.
3.	Insertion of “Other Comprehensive Income”.	Covered in detail in the sections to follow.
4.	Disclosure of EPS for continuing operation and discontinuing operation .	Additional disclosure requirements.

# Other Comprehensive Income (OCI)

At outset, it is worthwhile to note that **Total Comprehensive Income** is different from **Other Comprehensive Income** and can be better understood as follows:



What is OCI?

- Ind AS 1 defines it as “comprising of items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other Ind ASs.

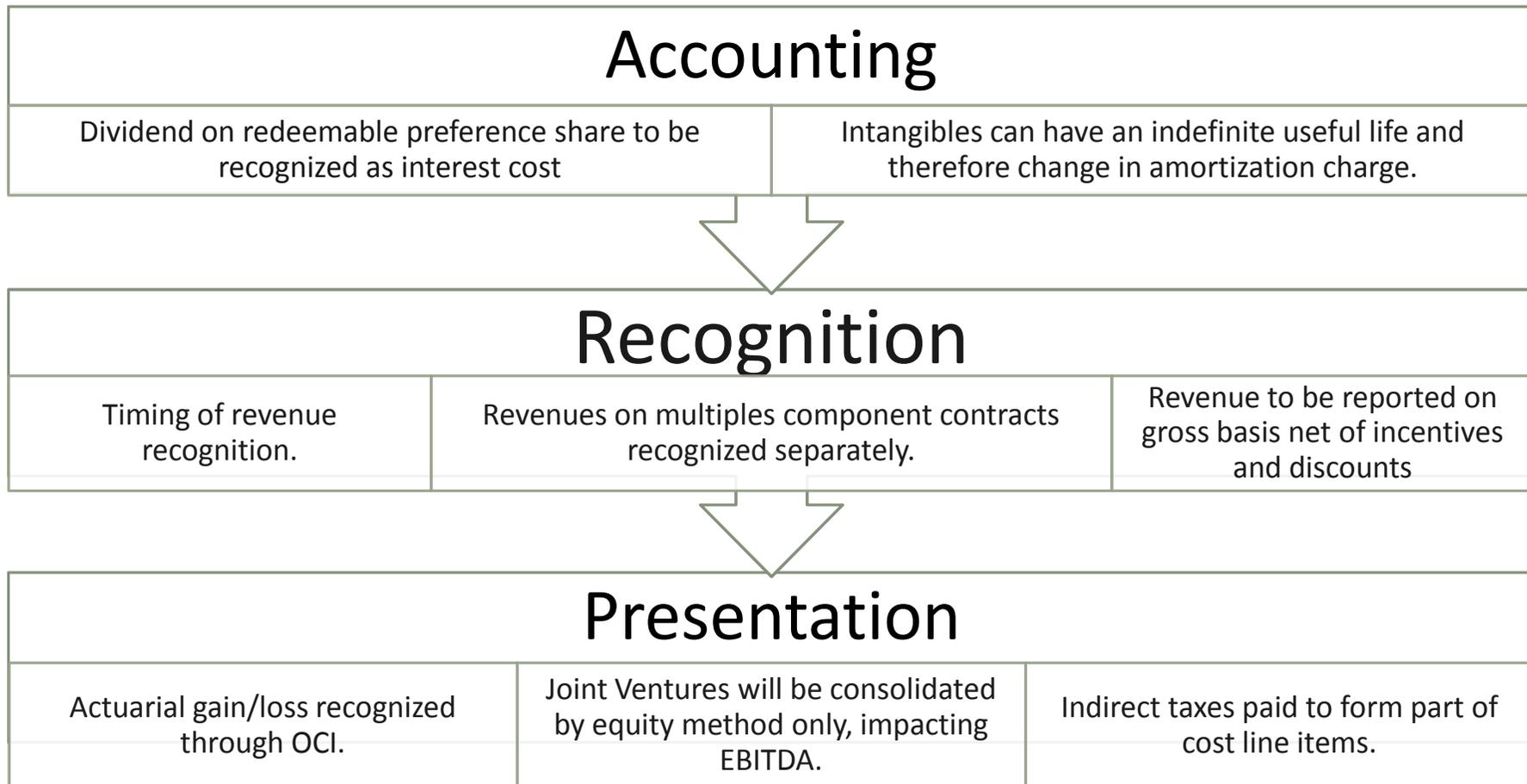
Why OCI?

- Providing cushion to the Profits.
- Reflecting notional gains and losses outside the profit(loss).
- A barometer for upcoming threats or windfalls to net income (as it contains profit/loss on change in fair value for certain items).

# Illustrative items in OCI

Items in OCI	Description
Changes in revaluation surplus	<ul style="list-style-type: none"><li>• Ind AS 16, Property, Plant and Equipment and Ind AS 38, Intangible Assets provide an option to choose the Revaluation Model and where chosen, any upward revaluation is recognised in OCI.</li></ul>
Re-measurements of defined benefit plans	Actuarial gains and losses are to be recognised in OCI.
Gains and losses arising from translating the financial statements of a foreign operation	<ul style="list-style-type: none"><li>• In the case of standalone financial statements, a foreign operation refers to a branch</li><li>• In the case of consolidated financial statements, foreign operation refers to a subsidiary, a JV or an associate.</li></ul>
Gains and losses from investments in equity instruments designated at fair value (or other financial assets measured at FV)	Ind AS 109, Financial Instruments provides an option and in certain cases, require that changes in the fair value of equity instruments be recognised in the OCI.
Reclassification adjustments	Amounts reclassified to 'profit or loss' in the current period that were recognised in 'other comprehensive income' in the current or previous periods.

# Impact of Ind AS on Statement of Profit and Loss



# Cash Flow Statement

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Alike under the IGAAP, Schedule III for Ind AS does not provide for a format of the Cash Flow Statement and requires that the statement be prepared in accordance with the relevant Ind AS.

However, in a sharp contrast to the AS 3 on Cash Flow Statements, Ind AS 7 on Cash Flow Statements “*encourages*” the use of **Direct Method instead of the Indirect Method** for preparing the Cash Flow Statements but provides no format for the preparation of the same.

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# Other requirements i.r.o. the Ind AS Financial Statements

# Other requirements i.r.o. Ind AS Financials

## Materiality Defined

- Financial statements to disclose all 'material' items.
- Items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of financial statements.

## Materiality in SPL

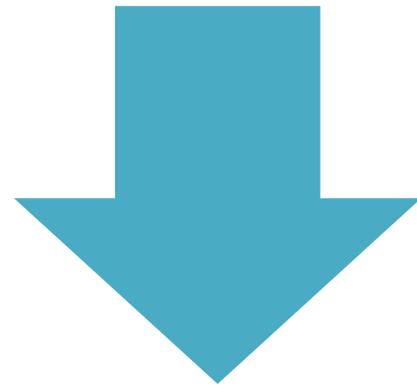
- Disclose separately any item of income or expenditure which exceeds:
  - 1 % of the revenue from operations or
  - INR 10,00,000 whichever is higher.

## Third Balance Sheet

- A third Balance Sheet to be prepared and presented where any item has been retrospectively restated.

## Proposed dividend

- In a sharp contrast to AS, Proposed Dividend cannot be recognised in the SPL if it has been proposed after the date of the Financials.
- However, the disclosure for the same shall be given in the notes to accounts.



**Indian  
Accounting  
Standards**



**Accounting  
Standards**



Ind AS	Accounting Standards
Ind AS 101 : First-time Adoption of Indian Accounting Standards	No corresponding AS
Ind AS 102 : Share-based Payment	No corresponding AS but, GN on accounting for employee Share-based Payment
Ind AS 103 : Business Combinations	AS 14 : Accounting for amalgamations
Ind AS 104 : Insurance Contracts	No corresponding AS
Ind AS 105 : Non-current Assets Held for Sale and Discontinued Operations	AS 24 : Discontinuing Operations
Ind AS 106 : Exploration for and Evaluation of Mineral Resources	No corresponding AS but, GN on accounting for oil and gas producing companies
Ind AS 107 : Financial Instruments: Disclosures	AS 32 : Financial Instruments: Disclosures
Ind AS 108 : Operating Segments	AS 17 : Segment reporting
Ind AS 109 : Financial Instruments	AS 13 : Accounting for investments AS 30 : Financial Instruments: Recognition and Measurement
Ind AS 110 : Consolidated Financial Statements	AS 21 : Consolidated Financial Statements
Ind AS 111 : Joint Arrangements	AS 27 : Financial Reporting of Interests in Joint Ventures
Ind AS 112 : Disclosure of Interests in Other Entities	No corresponding AS
Ind AS 113 : Fair Value Measurement	No corresponding AS
Ind AS 114 : Regulatory Deferral Accounts	No corresponding AS

Ind AS	Accounting Standards
Ind AS 1 : Presentation of Financial Statements	AS 1 : Disclosure of accounting policies AS 5 : Net P/L, PPI and Change in estimates
Ind AS 2 : Inventories	AS 2 : Valuation of Inventories
Ind AS 7 : Statement of Cash Flows	AS 3 : Cash Flows Statement
Ind AS 8 : Accounting Policies, Changes in Accounting Estimates and Errors	AS 5 : Net P/L, PPI and Change in estimates
Ind AS 10 : Events after the Reporting Period	AS 4 : Contingencies and events occurring after balance sheet date
Ind AS 11 : Construction Contracts	AS 7 : Construction Contracts
Ind AS 12 : Income Taxes	AS 22 : Accounting for income Taxes
Ind AS 16 : Property, Plant and Equipment	AS 6 : Depreciation AS 10 : Accounting for fixed assets
Ind AS 17 : Leases	AS 19 : Leases
Ind AS 18 : Revenue	AS 9 : Revenue Recognition
Ind AS 19 : Employee Benefits	AS 15 : Employee Benefits
Ind AS 20 : Accounting for Government Grants and Disclosure of Government Assistance	AS 12 : Accounting for government grants
Ind AS 21 : The Effects of Changes in Foreign Exchange Rates	AS 11 : The Effects of Changes in Foreign Exchange Rates
Ind AS 23 : Borrowing Costs	AS 16 : Borrowing Costs
Ind AS 24 : Related Party Disclosures	AS 18 : Related Party Disclosures
Ind AS 27 : Separate Financial Statements	AS 21 : Consolidated Financial Statements
Ind AS 28 : Investments in Associates and Joint Ventures	AS 23 : Accounting for Investments in Associates in Conso Fin Statements

Ind AS	Accounting Standards
Ind AS 29 : Financial Reporting in Hyperinflationary Economies	No corresponding AS
Ind AS 32 : Financial Instruments: Presentation	AS 31 : Financial Instruments: Presentation
Ind AS 33 : Earnings per Share	AS 20 : Earnings per Share
Ind AS 34 : Interim Financial Reporting	AS 25 : Interim Financial Reporting
Ind AS 36 : Impairment of Assets	AS 28 : Impairment of Assets AS 26 : Intangible Assets
Ind AS 37 : Provisions, Contingent Liabilities and Contingent Assets	AS 29 : Provisions, Contingent Liabilities and Contingent Assets
Ind AS 38 : Intangible Assets	AS 26 : Intangible Assets
Ind AS 40 : Investment Property	AS 13 : Accounting for investments
Ind AS 41 : Agriculture	No corresponding AS

In continuation of the earlier series of “**Interactive Learning on Ind AS**”, here is yet another boastful attempt to educate on the further dynamism in the **Reporting segment, viz. amendment in Schedule III** of the Companies Act, 2013 whereby Ind AS Financial Statements have been laid down.

Ind AS still remains a vast less explored area and our endeavour to disseminate on the topic *continues.....*

**Stay tuned for more.**

*Happy Reading to you !!*

**READ, LIKE AND SHARE!!!!**



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