

Compendium of Indian Accounting Standards

(Indian Accounting Standards as on April 1, 2018)
(Volume II)



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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* Prior to constitution of NFRA on October 01, 2018, National Advisory Committee on Accounting Standards

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Foreword

During last 4 decades, world has witnessed tremendous convergence of global economies and commerce leading to heightened co-operation and partnership among governments, regulators and international bodies. In the backdrop of globalization and liberalization, where world has become an economic village, financial standards assume a critical role. At the dawn of 21st century, this has led to emergence of international standard setting body called International Accounting Standards Boards of IASC Foundation (now called IFRS Foundation).

Adoption/convergence with IFRS Standards gained a significant momentum around 2005 when major economies such as European Union (EU) and Australia transitioned to IFRS framework. Around 2007-08, IFRS Standards received further fillip when China, Canada announced their intention to adopt/converge with IFRS Standards and US SEC decided to accept IFRS based financial statements of foreign issuers.

Since beginning, ICAI is the critical constituent in the Standards Setting process of this nation. During years 2000-02, ICAI shaped accounting framework in India by issuing many new Accounting Standards (ASs) in line with prevailing international framework. Soon after, India geared up towards a set of ASs that are close to globally recognised IFRS way back in year 2006, and published a concept paper on the path of convergence with IFRS issued by the IASB. ICAI believes that implementation of Ind AS, converged with IFRS Standards that are currently required in more than 140 jurisdictions and permitted in many more, is in the best interest of our nation & economy. This path breaking accounting reform initiative enabled Government of India in partnering with G20 nations to advocate implementation of a single set of high quality accounting standards across the globe in September 2009.

The implementation of Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) by Indian Companies is a monumental step in the accounting history of India. I am proud to say that the mission of ICAI in enabling the nation with high quality globally accepted financial reporting framework has been achieved during last two years. As of today, large majority of our Public Interest Entities present their financial statements under Ind AS Framework. Banks and Insurance Entities are expected to join the process soon i.e. from 1st April, 2019 and 1st April, 2020, respectively. On financial reporting front, ICAI has

set in a strong culture of global co-operation and partnership. In recent times, our efforts/involvement in international forums has increased manifold.

The Accounting Standards Board and its Ind AS Implementation Group have been making unrelenting efforts in making the transition from Indian GAAP to Ind AS smooth through its various initiatives which includes issuance of publication, educational materials on Ind AS, and these efforts further extend to organising regular training programmes, workshops, seminars on Ind AS to educate various stakeholders in effective implementation of Ind AS. In this direction publication of this first Compendium of Ind AS which provides a compilation of all the Ind AS that are effective as on April 01, 2018 is noteworthy.

My sincere appreciation to CA. S.B. Zaware, Chairman, Accounting Standards Board (ASB) and also gratefully acknowledge the contribution of the entire professional resources involved in the formulation of Indian Accounting Standards particularly all the Council Members, the members of the Board and Convenors and members of the Study Group.

I hope that this publication would be immensely useful to the members of the Institute in discharging their duties, preparers of financial statements under Ind AS and other stakeholders.

New Delhi
December 17, 2018

CA. Naveen N.D. Gupta
President

Preface

Dear Reader,

General purpose Financial Statements offers the most useful information of the financial position, performance and financial health of an entity. The central part of the financial statements lies in adherence to a set of robust financial reporting standards, which can be complex in structure but simple in purpose. They set what needs to be recognised and measured in the financial information communicated to the stakeholders—essentially setting the content of the financial statements—and then the format of that information. A set of high-quality reporting standards is a key underpinning of financial stability. In sum, it serves like the proverbial famous canary in the coal mine. It provides an early warning system to detect changes in the company's risks and its performance.

Since the formation of Accounting Standards Board in 1977, the ICAI has endeavoured to enable the Nation with a set of financial reporting standards comparable to the best in the world. During last decade or so, ICAI had initiated few critical steps on this path; the most significant one being moving with the idea of convergence with IFRS Standards in 2006-07. We are delighted to state that in year 2015, India witnessed a monumental leap forward in the Financial Reporting Standards Framework for Public Interest Entities (PIEs) i.e. implementation of Indian Accounting Standards (Ind AS) converged with IFRS Standards. The herculean efforts involved in rolling out principle based Ind AS, a set of standards that are comparable to global framework, are nothing short of astounding. The Ministry of Corporate Affairs (MCA) notified a set of 39 Ind AS on 16 February, 2015, based on recommendations of ICAI along with the implementation roadmap. The roadmap provided implementation of Ind AS by corporates voluntarily from 1st April, 2015 and mandatorily in a phased manner (phase I-from 1st April, 2016 and phase II-from 1st April, 2017). Subsequently, implementation roadmap for Banks (from 1st April 2019), Insurance companies (from 1st April 2020)*, and NBFCs (in a phased manner, phase I-from 1st April, 2018 and phase II-from 1st April, 2019) were rolled out.

Ind AS provides new accounting framework for financial reporting which is fundamentally different in many areas from existing Accounting Standards (AS) notified by MCA in 2006. Ind AS comprises 39 standards providing

* Dates as deferred by RBI and IRDAI for Banks and Insurance Companies, respectively.

extensive guidance in various areas for reporting the financial results by the entities. Ind AS framework is robust and comprehensive. Ind AS has certain standards applicable to specific/ unique transactions, such as, Regulatory deferral accounts, Agriculture etc. Also, five (5) standards (Ind AS 103, 110, 111, 112 and 28) specifically deal with the aspects related to the subject of business combination (amalgamation/consolidation/acquisition). A dedicated standard (Ind AS 101) provides transition related guidance and exemptions to the entities reporting under Ind AS regime. A set of 3 Ind AS (Ind AS 107, 109 and 32) provide extensive guidance on accounting of financial instruments that includes some of the most complex kind of instruments. An important aspect to note is Ind AS are not industry specific, though some appear like that because few standards may have comparatively higher impact or relevance to specific industry. Another crucial standard is Ind AS 115 that provides a robust comprehensive step model for revenue recognition across varied sectors.

Ind AS are based on IFRS standards* which have dynamic framework that keeps evolving with changing business environment and needs of users, therefore, keeps on changing periodically. It is intended that Ind AS Framework remains converged with IFRS at all times. A successful convergence effort entails timely updation of Ind AS by keeping pace with the changes in IFRS framework. Hence, we strive to keep amending/ issuing new Ind AS as soon as changes happen in IFRS Standards. To achieve this objective, since principle notification of Ind AS, for (4) amendment rules have been issued so far. In the 1st amendment rules notified in year 2016, revenue standard (Ind AS 115) was replaced by 2 standards on the subject (Ind AS 11 and 18) due to international deferral of IFRS 15. Furthermore, certain other amendments made by IFRS Standards were also included. In year 2017, 2nd amendment rules made clarificatory changes to 2 Ind AS (Ind AS 7 and Ind AS 102) consistent with the amendments made by IASB. Thereafter, in March 2018, in 3rd amendment rules Ind AS 115 was re-instated which comprehensively deals with revenue related aspects. In addition, other amendments included clarificatory guidance, annual improvement cycles etc. In September, 2018, 4th round of amendments to Ind AS was issued with regard to recording and presentation of certain government grants.

Keeping close track of these amendments and referring thereto as a separate document is a cumbersome and tedious task, therefore, for ease of reference for stakeholders', there is a need felt to publish a compilation of up-to date Ind AS.

* Ind ASs have certain carve-outs and carve-ins vis-a-vis IFRS Standards.

Large number of members of the Institute, irrespective of size of their profession, are rendering auditing and accounting services to the entities required to follow Ind AS. We acknowledge that our stakeholders include a vast array of companies, other organisations, employees, auditors, preparers, academics and students, and many others. Therefore, for the benefit of those, there is a strong need to have a consolidated manual of Ind AS up to-date as of each year. This publication brings a comprehensive version of IFRS converged Ind AS encompassing all the rounds of amendments issued by MCA till date that are effective for accounting periods beginning on or after 1st April, 2018.

To make this version, more understandable to the readers, an intentionally descriptive footnote is located at the relevant paragraphs, clearly indicating the changes made by the MCA amendment Rules. These footnotes do not form part of the standard and are purely added to enable users to easily locate the erstwhile provisions.

I am thankful to all stakeholders and members of the Board for their contribution in the functioning of the Board especially in formulation/ revision of Ind AS. I am also obliged for the support of various regulators in the activities of the Board and their invaluable contributions. I am thankful to Honourable President CA. Naveen N.D. Gupta for his direction and guidance in effective functioning of the Board. I am also thankful to Vice-President, CA. Praful Prem Sukh Chhajed and CA. M.P. Vijay Kumar, Vice- Chairman of the Board, for their consistent guidance and assistance.

I wish to place on record my appreciation to Secretarial team of Accounting Standards Board for their continuous endeavour and efforts for carrying out the activities of Board. I would like to thank CA. Vidhyadhar Kulkarni, Secretary, ASB, CA. Parminder Kaur, Deputy Secretary, CA. Sonia Minocha, Assistant Secretary and CA. Nikita Bothra, Executive Officer for bringing out this Compendium of Indian Accounting Standards.

We are indeed delighted to bring you the first edition of our compilation of Indian Accounting Standards (Ind AS) titled as **Compendium of Ind AS**, bounded in 2 Volumes that covers notified Ind AS applicable as on April 01, 2018.

We hope readers find this publication useful and of continued interest.

New Delhi
December 17, 2018

CA. S. B. Zaware
Chairman
Accounting Standards Board

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