A Quick Guide to IND AS

PREFACE

The transition from Indian GAAP to Ind AS is a historic and landmark change. In accordance to its commitment to G20, India is Converging to IFRS in a phased manner starting from annual beginning on or after April 1, 2016. The IFRS Converged Standards will be known as Indian Accounting Standards (Ind AS) and will contain numerous carve outs from IFRS.

The change to Ind AS is a truly positive move that will bring the accounting in India substantially closer to the accounting followed by the global Companies under IFRS.

This guide provides a brief summary of the recognition, measurement, presentation and disclosure requirements under the Indian Accounting Standards (referred to as Ind AS or Standards in the guide) prescribed under section 133 of the Companies Act, 2013, as notified under the Companies (Indian Accounting Standard) Rules, 2015, in a simple and concise manner and is updated for notifications upto June, 2015.

This guide is compiled and edited from various materials available on internet by Nisha Suyal Aggarwal, a Practicing Chartered Accountant. She has 7 years of accounting and auditing experience with top accounting firms. She has served big sized Companies/Multi Nationals on assignments as per Indian GAAP, US GAAP and IFRS. She is also a visiting faculty with the Institute of Chartered Accountants of India (ICAI) for General Management and Communication Skills (GMCS) Classes.

We are committed to help you move to Ind AS in a smooth manner, and look forward to assist you on this project.

Best Wishes,

TAXPOINT CONSULTING PRIVATE LIMITED

CONTENT AT A GLANCE

OVERVIEW OF IND AS ROADMAP

Most of the world is now reporting under the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). In July 2002, the European Parliament had passed a regulation requiring the adoption of IFRS by all EU listed Companies from 2005. Most Countries across the globe have adopted/converged with IFRS. Only two significant countries, India and USA, were not using IFRS. USA allows IFRS for foreign private issuers with securities traded on US exchanges. The US standard setter and the IASB have been converging and working together on numerous accounting standards. This has resulted in the US GAAP slowly inching forward closer to IFRS.

On February 16, 2015 the Ministry of Company Affairs (MCA) notified the Companies (Indian Accounting Standards) Rules, 2015 laying down roadmap for the application of IFRS Converged Standards (Ind AS) to Companies other than Banking Companies, Insurance Companies and Non- Banking Finance Companies (NBFCs).

The adoption of Ind AS will substantially bring the gap and will bring India at par with the world that has adopted/converged with IFRS. India opted for conversion approach as against adoption of IFRS issued by IASB. As a result, IND AS financial statements may not be fully compliant with IFRS. It is expected that the Institute of Chartered Accountants of India (ICAI) will discuss these issues with IASB and most of the differences may get resolved in the future.

ROADMAP FOR NON FINANCIAL COMPANIES:

Voluntary Phase	Any Entity may adopt. Accounting period beginning on or after April 1, 2015
Mandatory Phase 1	**Mandatory Phase 2**
Accounting periods beginning on or after April 1, 2016 for the below Companies: d. Companies having net worth of Rs. 500 crores or more. e. Holding, Subsidiaries, Associates, Joint Ventures of the above Companies.	Accounting periods beginning on or after April 1, 2017 for the below Companies: a. All listed Companies/in the process of listing b. Unlisted Companies having net worth of Rs. 250 crores or more. c. Holding, Subsidiaries, Associates, Joint Ventures of the above Companies.

Effectively Ind AS are applicable from April 1, 2015 as Companies need to give comparatives for the year ended March 31, 2016.

If Ind AS are applied voluntarily, then Entity need to prepare its financial statements as per Ind AS consistently, Option is irrevocable.

For the above purpose, Net worth is to calculated as per financial statements as at March 31, 2014 or the first audited Financial statements for the period which ends after that date.

Ind AS 101-First time adoption of Ind AS, requires Companies to prepare an Ind AS opening balance sheet at the transition date.

SERIES OF STANDARDS-IAS/IFRS vs IND AS

SERIES OF STANDARDS-IAS/IFRS vs IND AS

S. No	IAS/IFRS		Ind AS	
1	IAS 1	Presentation of financial statements	Ind AS 1	Presentation of financial statements
2	IAS 2	Inventories	Ind AS 2	Inventories
3	IAS 7	Statement of cash flows	Ind AS 7	Statement of cash flows
4	IAS 8	Accounting policies, changes in accounting estimate and errors	Ind AS 8	Accounting policies, changes in accounting estimate and errors
5	IAS 10	Events after the reporting period	Ind AS 10	Events after the reporting period
6	IAS 11	Construction contracts		
7	IAS 12	Income taxes	Ind AS 12	Income taxes
8	IAS 16	Property, plant and equipment	Ind AS 16	Property, plant and equipment
9	IAS 17	Leases	Ind AS 17	Leases
10	IAS 18	Revenue		
11	IAS 19	Employee benefits	Ind AS 19	Employee benefits
12	IAS 20	Accounting for government grants and disclosure of government assistance	Ind AS 20	Accounting for government grants and disclosure of government assistance
13	IAS 21	The effects of changes in foreign exchange rates	Ind AS 21	The effects of changes in foreign exchange rates
14	IAS 23	Borrowing costs	Ind AS 23	Borrowing costs
15	IAS 24	Related-party disclosures	Ind AS 24	Related-party disclosures
16	IAS 26	Accounting and reporting by retirement benefit plans		
17	IAS 27	Separate financial statements	Ind AS 27	Separate financial statements

S. No	IAS/IFRS		Ind AS	
18	IAS 28	Investment in associates and joint ventures	Ind AS 28	Investment in associates and joint ventures
19	IAS 29	Financial reporting in hyperinflationary economies	Ind AS 29	Financial reporting in hyperinflationary economies
20	IAS 31	Interest In joint ventures		
21	IAS 32	Financial Instruments: Presentation	Ind AS 32	Financial Instruments: Presentation
22	IAS 33	Earnings per share	Ind AS 33	Earnings per share
23	IAS 34	Interim financial reporting	Ind AS 34	Interim financial reporting
24	IAS 36	Impairment of assets	Ind AS 36	Impairment of assets
25	IAS 37	Provisions, contingent liabilities and contingent assets	Ind AS 37	Provisions, contingent liabilities and contingent assets
26	IAS 38	Intangible assets	Ind AS 38	Intangible assets
27	IAS 39	Financial instruments: Recognition and measurement		
28	IAS 40	Investment property	Ind AS 40	Investment property
29	IAS 41	Agriculture	Ind AS 41	Agriculture
30	IFRS 1	First time adoption of International Financial Reporting Standards	Ind AS 101	First time adoption of International Financial Reporting Standards
31	IFRS 2	Share based payment	Ind AS 102	Share based payment
32	IFRS 3	Business combinations	Ind AS 103	Business combinations
33	IFRS 4	Insurance contracts	Ind AS 104	Insurance contracts
34	IFRS 5	Non-current assets held for sale and discontinued operations	Ind AS 105	Non-current assets held for sale and discontinued operations
35	IFRS 6	Exploration for and evaluation of mineral resources	Ind AS 106	Exploration for and evaluation of mineral resources

S. No	IAS/IFRS		Ind AS	
36	IFRS 7	Financial instruments: Disclosures	Ind AS 107	Financial instruments: Disclosures
37	IFRS 8	Operating segments	Ind AS 108	Operating segments
38	IFRS 9	Financial instruments	Ind AS 109	Financial instruments
39	IFRS 10	Consolidated financial statements	Ind AS 110	Consolidated financial statements
40	IFRS 11	Joint arrangements	Ind AS 111	Joint arrangements
41	IFRS 12	Disclosure of interest in other entities	Ind AS 112	Disclosure of interest in other entities
42	IFRS 13	Fair Value measurement	Ind AS 113	Fair Value measurement
43	IFRS 14	Regulatory deferral accounts	Ind AS 114	Regulatory deferral accounts
44	IFRS 15	Revenue from contracts with customer	Ind AS 115	Revenue from contracts with customer
1	IFRIC 1	Changes in existing decommissioning, restoration and similar liabilities	Appendix A to Ind AS 16	Changes in existing decommissioning, restoration and similar liabilities
2	IFRIC 2	Members' shares in co-operative entities and similar instruments		
3	IFRIC 4	Determining whether an arrangement contains a lease	Appendix C to Ind AS 16	Determining whether an arrangement contains a lease
4	IFRIC 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	Appendix A to Ind AS 37	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
5	IFRIC 6	Liabilities arising from participating in a specific market—waste electrical and electronic equipment	Appendix B to Ind AS 37	Liabilities arising from participating in a specific market—waste electrical and electronic equipment
6	IFRIC 7	Applying the restatement approach under IAS 29—Financial reporting in hyperinflationary economies	Appendix A to Ind AS 29	Applying the restatement approach under IAS 29—Financial reporting in hyperinflationary economies

S. No	IAS/IFRS		Ind AS	
7	IFRIC 10	Interim financial reporting and impairment	Appendix A to Ind AS 34	Interim financial reporting and impairment
8	IFRIC 12	Service concession arrangements	Appendix C to Ind AS 115	Service concession arrangements
9	IFRIC 13	Customer loyalty programmes	Not applicable	Not applicable. Superseded by Ind AS 115
10	IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction	Appendix B to Ind AS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction
11	IFRIC 15	Agreements for the construction of real estate	Not applicable	Not applicable. Superseded by Ind AS 115
12	IFRIC 16	Hedges of a net investment in a foreign operation	Appendix C to Ind AS 109	Hedges of a net investment in a foreign operation
13	IFRIC 17	Distributions of non-cash assets to owners	Appendix A to Ind AS 10	Distributions of non-cash assets to owners
14	IFRIC 18	Transfers of assets from customers	Not applicable	Not applicable. Superseded by Ind AS 115
15	IFRIC 19	Extinguishing financial liabilities with equity Instruments	Appendix D to Ind AS 109	Extinguishing financial liabilities with equity instruments
16	IFRIC 20	Stripping costs in the production phase of a surface mine	Appendix B to Ind AS 16	Stripping costs in the production phase of a surface mine
17	IFRIC 21	Levies	Appendix C to Ind AS 37	Levies
18	SIC 7	Introduction of the Euro		
19	SIC 10	Government assistance-No specific relation to operating activities	Appendix A to Ind AS 20	Government assistance-No specific relation to operating activities
20	SIC 12	Consolidation- Special Purpose Entities	Not applicable	Not applicable. Superseded by Ind AS 110

S. No	IAS/IFRS		Ind AS	
21	SIC 13	Jointly controlled entities-Non-monetary contributions by venturers	Not applicable	Not applicable. Superseded by Ind AS 111
22	SIC 15	Operating leases-Incentives	Appendix A to Ind AS 17	Operating leases-Incentives
23	SIC 25	Income taxes-Changes in the tax status of an enterprise or its shareholders	Appendix A to Ind AS 12	Income taxes-Changes in the tax status of an enterprise or its shareholders
24	SIC 27	Evaluating the substance of transactions in the legal form of a lease	Appendix B to Ind AS 17	Evaluating the substance of transactions in the legal form of a lease
25	SIC 29	Service concession arrangements disclosures	Appendix D to Ind AS 115	Service concession arrangements disclosures
26	SIC 31	Revenue-Barter transactions involving advertising services	Not applicable	Not applicable. Superseded by Ind AS 115
27	SIC 32	Intangible assets-website costs	Appendix A to Ind AS 38	Intangible assets-Website costs

BROAD COMPARISON- IFRS vs IND AS

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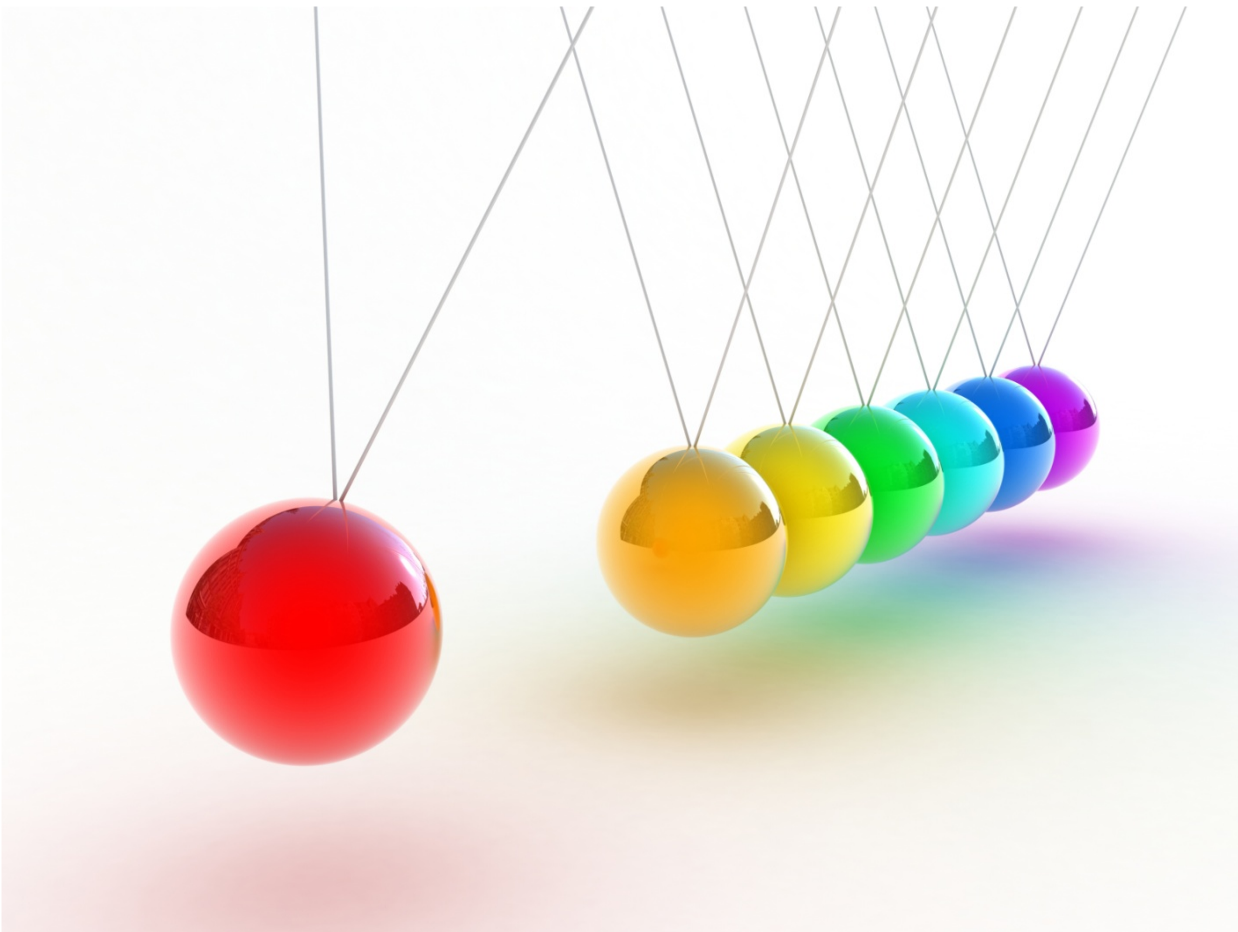
Area	IFRS	IND AS
Presentation of financial statements- Components of financial statements	Components of IFRS financial statements include- a. Statement of financial position. b. Statement of profit & loss and other comprehensive income. c. Statement for changes in equity d. cash flow statement e. Notes having summary of significant accounting policies and other explanatory information.	Components of Ind AS financial standards- a. Balance sheet as the year end b. Statement of profit & loss c. Statement for changes in equity d. Cash flow statement e. Notes having summary of Accounting Policies and other explanatory information.
Presentation of financial statements- Formats of financial statements	There are specified line items for Statement of Financial Position, Statement of Profit & Loss and other comprehensive income and statement for changes in Equity. Further, there are further amendments which are effective for year beginning on or after January 1, 2016 with permission of early adoption.	There is no specified format in Ind AS. Amendments to IAS 1, "disclosure initiatives" are yet to be made to Ind AS-1.
Presentation of financial statements- Classification of expense	Option is there to classify expenses- classification by nature/classification by function, whichever provides more relevant and reliable information. If classification is by function, specific disclosures by nature are also required in the notes.	Only permission to classify expense by nature.
Presentation of financial statements- Statement of Profit & Loss and other comprehensive income	Option is there to either follow single statement approach or to follow the two statement approach.	Only one statement comprising profit and loss and other comprehensive statement is prepared.
Statement of cash flows-interest and dividend	IFRS allows the option to present dividend and interest inflow and outflow as operating/investing/ financing activities in consistency with prior periods.	Interest and dividend inflow and outflow cannot be presented as operating activities in case of non financial entities.

Business combinations- Bargain Purchase gain on acquisition	Negative goodwill/Bargain purchase gain is recognized in Profit or loss.	Negative goodwill can be recognized in other comprehensive income or capital reserves.
Business combinations- Common control transactions	Fair value option and basis book value of assets and liabilities acquired.	Only on the basis of book values.
Investment Property	Investment property is accounted as per either cost or fair value model.	Investment property is measured as per cost method.
Interest in a leasehold land	Property interest in an operating lease may be classified as investment property and accounted as finance lease and fair value model is opted.	Property interest in an operating lease cannot be classified as investment property
Increase in Operating lease rentals	Increase in operating lease rentals with increase in inflation is considered as contingent rent.	This increase in rentals in line with expected general inflation is not straight lined and expensed.
Employee benefits- discount rates	IFRS allow use of high quality corporate bond yield at the end of the reporting period. In case of non availability of such bonds, market yield on government bonds.	Actuarial liability is determined based on government securities yield.
Government grants	Option is available for recognizing at fair value or nominal value and can either be presented in Balance sheet as setting up as deferred income or as a way of deduction from the carrying value of asset.	Recognition of government grant at fair value and presentation in Balance sheet as setting it up as deferred income.
Effects of changes in foreign exchange rates- exchange differences	Exchange differences on monetary items are recognized in profit /loss in the period in which they arise in the separate financial statements and in other comprehensive income in consolidated Financials. On disposal of the net investments, its is reclassified from equity to profit/loss.	Policy as per previous GAAP is allowed.
Effects of changes in foreign exchange rates- change in functional currency	Fact and reason for change in functional currency should be disclosed.	Date of change is also required to be disclosed in addition to fact and reason for change in functional currency.
Related part-Definition	Inclusive definition of close family members is there.	In addition to close members defined in IFRS, father, mother, brother and sister are also covered.

Related part-Disclosure requirements	No exemption for disclosures.	Exclusion of certain disclosure which may have conflict with confidentiality requirements of statute/regulations.
Investment in associates/joint ventures-Uniform accounting policies	Uniform accounting policies to be followed with no exception.	Uniform accounting policies to be followed unless its practicable.
Investment in associates/joint ventures-Separate financial statement of the investor	Either at cost or as an investment in accordance with IFRS 9/IAS 39/using Equity method as per IAS 28 (Equity method option is for year beginning on or after January 1, 2016).	Equity method is not permitted.
Financial Instruments-Classification of convertible debts.	The instrument is split into debt and equity portion and conversion option as an embedded derivative basis the contractual terms and conditions of the financial instruments at issuance.	Conversion option in certain situations only.
Financial Instruments-Conversion option embedded in foreign currency convertible bonds.	Conversion option to acquire fixed number of equity shares for fixed amount of cash in entity's functional currency only is treated as equity. This option is treated as embedded derivative and fair value through profit and loss account at every reporting date.	Unlike IFRS, Conversion option to acquire fixed number of equity shares for fixed amount of cash in any currency is treated as equity and also not required to be re measured at fair value at every reporting date.
Earning per share-disclosure in separate financial statements	When both financials are prepared, EPS is required to be disclosed in Consolidated financial statements only, however voluntary disclosure of EPS in standalone financials is allowed.	EPS is to be disclosed in stand alone as well as consolidated financials.
Revenue	Variable considerations (including potentially contingent considerations) are only included in the transaction price to the extent that it is probable that the amount of cumulative revenue recognized would not be subject to a significant future revenue reversals when such estimates are revised.	Penalties should be accounted for as per the substance of the contract.

CATEGORISATION OF STANDARDS



CATEGORISATION OF STANDARDS

Income and expense

Ind AS 18	Revenue
Ind AS 11	Construction Contracts
Ind AS 11 (Appendix A and B)	Service Concession Arrangements
Ind AS 20	Accounting for Government Grants and Disclosure of Government Assistance
Ind AS 19	Employee Benefits
Ind AS 102	Share-based Payment
Ind AS 12	Income- taxes
Ind AS 16	Property, Plant and Equipment
Ind AS 38	Intangible Assets
Ind AS 40	Investment Property
Ind AS 2	Inventories
Ind AS 23	Borrowing Costs
Ind AS 17	Leases
Ind AS 36	Impairment of Assets
Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets

Group Accounts

Ind AS 103	Business Combinations
Ind AS 110	Consolidated Financial Statements
Ind AS 111	Joint Arrangements
Ind AS 28	Investment in Associates and Joint Ventures
Ind AS 112	Disclosure of Interest in Other Entities
Ind AS 27	Separate Financial Statements

Financial Instruments and Foreign Exchange

Ind AS 21	The Effects of Changes in Foreign Exchange Rates
Ind AS 109	Financial Instruments
Ind AS 32	Financial Liabilities and Equity
Ind AS 107	Financial Instruments: Disclosures
Ind AS 113	Fair Value Measurements

CATEGORISATION OF STANDARDS

Presentation and Disclosures

Ind AS 1	Presentation of Financial Statements
Ind AS 8	Accounting Policies, Change in Accounting Estimates and Errors
Ind AS 10	Events after the Reporting Period
Ind AS 7	Statement of Cash Flows
Ind AS 33	Earning Per Share
Ind AS 24	Related Party Disclosures
Ind AS 108	Operating Segments
Ind AS 105	Non- current Assets held for Sale and Discontinued Operations
Ind AS 34	Interim Financial Reporting

Industry Specific

Accounting by Real Estate Companies

Ind AS 106	Exploration for and Evaluation of Mineral Resources
Ind AS 114	Regulatory Deferral Accounts
Ind AS 41	Agriculture

FIRST TIME ADOPTION OF IND AS

FIRST TIME ADOPTION OF IND AS

Indian Accounting Standard (Ind AS 101)

- Ind AS 101 prescribes **ground rules and accounting policies** to be followed in an entity's **first set of Ind AS Financial Statements**.

- Entity **shall prepare and present an opening Ind AS Balance sheet** at the date of transition to Ind AS. Hence, there will be 3 Balance sheets in first Ind AS financial statements.

- Use of **same accounting policies in opening Ind AS Balance Sheet** and in first Ind AS financial statements.

- **Not recognize** items as assets and liabilities if Ind AS does not permit such recognition.
  Recognize all assets and liabilities whose recognition is required by Ind AS.
  Reclassify assets and liabilities and items of equity to the requirements of Ind AS.
  Measure all assets and liabilities in accordance with Ind AS.

- The **adjustments** arising from adoption of new policies (in place of previous GAAP) as per Ind AS in the opening Ind AS Balance sheet, **shall be recognized directly in retained earnings** (or, if appropriate, another category of equity) **at the date of transition to Ind AS**.

- Entity should explain how the transition has affected its reported Balance sheet, financial performance and cash flows.

- Exceptions to the principle that Opening Balance sheet shall comply with each Ind AS:

Two categories of Exceptions

- **Prohibit retrospective application of some aspect of other Ind ASs**
- **Grant voluntary exemptions from some specific requirements of other Ind ASs**

Area	Mandatory exceptions to the retrospective application of other Ind ASs
Estimates	An entity's estimates should be consistent with the estimates made for the same date made for the same date in accordance with previous GAAP unless there is objective evidence that those were in error. However, adjustments should be made to reflect changes in accounting policies.
De recognition of financial assets and liabilities	De recognition requirements in Ind AS 109 to be applied prospectively for transactions occurring on or after the date of transition to Ind AS.
Hedge accounting	Ind AS 109-At the date of transition to Ind AS- i. measure all derivatives at fair value ii. Eliminate all deferred losses and gains arising on derivatives that were reported in accordance with previous GAAP as if they were assets or liabilities. In opening Ind AS Balance sheet, Reflect only hedging relationships that qualify for hedging accounting as per Ind AS 109. Transactions entered into before the date of transition to Ind AS shall not be retrospectively designated as hedges.
Non controlling interests	Apply the following requirements of AS 110 on "Consolidated Financial Statements" prospectively from the date of transition to Ind AS: (a) the requirement that total comprehensive income should be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. (b) the requirements under Ind AS 110 for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control, i.e., considering such a change as a equity transaction (transaction with owners in their capacity as owners) to be accounted for accordingly. (c) the requirements under Ind AS 110 for accounting for a loss of control over a subsidiary, and the related requirements under Ind AS 105 on 'Non-current Assets Held for Sale and Discontinued Operations'. If Ind AS 103 on 'Business Combinations' is applied retrospectively to past business combinations, should also apply Ind AS 110 from the same date.
Classification and measurement of financial assets	Ind AS 101 provides exemptions to certain classification and measurement requirements of financial assets under Ind AS 109, where these are impracticable to implement.
Impairment of financial assets	Certain exemptions are provided under Ind AS 101 to retrospective application of Impairment requirements under Ind AS 109 (for recognition and measurement of expected credit losses).

Embedded derivatives	Assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative based on the conditions that existed at the later of the date it first became a party to the contract; and the date a reassessment is required under Ind AS 109.
Government loans	Ind AS 101 give an exception to prospective application of Ind AS 109 on 'Financial Instruments' and Ind AS 20 on 'Accounting for Government Grants and Disclosure of Government Assistance', i.e., an entity may apply the requirements in Ind AS 109 and Ind AS 20 retrospectively to any government loan originated before the date of transition to Ind AS. However, this exception is available only in cases where the information needed for retrospective application of Ind AS 109 and Ind AS 20 had been obtained at the time of initially accounting for that loan.
Business Combinations	A first-time adopter may elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind ASs). However, if a first-time adopter restates any business combination to comply with Ind AS 103, it shall restate all later business combinations and shall also apply Ind AS 110 from that same date. An entity may apply Ind AS 21 retrospectively to fair value adjustments and goodwill arising in either: (a) all business combinations that occurred before the date of transition to Ind ASs; or (b) all business combinations that the entity elects to restate to comply with Ind AS 103. The exemption for past business combinations also applies to past acquisitions of investments in associates, interests in joint ventures and interests in joint operations in which the activity of the joint operation constitutes a business, as defined in Ind AS 103.

Voluntary Exemptions from other Ind ASs

An entity may elect to use one or more exemptions given in Ind AS 101 in the context of the following:

a. share-based payment transactions;
b. insurance contracts;
c. deemed cost;
d. leases;
e. cumulative translation differences;
f. investments in subsidiaries, joint ventures and associates;
g. assets and liabilities of subsidiaries, associates and joint ventures;
h. compound financial instruments;
i. designation of previously recognized financial instruments;

j. fair value measurement of financial assets or financial liabilities at initial recognition;
k. decommissioning liabilities included in the cost of property, plant and equipment;
l. financial assets or intangible assets accounted for in accordance with Appendix C to Ind AS 115, Service Concession Arrangements;
m. borrowing costs;
n. extinguishing financial liabilities with equity instruments;
o. severe hyperinflation;
p. joint arrangements;
q. stripping costs in the production phase of a surface mine;
r. designation of contracts to buy or sell a non-financial item;
s. revenue from contracts with customers; and
t. non-current assets held for sale and discontinued operations.

BROAD COMPARISON- IND AS vs I GAAP

TAX POINT
YOUR SUCCESS IS OUR BUSINESS

BROAD COMPARISON- IND AS vs I GAAP

Head	IND AS	I GAAP
Revenue recognition	Single five steps revenue recognition model for all types of contracts. - Revenue to be recognized on satisfaction of performance obligation. - Specification of accounting for the incremental cost for getting a contract and cost directly related to fulfilling a contract. - If financing element is significant in the contract, time value of money to be considered. - Requirement of extensive disclosures (quantitative and qualitative) about the significant judgments made by the management and change in judgments.	Separate guidance for different types of contracts with customers.
Financial instruments	Ind AS 32 establishes detailed principles for presenting financial instruments as liabilities or equity.	Notified standards do not prescribe distinction between equity and liabilities.
	Ind AS 32 requires compounded financial instruments like convertible bonds to be split into liability and equity and each component to be recognized separately.	No split is required and classified as equity or liability on the basis of their primary nature.

	Ind AS 109 requires classification of financial assets into 3 categories: a. Measured at amortized cost b. Fair value through other comprehensive income (FVTOCI) c. Fair value through profit & loss (FVTPL) And subsequent measurement at amortized cost, FVTOCI, FVTPL.	Under Indian GAAP- a. loans and receivable are measured at cost less provisions b. Interest income on loan- recognized on time proportion basis. c. AS 13 Classify investments as long term or current. After initial recognition, long term investments are measured at cost, less permanent diminution, if any. Current investments are measured at lower of cost or Market price.
	Ind AS 109 requires classification of financial liabilities into 2 categories on initial recognition and no further reclassification is allowed: a. Measured at amortized cost b. Fair value through profit & loss (FVTPL) and subsequent measurement at fair value with gain/loss normally to Profit or loss.	No detailed guidance on measurement of financial liabilities.
	Ind AS 109 classifies a derivative as a financial instrument or other contract. All derivates are measured at fair value and any gain/losses (except gain/losses on derivative used for hedge) are recognized in profit or loss.	Under I GAAP- AS 11 deals with foreign currency forward exchange contracts and accounting based on hedging or speculation purpose (except for contracts to hedge a firm commitment or highly probable forecast transaction). Contracts not covered under AS-11 require to be accounted on the basis of ICAI announcement on Accounting for derivatives. Option to apply principles of AS 30 for recognition and measurement. ICAI has issued guidance note on Accounting for derivative contracts which requires all derivatives to be measured at fair value and gain/loss (except for hedge purpose) to be recognized in profit or loss.

	Does not permit embedded derivatives to be separated from host contracts that are financial assets.	No specific guidance on embedded derivatives.
	Deals with various aspects of hedge accounting in a comprehensive manner. Introduction of new "Expected Credit Loss (ECL) Model, for impairment of financial assets.	AS 11 deals with forward exchange contracts for hedging foreign currency exposures (except contracts for firm commitments/highly probable forecast transactions). Other contracts are not covered. However, guidance note on Accounting for derivative contracts contains detailed principles for hedge accounting which are similar to Ind AS 109. No detailed guidance on impairment.
	Deals with de recognition of financial assets and liabilities in a comprehensive manner.	No detailed guidance on de recognition.
	Ind AS requires entities to provide comprehensive (qualitative and quantitative) disclosure to evaluate significance of financial instruments for its financial position and performance and nature and extent of risk arising and how the entity is managing those risks.	ICAI has issued an announcement on Disclosures regarding Derivative instruments, which requires certain minimum disclosures. However, guidance note on Accounting for derivative contracts requires more comprehensive disclosures.
	Ind AS 113 provides a framework and provides fair value, provides principle based guidance on measurement of fair value and requires information.	No detailed guidance on methodology for fair value measurements.
Business Acquisitions	Ind AS 103 applies to most business combinations-Where the acquiree loses its existence and where acquiree continues its existence. Business combinations of entities under common control are counted using the pooling of interest method and all other under the acquisition method.	There is no Comprehensive Standard dealing with all business combinations and I GAAP does not differentiate between common control and business combination.

	Acquisition accounting is based on legal form	I GAAP is based on legal form and does not deal with reverse acquisitions.
	It requires net assets taken over including contingent liabilities and intangible assets to be recognized at fair value.	In case of acquisition in subsidiaries, associates or Joint Ventures, net assets are recognized at book value. In purchase method, I GAAP allows book value or fair value method. Contingent liabilities are generally not recorded as liabilities here.
	Prohibits amortization of goodwill arising on business combinations and requires it to be tested for impairment on annual basis.	Goodwill from amalgamation in the nature of purchase is amortized to P&L over a period which may not exceed five years. Goodwill arising under AS-10, AS-21, AS-23 and AS-27 need not be amortized though there is no prohibition.
	Deals with accounting for pre existing relationships of acquiree and acquirer and for re acquired rights by the acquirer in a business combination.	No guidance for such situations.
	Choice is there for each business combination transaction to measure Non controlling interest (minority) in an acquiree at its fair value or at the non controlling interest's proportionate share of the acquiree's net identifiable interests.	I GAAP does not provide this option. It requires minority interest in a subsidiary to be measured at the proportionate share of book value of net assets.
	In a business combination achieved in stages, re measurement of previously held equity interest at acquisition date fair value.	AS-21 recognizes step acquisition and goodwill/Capital reserve at each stage is done on book values and historical cost basis.
Provisions, Contingent Liabilities and Contingent Assets	Ind AS 37 requires provision to be created for constructive obligations.	Does not recognize the concept of constructive obligations.
	If time value of money is material, Provision should be the present value of the expenditures expected to be required to settle the obligation.	AS 29 prohibits discounting the amounts of provisions.
	Restructuring provision is made based on Constructive obligation.	Restructuring provision is made based on legal obligation.

	Disclosure of contingent assets is required when the inflow of economic benefits is probable.	AS 29 Prohibits disclosure of contingent asset in the financial statements.
Group Accounts	Ind AS-110 requires Consolidated Financial Statements (CFS), in which it consolidates all its subsidiaries, subject to limited exemptions and exceptions.	AS 21 does not mandate preparation of CFS. The Act requires preparation of CFS for accounting periods beginning on or after April 1, 2014. Hence consideration of both is required here to decide for preparation of CFS.
	There is no exception for consolidation of subsidiaries other than investment related to investment entities.	There are conditions when a subsidiary is not required to be consolidated and is accounted under AS-13-Control is intended to be temporary or subsidiary operates under long term restrictions.
	Mandates the use of uniform accounting policies for subsidiaries and joint ventures.	It provides an exemption from the use of uniform accounting policies for the consolidation of subsidiaries, associates and joint ventures on the ground of impracticality.
	Definition of Control as per Ind AS is very wide and substance based.	AS 21 defines control as ownership of majority voting rights and/or power to control the composition of the board of Directors.
	Existence of substantive potential voting rights are considered to assess Control "de facto control" -Practical ability to direct the relevant activities of the investee unilaterally is considered for deciding Control.	The concept of "de facto control" does not exist under I GAAP.
	New term "Structured Entity" (SE), an entity whose activities are restricted to the extent they are not directed by a governing body.	Concept of "Structured Entity" does not exist under I GAAP.
	It allows a maximum of three months gap between the financial statements of a parent or investor and those of its subsidiary, associate or joint ventures.	It allows a six month gap for subsidiaries and jointly controlled entities. No maximum time gap is prescribed for Associates.

	Changes in ownership interests of a subsidiary (that do not result in the loss of control) are accounted for as equity.	It does not provide any guidance on changes in ownership interest of a subsidiary that do not result in loss of control.
	Losses incurred by subsidiary to be allocated between the controlling (parent) and non controlling (minority interests), even if it results in deficit balance of non controlling interest.	Excess losses attributable to Minority shareholders over the carrying amount of minority interest are adjusted against the majority interest, unless the minority has a binding obligation to, and is able to, fund the losses.
	Joint control is defined as contractually agreed sharing of control of an arrangement, which exists only when decisions about related activities requires the unanimous consent of parties sharing control.	Joint control is defined as contractually agreed sharing of control over an economic activity. Control is the power to govern the financial and operating policies of an economic activity so as to obtain benefits from it.
	A joint venturer recognizes its interest in a joint venture as an investment using equity method.	A joint venturer reports its interest in a jointly controlled entity using the proportionate consolidation.
Income Taxes	Ind AS 12 is based on the balance sheet liability method, which focuses on temporary differences.	AS 22 is based on the Income statement liability method, which focuses on timing differences.
	It requires the recognition of deferred taxes in case of business combinations.	The cost of a business combination is allocated to the identifiable assets acquired and liabilities assumed by reference to their fair values. Business combination does not give rise to such deferred tax adjustment.
	Deferred tax assets arising from unused tax losses or tax credits can be recognized only to the extent that it has sufficient taxable temporary differences, or other convincing evidence that sufficient taxable profit will be available against which deferred tax asset can be realized.	Deferred tax assets on carry forward losses/unabsorbed depreciation is recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.
	An entity should recognize a deferred tax liability in Consolidated Financials for all taxable temporary differences associated with investments in subsidiaries, branches and associates and interest in joint ventures.	Deferred tax assets in the Consolidated Financials are a simple aggregation of deferred tax recognized by various entities of the group.

	Deferred taxes are recognized on temporary differences that arise from the elimination of profits and losses resulting from intra group transactions.	Deferred tax is not recognized on such eliminations.
	Increased disclosure requirements	
Employee benefits and share based payments	Ind AS 19 requires the impact of re measurement in net defined benefit liability (asset) to be recognized in other comprehensive income.	It requires such actuarial gain/losses to be recognized in the Statement of Profit & Loss.
	Unvested past service costs are being recognized immediately as they occur.	Entity should recognize unvested past service cost as an expense on a straight line basis over the average period until the benefits become vested.
	Termination benefits liability has to be recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes a restructuring cost.	Termination benefits liability has to be recognized only when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
	Ind AS 102-Share based payment applies to both employee and non employee share based payments.	It covers only Employee share based payments.
	Employee share based payments should be accounted for using fair value method.	Option to use either the intrinsic value method or the fair value method.
	A subsidiary needs to account for ESOPs issues to its employees by its parent entity either as equity settled or cash settled plans, depending on specified criteria.	Clear cut guidance is not available under I GAAP.
	Enhanced disclosure requirements for defined benefit plans.	

Property, Plant and equipment	Ind AS 16 mandates component accounting.	AS 10 recommends but does not require it. However, the Act requires Companies to apply component accounting mandatorily from the financial years commencing April 1, 2015.
	Ind AS 16 defines cost of a PPE as its cash price equivalent at its recognition date. And in case payment is deferred beyond normal credit terms, excess paid is considered as interest expense and taken to statement of profit & loss over the credit period.	Finance element is not separated except in case of hire purchase.
	No option is there in Ind AS 21 for the effects of changes in foreign currency exchange rates.	AS 11 allows Companies to adjust exchange differences arising on long-term foreign currency monetary item to the carrying value of PPE.
	Under Ind AS 16, an item of PPE is depreciated based on its estimated useful life and residual value and if these are different with those prescribed in Schedule II of the Companies Act, 2013, Companies will need to disclose justification for using different values/useful lives. Also, it requires useful life, depreciation method and residual value to be reviewed at least at the end of financial year.	Under AS 6, Management has the option of treating the useful lives and residual value prescribed in Schedule II as maximum or can use the same as indicative only. I GAAP recommends periodic review of useful lives but its not mandatory here.
	Change in depreciation method is treated as change in accounting estimate and is applied prospectively.	Change in depreciation method is treated as change in accounting policy and is applied retrospectively.
	If an asset is revalued, entire class of that asset needs to be revalued and revaluation to be done periodically.	Revaluation is not required for all the assets in that class. Also, there is no need to update revaluation regularly.
Intangible Assets	An Intangible asset can have indefinite useful lives and are required to be tested for impairment at least on an annual basis and are not amortized.	Rebuttable presumption that useful life of an intangible asset should not exceed 10 years.

	An entity can chose revaluation model for subsequent measurement, if there is an active market for the underlying intangible assets.	Revaluation is prohibited under I GAAP.
	There is a rebuttable presumption that an amortization method based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate.	Schedule II to the Companies Act, 2013 allows revenue based amortization for toll roads created under the service concession arrangements.
	Expenditure on advertising and promotional activities to be recognized as an expense when it is incurred.	No such guidance.
Investment Property	Investment property us dealt in a detailed manner in Ind AS 40.	Briefly dealt under AS 13.
	Measurement using Cost model-Cost less accumulated depreciation and accumulated impairment, if any.	Investment property is accounted as long term investment i.e. at cost less other than temporary diminution in the value of property. Depreciated cost model is applied for subsequent measurement.
	Fair value disclosure is required even though cost model is used.	Fair value disclosure is not mandatory.
Inventories	Ind AS 2 exclude from its scope only the measurement of inventories held by producers of minerals and mineral products, to the extent they are measured at net realizable value in accordance with well-established practices in those industries.	AS 2 exclude all aspects of accounting for producers' inventories of mineral oils, ores and gases, to the extent that they are measured at net realizable value.
	Ind AS 2 does not contain these scope exclusions.	AS 2 exclude from its scope the work in progress arising in the ordinary course of business of service providers and under construction contracts.
	A broker trading firm, if decided to measure its inventories at fair value less cost to sell, Ind AS 2 does not apply to measurement of inventories.	AS 2 applies to commodity broker-traders. Hence they need to measure inventories at lower of cost and net realizable value.

	When inventory is acquired on deferred settlement terms, identification of finance element separately over the period of financing.	AS 2 does not require for separation of finance element.
	Same cost formula should be used consistently for all inventories having similar nature and use to the entity.	Formula used should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.
Impairment	Ind AS 36 is applicable to investment in subsidiaries, associates and joint ventures in the separate financial statements of the parent.	AS 28 does not apply to impairment of the above assets.
	Ind AS 36 requires an entity to estimate the below assets for impairment at least annually(Performed at the same time every year) even if there is no indicator of impairment: a. An intangible asset with indefinite useful life or not yet available for use b. Goodwill acquired in a business combination.	AS 28 requires an entity to test the below assets for impairment at least at the end of each financial year even if there is no indicator of impairment: a. An intangible asset that is not yet available for use b. Amortized over a period of 10 years from the date when the asset is available for use.
	Goodwill is allocated to Cash Generating Units (CGUs) that are expected to benefit from the synergies of the business combination from which it arose. There is no bottom up or top down approach.	Goodwill is allocated to Cash Generating Units (CGUs) only when the allocation can be done on a reasonable and consistent basis. When all the allocation cannot be performed, two levels of impariments are carried out- Bottom up test and top down test.
	It does not permit an impairment loss recognised for goodwill to be reversed in a subsequent period.	It requires reversal in subsequent period when it was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have reveresd the effect of that event.
	It requires additional disclosures for significant CGU or group of CGUs. External disclosures include significant assumptions, headroom and impact of reasonably changes in key assumptions.	No such extra disclosures are required.

Leases	Ind AS 17 deals with lease of land and composite leases. It also requires a lease which includes both land and building, to be classified separately.	AS 19 excludes lease of land from its scope. EAC provides guidance on long-term lease of land and states that lease will be in the nature of sale and should be accounted for accordingly.
	Ind AS 17 does not mandate straight lining of lease escalation if they are in line with the expected general inflation compensating the lessor for expected inflationary cost.	Lease rentals are straight lined over the lease term.
	In case a sale and leaseback transaction results in a finance lease, excess amount is deferred and amortized over the lease term, however no particular amortization method is prescribed.	Both excess and deficiency to be deferred and amortized over the lease term in proportion to the depreciation on the leased assets.
	It requires identification of lease from a transaction structured as sale, purchase or rendering of service. The below two criteria indicate the existence of lease: a. Fulfillment of the arrangement is dependent on the use of a specific asset or assets, and b. The arrangement conveys a right to use the asset.	There is no guidance on identification of lease contained in a transaction structured as sale, purchase or rendering of service and such transactions are generally accounted based on their legal form.
The effects of changes in foreign exchange rates	Ind AS 21 is based on the concept of Functional currency. It is the currency of the primary economic environment in which an entity operates.	AS 11 is based on the concept of Reporting currency. Normally the currency of the country in which an entity is domiciled is used.
	There is no distinction between integral and non integral foreign operations. Any exchange gain/loss to recognize the transaction in its functional currency is recognized in the profit or loss for the period.	It distinguishes between integral and non integral foreign operations and prescribes separate accounting treatment.
	It requires exchange differences arising on translation/settlement of all foreign monetary items, including foreign currency monetary items, to be recognized as income/expense in the profit or loss in for the period in which they arise.	There are two options. In first option, an entity can recognize exchange differences as income/expense in profit or loss for the period in which they arise and second option is to defer/capitalize exchange differences arising on long term foreign currency monetary items.

Presentation of financial statements	Ind AS 1 Set out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.	AS 1 deals only with disclosure of accounting policies. The format and disclosure requirements are set out under Schedule III to the Companies Act, 2013.
	All changes in equity (other than transactions with owners) to be shown as separate component titled as " other comprehensive income".	There is no concept of other comprehensive income.
	All transaction with equity holders to be presented in a separate statement known as ' Statement of Changes in Equity" (SOCIE).	There is no concept of SOCIE.
	Ind AS 1 requires disclosure of Critical judgments made by the management in application of accounting policies, key sources of estimation uncertainty, information required to evaluate the entity's objective, policies and processes for managing capital.	No such disclosures are required under I GAAP.
	Prohibition for extraordinary items.	Specifically requires disclosure of certain item as extra ordinary items.
	In case of retrospective application of an accounting policy- retrospective restatement/ reclassification- a third balance sheet as at the beginning of the earliest comparative period is required.	Impact of material changes in accounting policies to be shown in the financial statement for current period.
	If the regulatory framework requires, or otherwise do not prohibit departure, the entity can depart from the requirement of Ind AS if its misleading in nature or conflicting with the objectives of financial statements set out in the framework.	Compliance with all notified accounting standard is mandatory.
Related party disclosures	Definition of Related party is quite broad in Ind AS 24.	AS 18 definition is not based on the principles of reciprocity.
	Includes close members of family of Key Management Personnel (KMP) as well as that of persons who exercise control/significant influence over the entity.	Includes only relative of KMPs as related party.
	Any Director whether executive or otherwise are covered.	Excludes non executive directors from the definition of KMP.

Segment reporting	Ind AS 108 adopts Management reporting approach. No requirement to report on product or geographical basis.	It adopts Management reporting approach. If an entity's internal structure and management reporting system is based on either product line or geography, AS 17 requires the entity to choose one as its primary segment reporting format.
	Amount of each segment item reported is the measure reported to the Chief Operating Decision Maker (CODM) in Management reports, even if its not prepared in conformity with accounting policies.	Segment information to be prepared in conformity with the entity's accounting policies for preparing its financial statements.
	Terms like segment revenue, segment profit/loss, segment assets, and segment liabilities are not defined here.	Clear definition in I GAAP.
	A measure of profit and loss for each reportable segment to be disclosed along with additional line items which are provided to CODM.	It specifies the item to be disclosed for each reportable segment.

CHALLENGES IN FIRST TIME CONVERSION

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- The transition process is **complex and time consuming** for many entities as it demands staff training, data collection, analysis of contracts and other arrangements and new or modified Information system requirements.

- **Involvement of senior management in many decisions** as there is no one fit answer to these questions and require time and careful considerations to achieve an optimal end result.

    a. Choices among voluntary exemptions which are relevant and will lead to best outcome for the entity.
    b. Selection of accounting policies.

- This conversion has impact on taxes as well. Income Computation and Disclosure Standards (ICDS) are notified by the government and in the past, tax authorities have considered accounting treatment while deciding tax liabilities, therefore this conversion may increase the possibility of tax litigations.

- This conversion will require entities to modify its IT Systems as well so that the financial data produced confirm to Ind AS.

- This transition will require entities to make significant changes in their internal financial reporting framework to ensure its operating effectively.