



C N K IFRS/Ind AS Update

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International Accounting Standard Board (IASB) Updates

Accounting for financial instruments with characteristics of equity (Amendment to IFRS 9)

In June 2018, IASB had issued *Discussion Paper-Financial Instruments with Characteristics of Equity* on how companies issuing financial instruments should classify them as either debt or equity in their financial statements providing investors with better information about such instruments.

A webcast where IASB Technical Director explaining the IASB's preferred approach to classification, presentation and disclosure of financial instruments issued by companies has been made available. Using some examples, it talks about the application of this approach to certain non-derivative financial instruments.

For details refer:

<https://www.ifrs.org/news-and-events/2018/07/webcast-iasbs-preferred-approach-to-classification-of-financial-instruments/>

Another webcast covering the Board's proposal on how to present in other comprehensive income total income and expenses from certain types of financial liabilities and derivatives is available. The objective is to help users of financial statements distinguish income and expenses arising from financial liabilities with equity-like returns from income and expenses arising from financial liabilities with debt-like returns.

For details refer:

<https://www.ifrs.org/news-and-events/2018/09/webcast-presentation-of-financial-liabilities-fice-discussion-paper/>

September 2018 IFRIC Update

IFRS Interpretations Committee discussed 13 issues. Among other matters,

- ◆ The committee considered the following and decided to finalise them
 - ▲ IAS 23 *Borrowing Costs* — Expenditure on a qualifying asset
 - ▲ IAS 23 *Borrowing Costs* — Borrowing costs on land
 - ▲ IAS 21 *The Effects of Changes in Foreign Currency Exchange Rates* — Determination of the exchange rate when there is a long term lack of exchangeability
 - ▲ IFRS 9 *Financial Instruments* — Classification of a particular type of dual currency bond

♦ Cryptocurrencies

The Committee discussed how an entity might apply existing IFRS Standards in determining its accounting for holdings of cryptocurrencies and Initial Coin Offerings.

The Committee also provided advice to the Board about (i) the usefulness of information provided by existing IFRS Standards in relation to holdings of cryptocurrencies and, (ii) possible standard-setting activities the Board could undertake.

♦ Customer's right to access supplier's application software (IAS 38 *Intangible Assets*)

The Committee received a request about a customer's accounting in Software as a Service cloud computing (SaaS) arrangements. Specifically, the request asked how a customer applies IAS 38 and IFRS 16 *Leases* in accounting for fees paid to access the supplier's application software running on the supplier's cloud infrastructure. In these arrangements, the customer accesses the software on an as-needed basis over the internet or via a dedicated line.

The Committee will continue its discussion at a future meeting.

For details refer: <https://www.ifrs.org/news-and-events/2018/09/proposed-update-to-the-ifrs-taxonomy-2018-on-ifrs-13-common-practice/>

Proposed update to the IFRS Taxonomy 2018 on IFRS 13 *Fair Value Measurement* common practice

The IFRS Foundation has published IFRS Taxonomy 2018—Proposed Update 1 *Common Practice* (IFRS 13 *Fair Value Measurement*). Those proposed changes result from the analysis of reporting practice relating to the disclosure requirements in IFRS 13.

The common practice elements in the IFRS Taxonomy reflect disclosures that companies applying IFRS Standards often include in their financial statements (**FS**) but that are not explicitly required by the IFRS Standards. Including common practice content in the IFRS Taxonomy enables more consistent tagging of FS prepared applying IFRS Standards by reducing the need for companies and regulators to create their own taxonomy elements.

The Proposed IFRS Taxonomy Update includes changes to the IFRS Taxonomy 2018 reflecting common reporting practice for the disclosure requirements in IFRS 13, including-

- ♦ sensitivity of fair value measurement to changes in unobservable inputs; and
- ♦ quantitative information about significant unobservable inputs used in fair value measurement.

For details refer: <https://www.ifrs.org/news-and-events/2018/09/proposed-update-to-the-ifrs-taxonomy-2018-on-ifrs-13-common-practice/>

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Indian Accounting Standard (Ind AS)

(IFRS as applicable in India with certain carve-outs)

Companies (Ind AS) Second Amendment Rules, 2018

The MCA has amended Companies (Indian Accounting Standards) Rules, 2015. Ind AS 20 *Accounting for Government Grants and Disclosure of Government Assistance* has been amended. Ind AS states the mode of accounting and disclosure of government grants and other forms of government assistance received.

Significant changes are -

- ♦ **Accounting**

An option is available to record non-monetary government grant and asset at a nominal amount.

- ♦ **Presentation**

In addition to the above manner of presentation of the government grants related to assets, another method of presentation of such grants is available. It permits the amount of grant to be deducted in arriving at the carrying amount of the asset. Additionally, the grant would be recognised in the Statement of Profit And Loss over the useful life of a depreciable asset as a reduced depreciation expense

- ♦ **Repayment of government grants**

Repayment of a grant related to an asset should be recognised by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation which would have been recognised in the profit or loss to date in the absence of the grant should be recognised immediately in the profit or loss

These amendments will be **applicable for the annual periods beginning on or after 1st April 2018**

Consequential changes to Ind AS 12 *Income Taxes*, Ind AS 16 *Property, Plant and Equipment* and Ind AS 38-*Intangible Asset* have also been carried out

For details refer:

http://www.mca.gov.in/Ministry/pdf/CompaniesIASsecondAmendment_21092018.pdf

ICAI Releases

Ind AS Disclosure Checklist

This publication presents a checklist of disclosures requirements under Ind AS applicable to entities preparing its financial statements **(FS)** voluntarily and mandatorily beginning on or after 1st April 2016, in accordance with Ind AS. The disclosures checklist is based on the Ind AS that are effective as on 1st April 2018, and includes disclosures required under Ind AS 115- *Revenue from Contracts with*

Customers, a standard issued recently. This publication is for guidance purposes and should be read in conjunction with the relevant Ind AS and should not be considered as an alternative from studying the Ind AS.

This disclosure checklist **does not include** disclosure requirements under other regulatory requirements, e.g., Schedule III of Companies Act 2013. The disclosure checklist table has been presented in a manner which facilitates the compilation of the disclosures prescribed under Ind AS.

For details refer: <https://resource.cdn.icai.org/50819indas40481a.pdf>

Ind AS (IFRS converged): Successful Implementation - Impact Analysis and Industry Experience

This publication covers quantitative and qualitative impact study, which is primarily based on high level review of publicly available consolidated financial statements of randomly selected 170 listed companies, covered in first phase of Ind AS implementation roadmap. The quantitative analysis was focused on Ind AS transition impact on few key financial parameters whereas the qualitative analysis approach was broad review of disclosures relating to areas that were expected to have material changes vis-à-vis existing Accounting Standards.

For details refer: <https://resource.cdn.icai.org/50820indas40481b.pdf>

Announcement- Implementation of Ind AS 115-*Revenue from Contracts with Customers* in context of Real Estate Sector

It had come to ICAI's attention that there were misleading and confusing media reports that Ind AS 115, (issued by MCA vide notification dated 28th March 2018) permits only Completed Contract Method of accounting for real estate companies. ICAI came across statements like, '*revenue in case of real estate transactions can be booked only after the project is completed and the customer has taken possession of the unit (house/flat)*'. ICAI was of the view that such reports may lead to misinterpretation of the principles laid down in the Standard.

In view of the above, the ICAI clarified that the Ind AS 115 does allow recognition of revenue using Percentage of Completion Method (**POCM**) and has explicit and specific requirements to recognise revenue, where performance obligation is satisfied over a period of time. It may be noted that paragraphs 35-37 of Ind AS 115 explicitly permit recognition of revenue using POCM, where the performance obligation is satisfied over time.

Paragraph 35(b) & (c) of Ind AS 115 are intended to address situations of real estate sector. In view of the above, recognition of revenue as the construction progresses is possible considering the prevalent long established legal system/jurisprudence in India, and facts and circumstances of individual case/contract. i.e., where the contract meets criteria laid down in paragraphs 35(b) or (c) of Ind AS 115

For details refer: https://www.icai.org/new_post.html?post_id=14932&c_id=238

Education Material on Ind AS 115 - Revenue from Contracts with Customers

Ind AS 115 is effective for accounting periods beginning on or after 1st April 2018. The core principle of Ind AS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Ind AS Implementation Group has issued the above Educational Material which contains summary of Ind AS 115 and Frequently Asked Questions (**FAQs**) covering the issues which are expected to be encountered frequently while implementing the Standard. Among other matters, the FAQs include issues related to application of Ind AS 115 to real estate contracts, identification of customers, identifying contracts etc.

For details refer: <https://resource.cdn.icai.org/51388indas41073.pdf>

Ind AS Technical Facilitation Group(ITFG) Clarification Bulletin 16

The ITFG of Ind AS Implementation Group has been constituted for providing clarifications on timely basis on various issues related to the applicability and /or implementation of Ind AS under the Companies (Ind AS) Rules, 2015, raised by preparers, users and other stakeholders.

The ITFG has considered various implementation issues received from members. The ITFG, after due deliberations, has issued clarifications on 7 Ind AS issues through its 16th Bulletin.

Among other matters, these pertain to -

- ♦ Accounting of financial guarantee
- ♦ Accounting of interest and penalties related to income taxes under Ind AS vis-à-vis IFRS
- ♦ Modification of debt
- ♦ Treatment of common infrastructure facilities under a lease arrangement

For details refer: <https://resource.cdn.icai.org/51647indas41303.pdf>

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