



C N K IFRS/Ind AS Update

July 2018

C N K & Associates LLP

www.cnkindia.com

CNK Hussain Al-Sayegh, Dubai

www.cnkhas.com

Contents

Particulars	Page No.
<u>IASB Updates</u>	
▪ An overview of Exposure Draft Accounting Policy Changes (Proposed amendments to IAS 8)	3
▪ IASB consults on the accounting for Financial Instruments with Characteristics of Equity	3
<u>Ind AS</u>	
▪ Deferment of Ind AS implementation for Schedule Commercial Banks	5
<u>ICAI Releases</u>	
▪ Ind AS Transition Facilitation Group (ITFG) issues bulletin 15	5
▪ Education Materials	5
▪ Exposure Drafts of amendments to Ind ASs and Annual Improvements to Ind AS (2018)	6
▪ Announcement for withdrawal of the Guidance Note on <i>Accounting for Real Estate Transactions</i> (for entities to whom Ind AS is applicable)	7
▪ Ind AS: An Overview (Revised 2018)	8
<u>Disclaimer and Statutory Notice</u>	9

International Accounting Standard Board (IASB) Updates

An overview of Exposure Draft Accounting Policy Changes (Proposed amendments to IAS 8)

The International Financial Reporting Standards (**IFRS**) Foundation has published a document to accompany Exposure Draft Accounting Policy Changes (Proposed amendments to IAS 8). It provides an overview of the proposed amendments to International Accounting Standards (**IAS**) 8 and its intended application in practice.

The proposed amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* would simplify the application of accounting policy changes resulting from agenda decisions published by the IFRS Interpretations Committee.

For details refer:

<https://www.ifrs.org/-/media/project/accounting-policy-changes/ias8exposuredraftoverview.pdf>

IASB consults on the accounting for Financial Instruments with Characteristics of Equity

The IASB has published for public comment a Discussion Paper (**DP**) on how companies issuing financial instruments should classify them in their financial statements. (**FS**)

IAS 32 *Financial Instruments: Presentation* currently sets out how a company that issues financial instruments should distinguish financial liabilities from equity instruments. That distinction is important because the classification of the instruments affects how a company's financial position and performance are depicted.

IAS 32 works well for most financial instruments. However, continuing financial innovation means that some companies find it challenging to classify some complex financial instruments that combine some features of both debt—liabilities—and ordinary shares—equity instruments.

Challenges in classifying these instruments can result in diverse accounting in practice, which in turn makes it difficult for investors to assess and compare companies' financial position and performance. In addition, investors have been calling for better information, particularly about equity instruments.

The IASB has considered previous work on the topic to propose an approach that would:

- ♦ provide a clear rationale for why a financial instrument would be classified as either a liability or equity without fundamentally changing the existing classification outcomes of IAS 32; and
- ♦ enhance the information provided through presentation and disclosure.

This approach would provide investors with richer and more comparable information about financial instruments issued by companies. Clearer principles will help companies accounting for financial instruments they issue both now and as financial instruments continue to evolve.

This DP **does not address** other accounting requirements for financial instruments, such as:

- ♦ recognition and measurement requirements in IFRS 9 *Financial Instruments*; or
- ♦ disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*.

For details refer: <https://www.ifrs.org/news-and-events/2018/06/iasb-consults-on-the-accounting-for-financial-instruments-with-characteristics-of-equity/>

[Return to Contents](#)

Indian Accounting Standard (Ind AS)

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

Deferment of Ind AS implementation for Schedule Commercial Banks

RBI vide its **circular no RBI/2015-16/315 dated 11th February 2016** (<https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10274&Mode=0>) had mentioned that Scheduled Commercial Banks (SCBs), excluding Regional Rural Banks (RRBs), were required to implement Indian Accounting Standards (**Ind AS**) from 1st April 2018.

However, necessary legislative amendments – to make the format of FS, prescribed in the 3rd Schedule to Banking Regulation Act 1949, compatible with accounts under Ind AS – are under consideration of the Government. In view of this, as also the level of preparedness of many banks, it has been decided to **defer implementation of Ind AS by 1 year i.e. 1st April 2019**.

For details refer: https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=43574

ICAI Releases

Ind AS Transition Facilitation Group (ITFG) issues bulletin 15

ITFG 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. ITFG considered some issues received from members and decided to issue clarifications on 10 Ind AS issues through its bulletin 15 on 4th April 2018.

For details refer: <https://resource.cdn.icai.org/49554indas39277.pdf>

Education Materials

♦ Education Materials on Ind AS 103 *Business Combinations*

This educational material contains a summary of Ind AS 103 discussing the key requirements of the Standard and the Frequently Asked Questions explaining the principles enunciated in the Standard and covering the issues that are expected to be encountered frequently while implementing Ind AS 103

For details refer: <https://resource.cdn.icai.org/49531indas39251.pdf>

♦ **Educational Material on Ind AS 27 *Separate Financial Statements* & Ind AS 28 *Investment in Associates and Joint Ventures***

This publication will provide guidance in how an entity accounts for the investments in its subsidiaries, associates and joint ventures. Ind AS 27 prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate FS and Ind AS 28 set out how to determine if an investment is an associate and prescribes the use of the equity method of accounting for investments in associates and joint ventures.

This Educational Material contains summary of Ind AS 27 and Ind AS 28 discussing the key requirements of the Standards and the Frequently Asked Questions (FAQs) covering the issues, which are expected to be encountered frequently while implementing these Standards.

For details refer: <https://resource.cdn.icai.org/50756indas40425edmat.pdf>

Exposure Drafts (ED) of amendments to Ind ASs and Annual Improvements to Ind AS (2018)

♦ **Annual Improvements to Ind AS (2018) – Corresponding to Annual Improvements to IFRS 2015–2017 Cycle issued by the IASB**

The following table shows the Standards amended and the subject of the amendments.

Standard	Subject of Amendment
Ind AS 103 <i>Business Combinations</i>	Previously held interest in a joint operation
Ind AS 111 <i>Joint Arrangements</i>	
Ind AS 12 <i>Income Taxes</i>	Income tax consequences of payments on financial instruments classified as equity
Ind AS 23 <i>Borrowing Costs</i>	Borrowing costs eligible for capitalisation

These amendments are expected to be effective on or after the beginning of the 1st annual reporting period that begins on or after 1st April 2019. Earlier application is permitted. If an entity applies these amendments earlier, it shall disclose that fact.

For details refer: <https://resource.cdn.icai.org/50492asb40212-1.pdf>

♦ **Plan Amendment, Curtailment or Settlement - Amendments to Ind AS 19, *Employee Benefits***

The amendment specifies how companies should determine pension expenses when changes to a defined benefit pension plan occur.

These amendments are expected to be effective on or after the beginning of the 1st annual reporting period that begins on or after 1st April 2019. Earlier application is permitted. If an entity applies these amendments earlier, it shall disclose that fact.

For details refer: <https://resource.cdn.icai.org/50493asb40212-2.pdf>

♦ **Prepayment Features with Negative Compensation - Amendments to Ind AS 109 *Financial Instruments***

The ED proposes an exception to current rule on prepayment for financial assets containing prepayment features with reasonable negative compensation.

These amendments are expected to be effective on or after the beginning of the 1st annual reporting period that begins on or after 1st April 2019. Earlier application is permitted. If an entity applies these amendments earlier, it shall disclose that fact.

For details refer: <https://resource.cdn.icai.org/50494asb40212-3.pdf>

♦ **Long-term Interests in Associates and Joint Ventures – Amendment to Ind AS 28**

The ED clarifies that the accounting for losses allocated to long-term interests would involve the dual application of Ind AS 28 and Ind AS 109

These amendments are expected to be effective retrospectively from 1st April 2019. Earlier application is permitted. If an entity applies these amendments earlier, it shall disclose that fact.

For details refer: <https://resource.cdn.icai.org/50495asb40212-4.pdf>

♦ **Reinstating Fair Value Option – Amendments to Ind AS 40 *Investment Property***

The ED proposes to provide entities with a choice for measurement of investment property using either the cost or the fair value model, and bring the requirements of Ind AS 40 in line with that of IAS 40 *Investment Property*

These amendments are expected to be effective for annual periods beginning on or after 1st April 2020.

For details refer: <https://resource.cdn.icai.org/50496asb40212-5.pdf>

Announcement for withdrawal of the *Guidance Note on Accounting for Real Estate Transactions* (for entities to whom Ind AS is applicable)

The ICAI had issued a *Guidance Note (GN) on Accounting for Real Estate Transactions* (for entities to whom Ind AS is applicable), in May 2016, applicable to all projects in real estate by entities to whom Ind AS were applicable.

The aforementioned GN is based on principles of Ind AS 11- *Construction Contracts* and Ind AS 18- *Revenue*. On issuance of Ind AS 115-*Revenue from Contracts with Customers*, the Ind AS 11 and Ind AS 18 stand omitted. Accordingly, the *GN on Accounting for Real Estate Transactions* (for entities to whom Ind AS is applicable) also stands withdrawn.

For details refer: https://www.icaai.org/new_post.html?post_id=14815&c_id=219

Ind AS :An Overview (Revised 2018)

This is the 3rd edition of the earlier issued publication which contains an overview of various aspects related to IFRS-converged Ind AS such as roadmap for the applicability of Ind AS, carve-outs from IFRS/IAS, changes in financial reporting under Ind AS compared to financial reporting under accounting standards, summary of all the Ind AS etc. It captures all the recent amendments to Ind AS notified by the MCA in March 2018 specifically issuance of new revenue standard (Ind AS 115) and other consequential amendments thereto.

For details refer: <https://resource.cdn.icaai.org/50757indas40425indas.pdf>

[**Return to Contents**](#)

DISCLAIMER AND STATUTORY NOTICE

This e-publication is published by C N K & Associates, LLP Chartered Accountants, India, solely for the purposes of providing necessary information to employees, clients and other business associates. This publication summarises the important statutory and regulatory IFRS & Ind AS developments. Whilst every care has been taken in the preparation of this publication, it may contain inadvertent errors for which we shall not be held responsible. The information given in this publication provides a bird's eye view on the recent important select developments and should not be relied solely for the purpose of economic or financial decision. Each such decision would call for specific reference of the relevant statutes and consultation of an expert.

This document is a proprietary material created and compiled by C N K & Associates LLP. All rights reserved. This newsletter or any portion thereof may not be reproduced or sold in any manner whatsoever without the consent of the publisher.

This publication is not intended for advertisement and/or for solicitation of work.

Our Offices

Mumbai

Mistry Bhavan, 3rd Floor,
Dinshaw Vachha Road, Churchgate
Mumbai 400020
Tel No. +91 22 6623 0600

Mumbai (Suburban Office)

501/502, Narain Chambers,
M.G. Road, Vile Parle (East)
Mumbai 400 057
Tel No. +91 22 6250 7600

Ahmedabad

'Hrishikesh',
2nd Floor, Vasantbaug Society,
Opp. Water Tank, Gulbai Tekra
Ahmedabad- 380 006
Tel. No. +91 79 2630 6530

Bengaluru

96, 7th Cross,
Domlur,
Bengaluru 560 071
Tel. No.+91 80 2535 1353

Chennai

Kochu Bhavan
Ground Floor, Old No 62/1, New No 57,
McNichols Road, Chetpet
Chennai 600031
Tel No. +91 44 4384 9695

New Delhi

Suite 1101,
KLJ Towers,NSP
New Delhi 110 034
Tel No.+91 11 2735 7350

Pune

4, Kumar Panorama, 1st Floor
45/18 Shankerseth Road
Pune 411 037
Tel No: 91 20 2645 7251/52

Vadodara

C-201/202, Shree Siddhi Vinayak Complex,
Faramji Road, Alkapuri
Baroda - 390 005
Tel. No. +91 265 234 3483

Our Overseas Office

Dubai

Suite#17.06 Dubai World Trade Centre
Shaikh Zayed Road, Dubai, P.O.Box.454442
Tel. No. +971 04 355 9533