C N K IFRS/Ind AS Update

April 2018

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International Accounting Standard Board (IASB) Updates

Revision to Conceptual Framework

The IASB has issued a revised version of its Conceptual Framework **(CF)** for Financial Reporting **(FR)** that underpins IFRS Standards.

The CF sets out the fundamental concepts of FR that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, providing useful information for investors and others.

The CF also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction; and it helps stakeholders more broadly to understand the Standards better.

The revised CF includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in FR.

The IASB will start using the revised CF immediately, **whereas companies will use it from 2020.**

<u>6 facts about the new CF</u>

A comprehensive framework	**The new CF for FR is a comprehensive framework that discusses all the most important topics that the IASB needs to think about when it sets IFRS Standards.**
Confirms the objective of FR and clarifies the role of stewardship	**The new CF confirms the objective of IFRS FR as providing financial information that is useful to investors and others when deciding whether to provide resources to a company. It clarifies the role stewardship plays in this objective.**
Emphasises the importance of reporting financial performance	**The new CF emphasises that investors need information about both:** **• financial performance—income and expenses; and** **• financial position—assets, liabilities and equity.** **It also gives guidance on reporting financial performance.**

Improves the concepts for reporting assets, liabilities, income and expenses	**The definitions of assets and liabilities in the new CF focus on a company's rights and obligations. The new CF states that decisions on what information to report about assets, liabilities, income and expenses should be based on what is useful to investors.**
Introduces guidance on measurement	**The new CF explains how to decide when assets and liabilities should be measured using historical cost and when they should be measured at current value. It states that those decisions should be based on which measure would provide useful information to investors.**
Helps the Board to set Standards, but is not itself a Standard	**The new CF provides up-to-date tools that will help the Board in setting IFRS Standards. It underpins the Standards but does not override them**

It sets out:

- the objective of FR
- the qualitative characteristics of useful financial information
- a description of the reporting entity and its boundary
- definitions of an asset, a liability, equity, income and expenses
- criteria for including assets and liabilities in financial statements (recognition) and guidance on when to remove them (derecognition)
- measurement bases and guidance on when to use them
- concepts and guidance on presentation and disclosure

For details refer: http://www.ifrs.org/news-and-events/2018/03/iasb-completes-revisions-to-its-conceptual-framework/

Narrow-scope amendments to pension accounting

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19- *Employee Benefits*) specifies how companies determine pension expenses when changes to a defined benefit pension plan occur.

IAS 19 specifies how a company accounts for a defined benefit plan. When a change to a plan — an amendment, curtailment or settlement — takes place, IAS 19 requires a company to re-measure its net defined benefit liability or asset.

The amendments require a company to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements **(FS)**.

The **amendments are effective on or after 1st January 2019**. Earlier application is permitted with appropriate disclosure.

For details refer http://www.ifrs.org/news-and-events/2018/02/international-accounting-standards-board-issues-narrow-scope-amendments-to-pension-accounting/

Proposed narrow scope amendments to IAS 8-*Accounting Policies, Changes in Accounting Estimates and Errors*

IASB has proposed narrow-scope amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

IAS 8 sets out the criteria for selecting and changing accounting policies. Companies change accounting policy either as a result of new requirements in IFRS Standards or when the change would provide better information for users of FS. When a company changes an accounting policy, it is currently required to apply the new policy as if it had always applied this policy—unless this is not practicable.

The Board is proposing that in deciding how far back to go in applying a change in accounting policy that results from an agenda decision, a company will consider not only whether it is practicable but also the benefits to users and costs to the company of making the change.

The aim of the proposed amendments to IAS 8 is to promote greater consistency in the application of IFRS Standards, reduce the burden on companies when they change an accounting policy as a result of an agenda decision and, thus, improve the overall quality of FR.

For details refer: http://www.ifrs.org/news-and-events/2018/03/international-accounting-standards-board-seeks-comments-on-proposed-amendments-to-ias-8/

IFRS standard effective in 2018 and beyond

Refer Annexure I

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Indian Accounting Standard (Ind AS)

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

Ind AS 115 *Revenue from Contracts with Customers* notified

The MCA has notified **Companies (Ind AS) Amendment Rules, 2018.** Companies (Ind AS) Rules, 2015 have been amended. Among other matters, following standards have been **withdrawn-**

- Ind AS 11 *Construction Contracts*
- Ind AS 18 *Revenue*

Ind AS 115 *Revenue from Contracts with Customers* has been **notified.**

Ind AS 115 will be **applicable for accounting periods beginning on or after 1st April 2018.** Listed Ind AS entities whose year ends on 31st March will have to start applying Ind AS 115 from the quarter ended 30th June 2018.

Ind AS 115 introduces a single comprehensive model of accounting for revenue arising from contracts with customers. It will supersede the current revenue recognition guidance available under Ind AS with respect to revenue recognition i.e. Ind AS 18-*Revenue*, Ind AS 11-*Construction Contracts*.

It will affect the measurement, recognition and disclosure of revenue, which is an entity's most important financial performance indicator. The entities have to follow the **5 step model for revenue recognition.**

Step 1: Identify the contract(s) with customers
Step 2: Define the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when a performance obligation is satisfied.

These **Rules have come into force from the 1st April 2018.**

For details refer: http://www.mca.gov.in/Ministry/pdf/INDAsEngRule2018_29032018.pdf

ICAI Releases

Ind AS Transition Facilitation Group (ITFG) issues bulletin 13 & 14

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 (Indian Accounting Standards) 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 13 on 16th January 2018 and 7 Ind AS issues through its bulletin 14 on 1st February 2018.

For details of 13th bulletin refer: https://resource.cdn.icai.org/48318indas32383.pdf
For details of 14th bulletin refer: https://resource.cdn.icai.org/48587indas32600.pdf

Compendium of ITFG clarifications bulletin

ITFG issues clarification bulletins addressing implementation issues from time to time. Till date, the ITFG has issued clarifications on 104 issues through its 14 clarification bulletins. For the ease of reference of members and other stakeholders, a publication containing compilation of all 104 issues clarified till date through these 14 ITFG Clarifications Bulletins along with its standard-wise indexation has been published

For details refer: https://resource.cdn.icai.org/48657compendium-itfg-icai.pdf

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Annexure I

IFRS standard effective in 2018 and beyond

Title	Description	Effective Date	Corresponding Ind AS
SIC-31- *Revenue – Barter Transactions Involving Advertising Services*	SIC-31 deals with the circumstances in which a seller can reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.	IFRS 15 is effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted. SIC 31 has been **superseded** by IFRS 15 and will be **withdrawn**	
IFRS 15- *Revenue from Contracts with Customers*	IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of FS with more informative, relevant disclosures. The standard provides a single, principles based 5-step model to be applied to all contracts with customers	The amendment defers the effective date of IFRS 15 by 1 year to annual periods beginning on or after 1st January 2018. Earlier application is permitted	Ind AS 115
IFRS 9- *Financial Instruments*	The final version of IFRS 9 issued in July 2014 is the IASB's replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.	The final version of this new standard is effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted.	Ind AS 109
IAS 39-*Financial Instruments :Recognition and Measurement*	IAS 39 outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the	The final version of IFRS 9 is effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted	Ind AS 109

Title	Description	Effective Date	Corresponding Ind AS
	contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.		
IAS 11- *Construction Contracts*	IAS 11 provides requirements on the allocation of contract revenue and contract costs to accounting periods in which construction work is performed. Contract revenues and expenses are recognized by reference to the stage of completion of contract activity where the outcome of the construction contract can be estimated reliably, otherwise revenue is recognized only to the extent of recoverable contract costs incurred.	IAS 11 will be superseded by IFRS 15 which is effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted.	Ind AS 11
IAS 18-*Revenue*	IAS 18 outlines the accounting requirements for when to recognise revenue from the sale of goods, rendering of services and for interest, royalties and dividends. Revenue is measured at the fair value of the consideration received or receivable and recognised when prescribed conditions are met, which depend on the nature of the revenue. IAS 18 was reissued in December 1993 and is	IAS 18 will be **superseded** by IFRS 15 *Revenue from Contracts with Customers*, which is effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted.	Ind AS 18

Title	Description	Effective Date	Corresponding Ind AS
	operative for periods beginning on or after 1st January 1995.		
IFRIC 18- Transfers of Assets from Customers	IFRIC 18 clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).	IFRS 15 is effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted.	
IFRIC 22- Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: (i) there is consideration that is denominated or priced in a foreign currency; (ii) the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and (iii) the prepayment asset or deferred income liability is non-monetary.	Effective from 1st January 2018. Earlier application is permitted.	

Title	Description	Effective Date	Corresponding Ind AS
IFRS2- *Share based Payments*	IFRS 2 requires an entity to recognize share-based payment transactions (such as granted shares, share options, or share appreciation rights) in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. Specific requirements are included for equity-settled and cash-settled share-based payment transactions, as well as those where the entity or supplier has a choice of cash or equity instruments.	The standards were effective for interim and annual FS relating to fiscal years beginning on or after 1st January 2011. The amendments to the standard are effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted	Ind AS 102
IAS 40- *Investment Property*	IAS 40 applies to the accounting for property (land and/or buildings) held to earn rentals or for capital appreciation (or both). Investment properties are initially measured at cost and, with some exceptions may be subsequently measured using a cost model or fair value model, with changes in the fair value under the fair value model being recognized in profit or loss.	The amendments are effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted	Ind AS 40
IFRIC 13- *Customer Loyalty Programs*	IFRIC 13 addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services	IFRS 15 is effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted. IFRIC 13 has been **superseded** by IFRS 15 and will be **withdrawn**	

Title	Description	Effective Date	Corresponding Ind AS
	('awards') to customers who redeem award credits.		
IFRIC 15- *Agreements for Constructions of Real Estate*	IFRIC 15 standardizes accounting practice across jurisdictions for the recognition of revenue by real estate developers for sales of units, such as apartments or houses, 'off plan' – that is, before construction is complete.	IFRS 15 is effective for annual periods beginning on or after 1st January 2018. Earlier application is permitted. IFRIC 15 has been **superseded** by IFRS 15 and will be **withdrawn**	
IFRS 1- *First time adoption of IFRS*	IFRS 1 sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose FS. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its 1st IFRS reporting period.	The amendments are effective on 1st January 2018.	Ind AS 101
IAS 28-*Investments in Associates and Joint Ventures*	IAS 28 (as amended in 2011) outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of 'significant influence', which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those polices).	The amendments are effective on 1st January 2018	Ind AS 28
IFRS 16- *Leases*	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee	Effective for annual periods beginning on or after 1st January 2019. Earlier application is	Ind AS 116

Title	Description	Effective Date	Corresponding Ind AS
	accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	permitted, if IFRS 15 has also been applied.	
IAS 17-*Leases*	IAS 17 prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognized by the lessor).	IAS 17 will be **superseded** by IFRS 16 and will be **withdrawn.**	Ind AS 17
IFRIC 23- *Uncertainity over Income Tax Treatments*	The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	Effective for annual reporting periods beginning on or after 1st January 2019. Earlier application is permitted.	
IFRS 17- *Insurance Contracts*	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides	Effective for annual reporting periods beginning on or after 1st January 2021. Earlier application is permitted, if both IFRS 15 and IFRS 9 have also been	Exposure Draft Ind AS 117

Title	Description	Effective Date	Corresponding Ind AS
	relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	applied.	
IFRS 4-*Insurance Contracts*	IFRS 4 applies, with limited exceptions; to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors* when selecting accounting policies for insurance contracts.	**Withdrawn and replaced** by IFRS 17 which is effective for annual reporting periods beginning on or after 1st January 2021. Earlier application is permitted, if both IFRS 15 and IFRS 9 have also been applied.	Ind AS 104

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