

B S R & Co. LLP

Ind AS 101, First-time Adoption of Indian Accounting Standards

Learning objectives

Upon completion you will

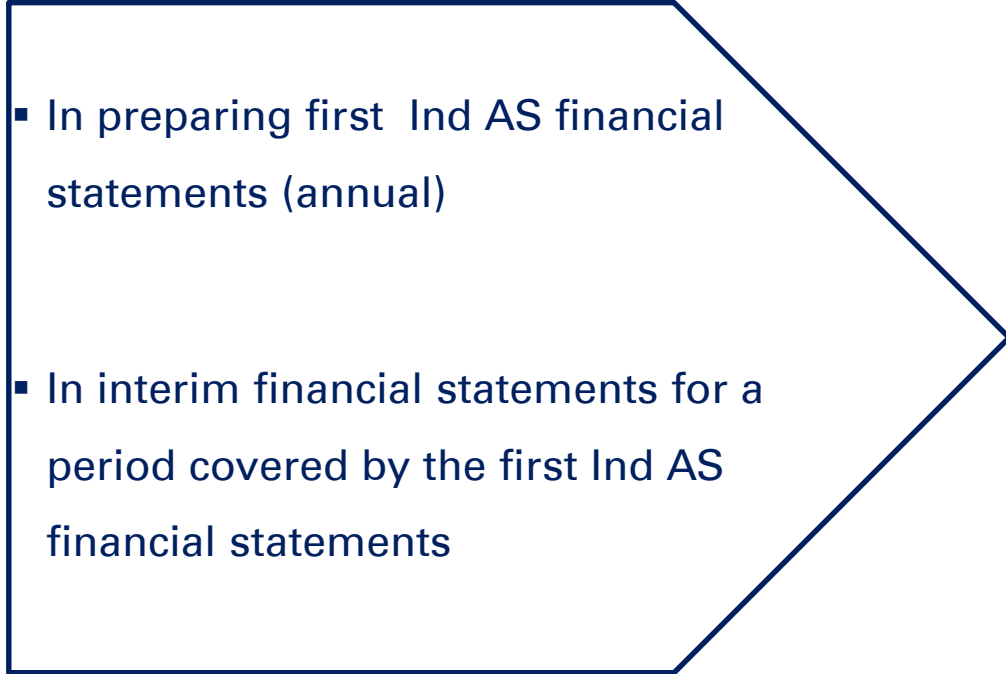
Understand the general requirements for first time adoption of Ind AS

Understand the exemptions granted by Ind AS 101

Understand the disclosure requirements when an entity prepares its first Ind AS financial statements



When to apply Ind AS 101

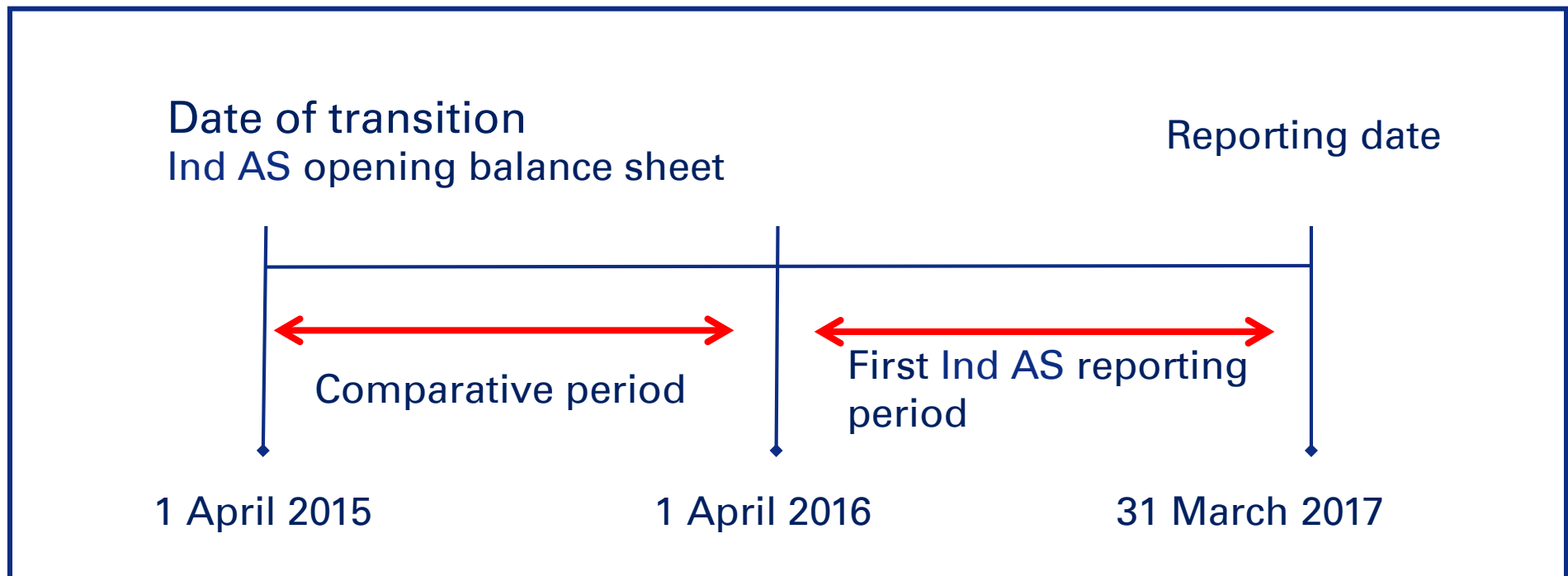
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- In preparing first Ind AS financial statements (annual)
 - In interim financial statements for a period covered by the first Ind AS financial statements



Apply Ind AS101

Transition date (illustrative only)

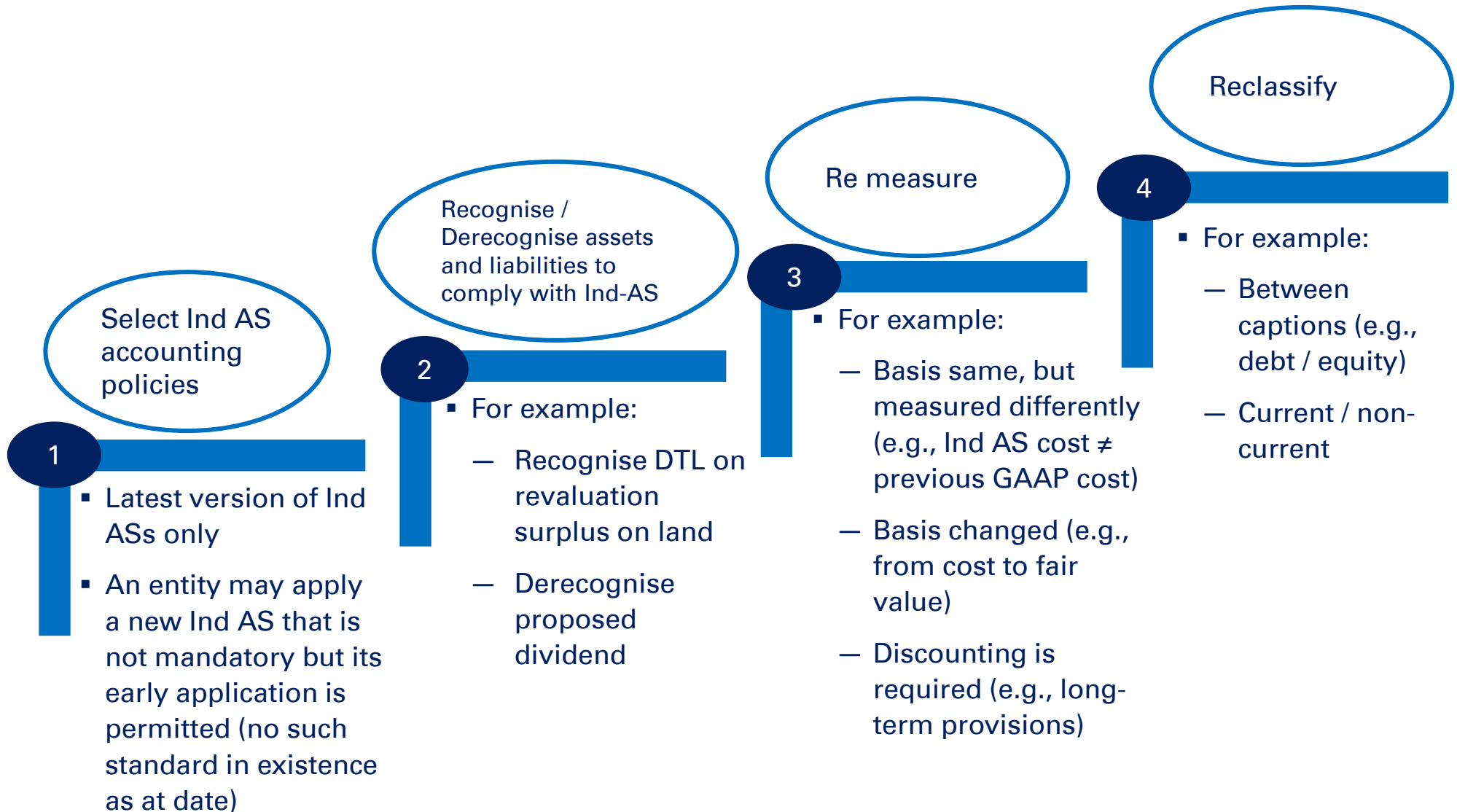
The beginning of the earliest period for which an entity presents full comparative information under Ind ASs



Example: Reporting period and opening Ind AS balance sheet

- A Listed company has a 31 Dec year end and will be required to comply with Ind ASs from 1 Jan 2017 [specific permission obtained under section 2(41) of the Companies Act, 2013 for adopting this financial year].
- What is the date of transition to Ind ASs?

General requirements



The opening Ind AS balance sheet

Adjustments as a result of applying Ind ASs for the first-time

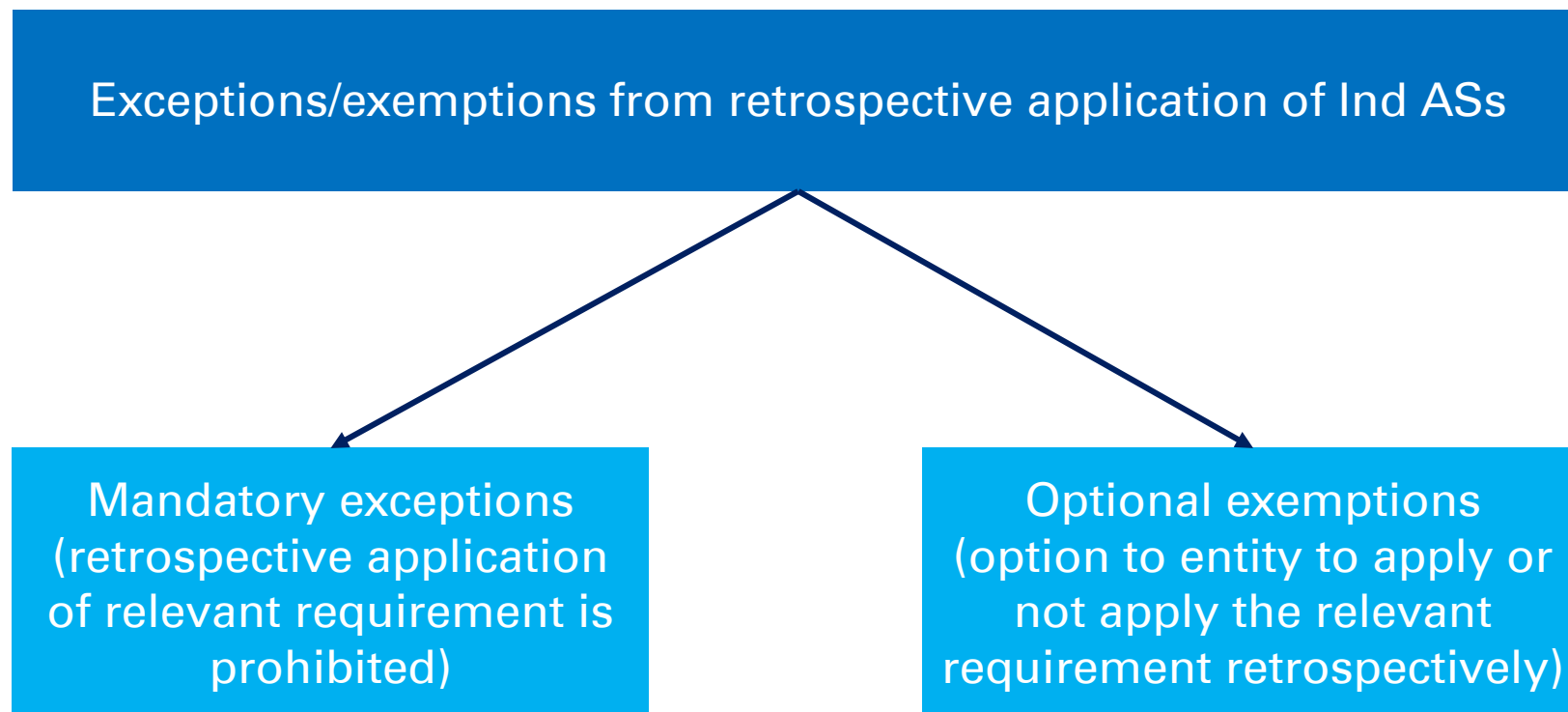
Retained earnings

Another equity category

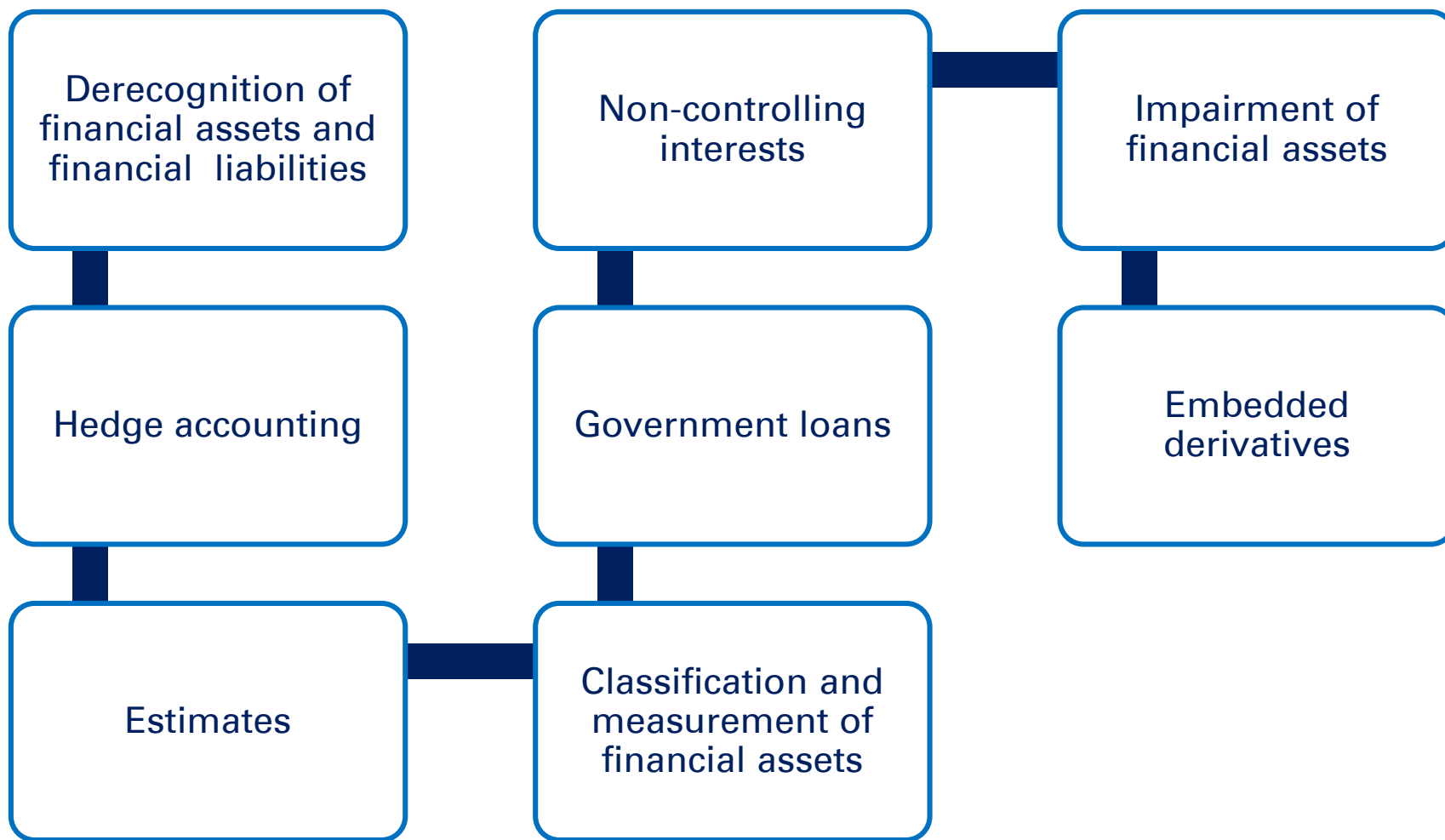


Goodwill

Exceptions/ exemptions



Overview of mandatory exceptions



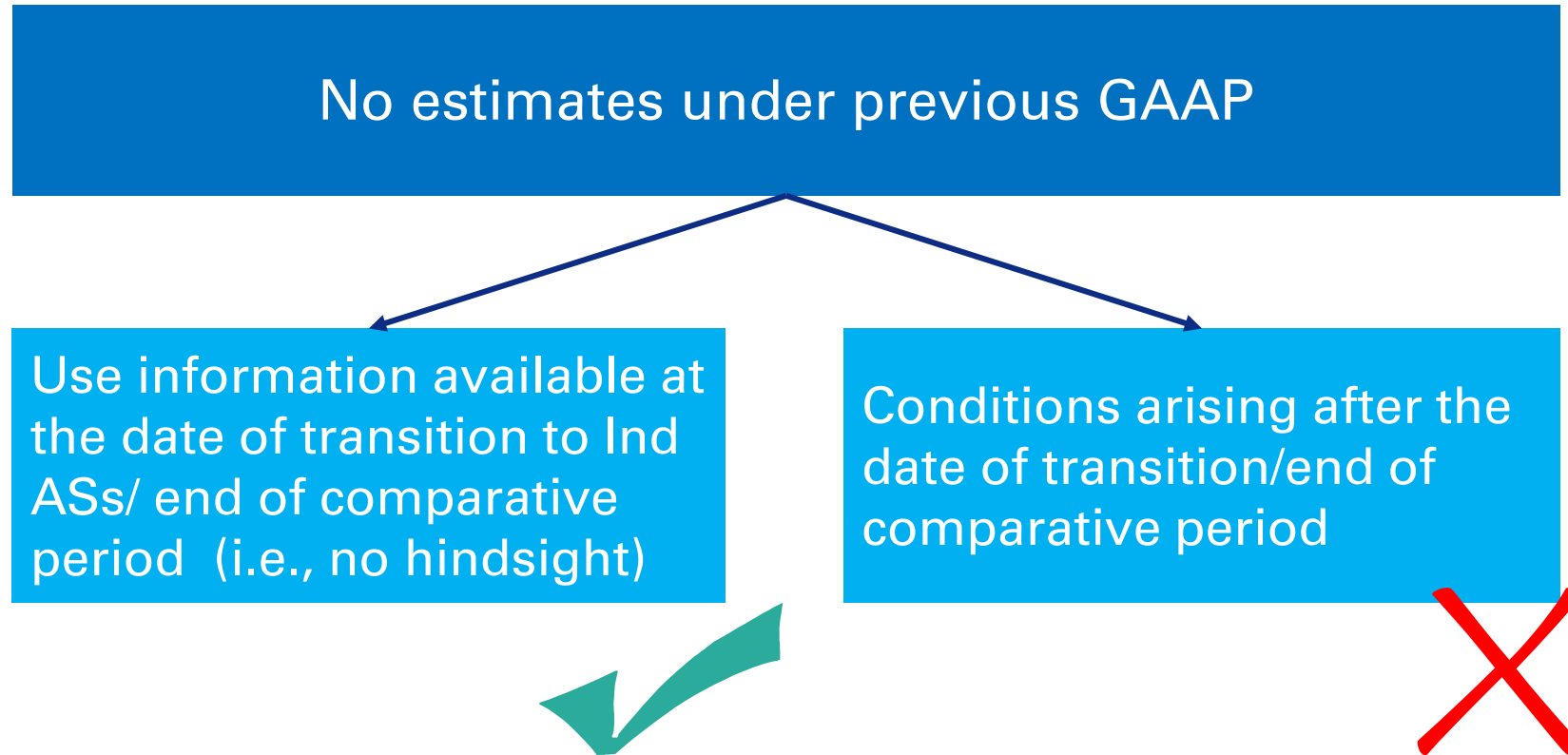
- Deemed cost
- Compound financial instruments
- Cumulative translation differences
- Business combinations
- Designation of previously recognised financial instruments
- Decommissioning liabilities

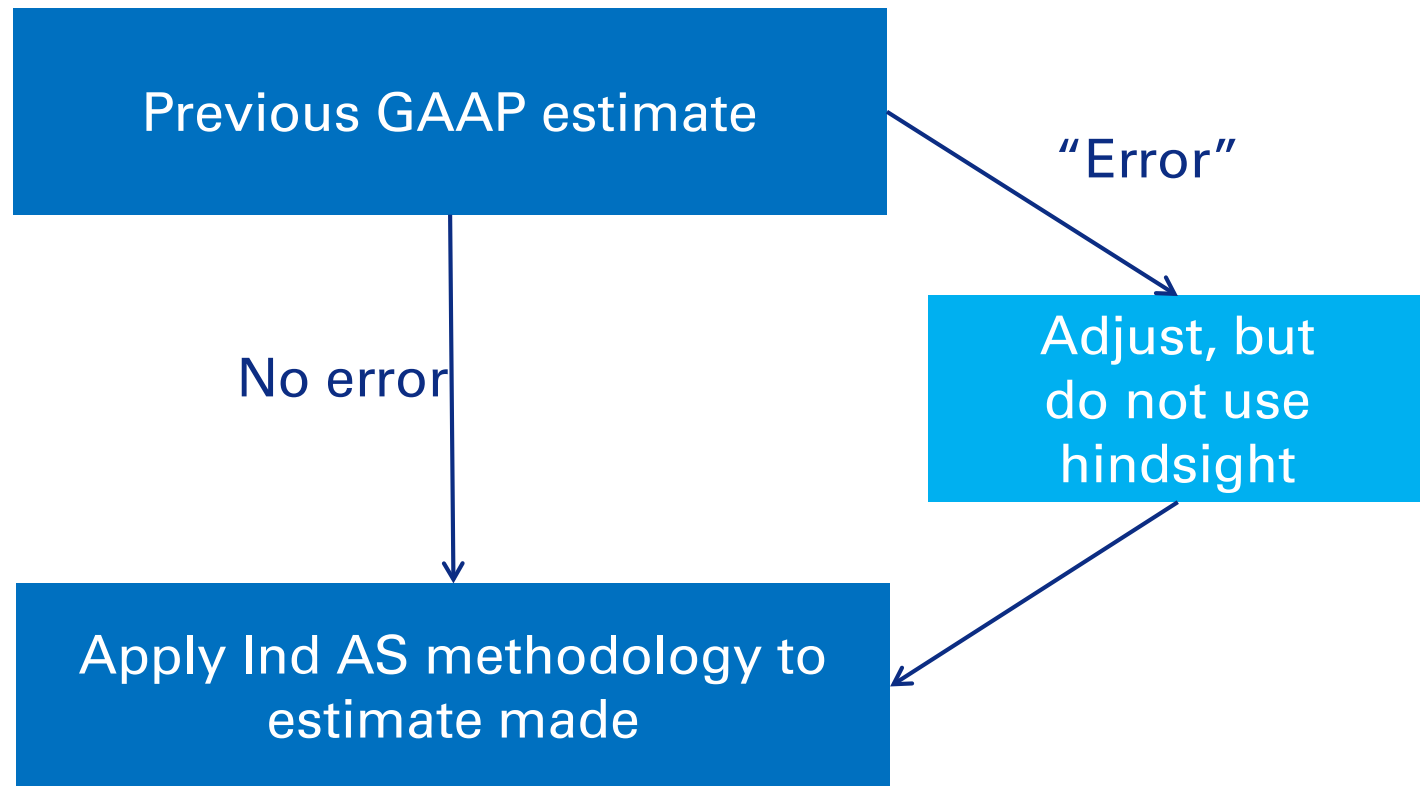
- Share-based payments
- Arrangements containing a lease
- Insurance contracts
- Borrowing costs
- Investments in subsidiaries/ joint ventures/ associates
- Assets and liabilities of subsidiaries/ joint ventures/ associates

- Fair value measurement of financial assets or financial liabilities at initial measurement
- Extinguishing financial liabilities with equity instruments
- Severe hyperinflation (limited relevance generally)
- Joint arrangements
- Stripping costs
- Designation of contracts to buy or sell a non financial item
- Non-current assets held for sale and discounted operations
- Transfers of assets from customers

First Time Adopter must apply :

- The derecognition requirements in Ind AS 109 Financial Instruments prospectively for transactions occurring on or after the date of transition
- However, an entity may apply the derecognition requirements in Ind AS 109 retrospectively from a date of entity's choice provided that the information needed was obtained at the time of initially accounting for those transactions.





Mandatory exceptions: Non Controlling Interest

- A first-time adopter shall apply the following requirements of Ind AS 110 prospectively from the date of transition to Ind ASs:
 - the requirement that total comprehensive income is 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;
 - the requirements for accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
 - the requirements for accounting for a loss of control over a subsidiary, and the related requirements Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*.
 - However, if a first-time adopter elects to apply Ind AS 103 retrospectively to past business combinations, it shall also apply Ind AS 110 from the same date.

Optional exemptions: Deemed cost

Deemed cost of property, plant and equipment/ investment property/ intangible assets

- **Either** previous GAAP carrying amount of PPE/investment property/intangible assets
 - Option to be exercised for all items of PPE, or all investment property or all intangible assets.
- **Or** fair value at transition date or a previous revaluation
 - Exemption available for individual items
 - Previous revaluation must have been :
 - Broadly comparable to either fair value or to cost or depreciated cost under Ind ASs adjusted for price changes
 - Additional conditions in case of intangible assets

- Under Ind AS 32, compound financial instruments are split at inception into separate liability and equity components . If liability component is no longer outstanding, retrospective application of Ind AS 32 involves separating two portions of equity: the first portion represents cumulative accreted interest in on liability component retained earnings, while the second portion represents original equity component
 - The above “split-accounting” need not be applied where the liability component of a compound financial instrument is no longer outstanding at the transition date

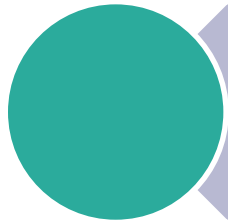
Cumulative translation differences (CTD)

- At the date of transition to Ind ASs, option available not to recognise any CTD for foreign operations in the opening Ind AS balance sheet (i.e. any translation reserve included in equity under previous GAAP can be reset to zero)

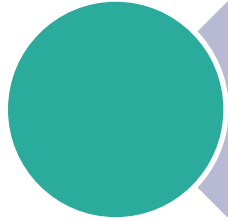
Business Combination

- Criteria for exemption:
 - Free choice – no undue cost or effort; but...
 - If one business combination is restated, all those occurring after that date must be restated
 - Applies also to associates and joint ventures

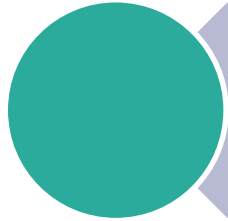
Disclosures required by Ind AS 101



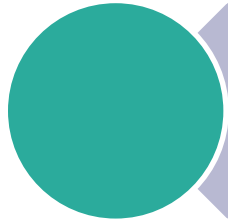
No exemption from the disclosure requirements in other Ind ASs



Disclosures required to provide a link between Previous GAAP financial statements and the first Ind AS financial statements

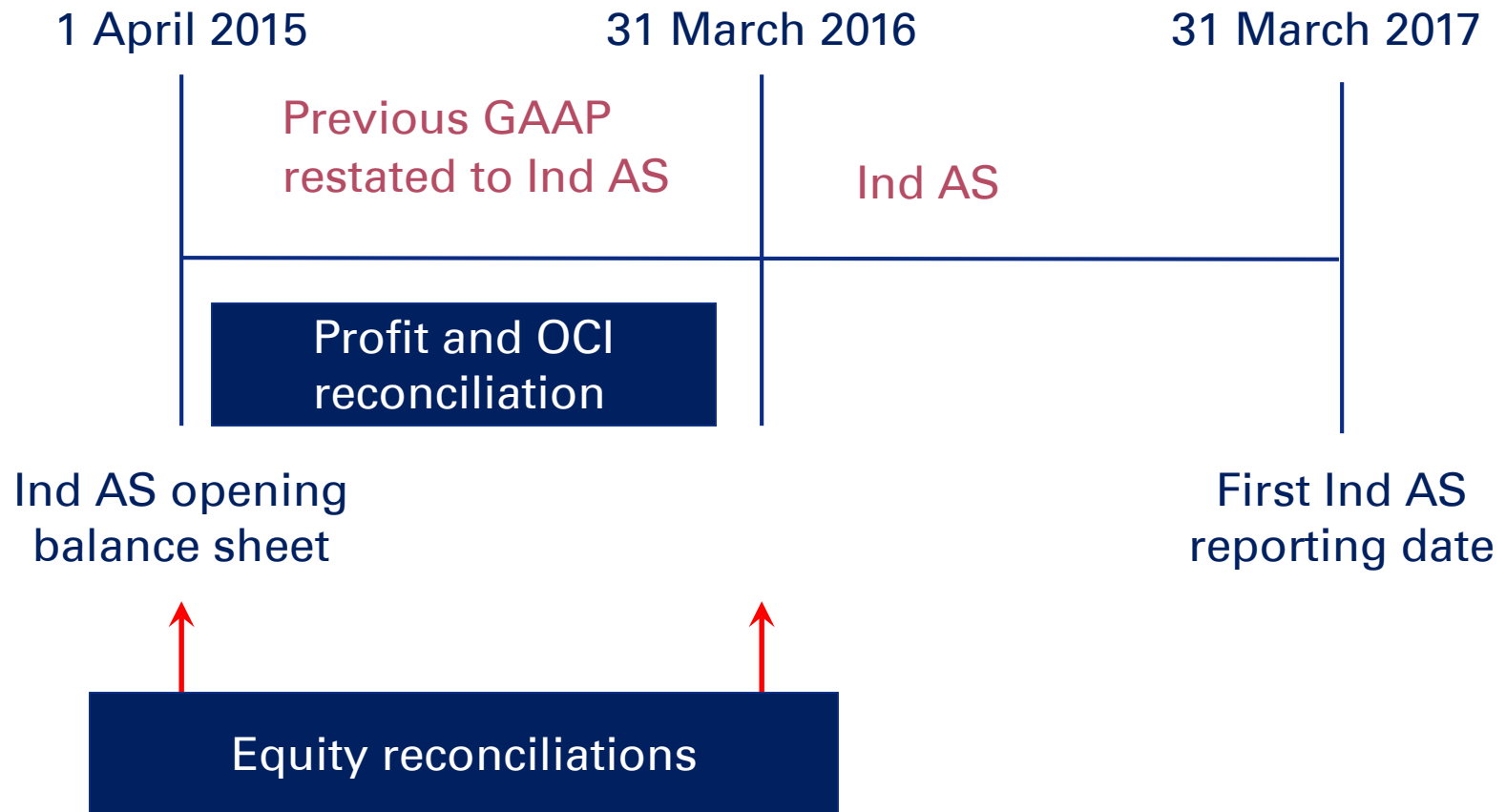


At least one year of comparative information to be provided

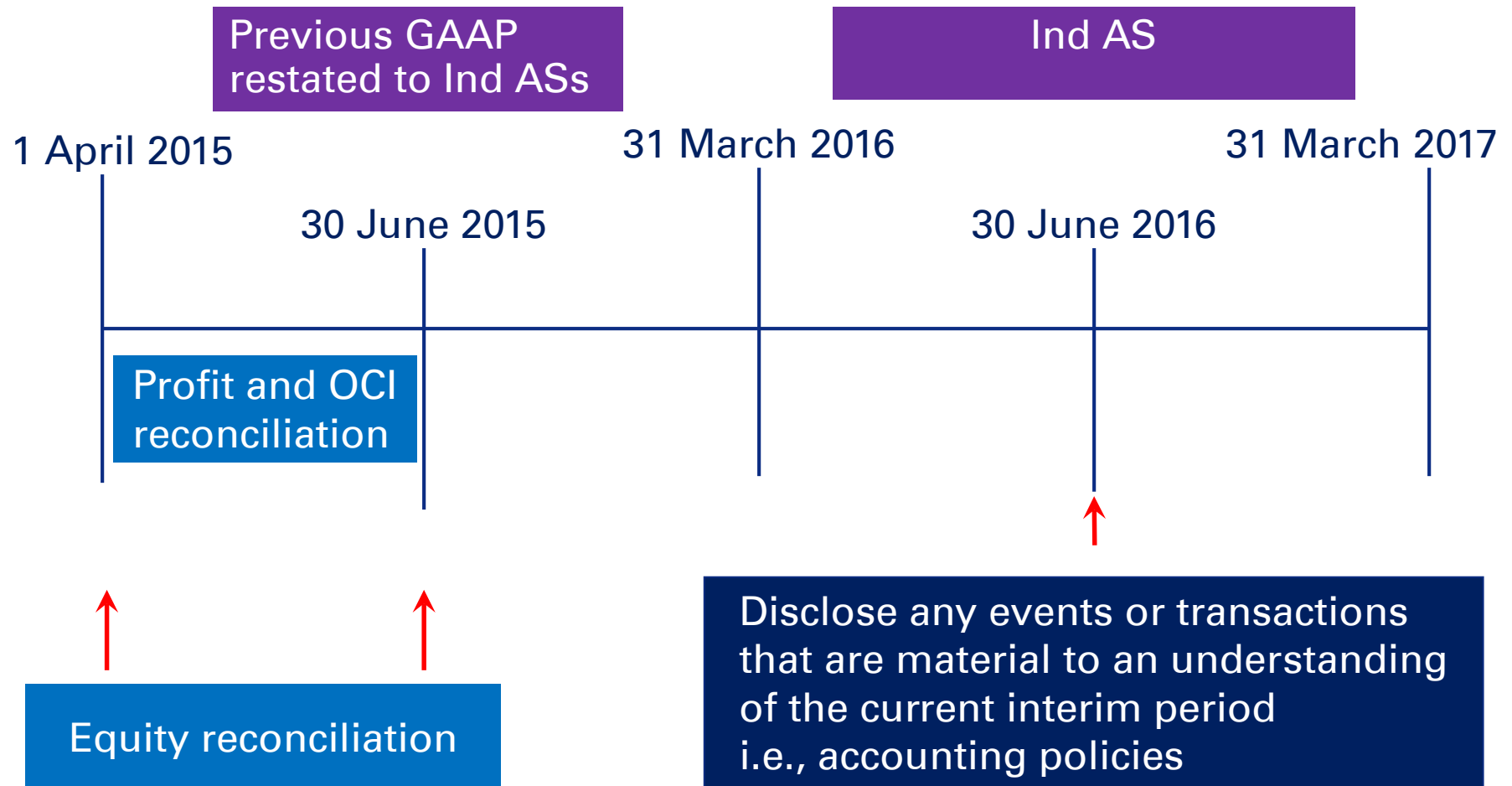


Required to present the opening Ind AS balance sheet (as at date of transition)

Disclosures – First Ind AS financial statements (annual)

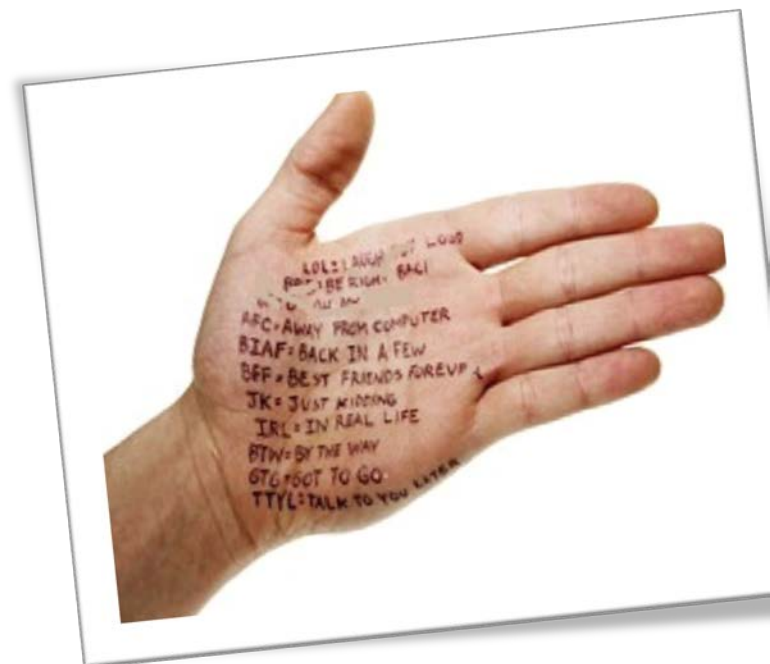


Disclosures – Interim reporting in first Ind AS reporting period



Key points to remember

- Ind AS 101 sets out all transitional requirements and exemptions available on the first-time adoption
- An opening statement of financial position is prepared at the date of transition to Ind ASs
- Accounting policies are chosen from Ind ASs in effect at the end of the first Ind AS reporting period
- A number of exemptions are available
- At least one year of comparative information must be presented
- Impact of first-time adoption of Ind ASs to be reported in annual and interim financial statements



Nature	Ind AS 101	IFRS 1
Deemed Cost of PPE/ intangible assets/ investment property	Entities have an option to use previous GAAP carrying values of PPE /intangible assets/investment property on date of transition to Ind AS	There is no exemption permitting previous GAAP carrying value of PPE /intangible assets/ investment property as deemed cost
Non current assets held for sale and discontinued operations	An entity may use transitional date circumstances to measure such assets or operations at lower of carrying value and fair value less cost to sale	No such exemption
Lease	Transitional relief is provided to use transition date facts and circumstances for lease arrangements which include both land and building elements to assess the classification of each element as finance or an operating lease	No such exemption

Nature	Ind AS 101	IFRS 1
Treatment of foreign exchange differences	An entity can continue the policy adopted for recognizing differences on long term foreign currency monetary items; choice available only for long-term foreign currency monetary items recognized in the financial statements for the period ending immediately before first Ind AS reporting period	No such exemption

Thank You

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