

IND AS 101: FIRST TIME ADOPTION OF INDIAN ACCOUNTING STANDARDS

1. OBJECTIVE:

Ensure that an entity's first IND-AS Financial Statements, and its interim financial reports contain high quality information that:

- Is transparent for its users and comparable over all periods presented;
- Provides a suitable starting point for accounting in accordance with IND AS; and
- Is cost effective.

2. PURPOSE:

- Explain the process of transition to IND AS; and
- Remove the difficulties of retrospective applications of certain IND AS.

3. SCOPE:

Entity shall apply IND AS 101 in:

- First IND AS Financial Statements
- Interim Financial Reporting (presented in accordance with I AS 34 “Interim Financial Reporting”)

4. IMPORTANT DEFINITIONS:

First Time Adopter (FTA):

- An entity is referred to as a first time adopter in the period in which it presents its first IND AS financial statements.

Date of Transition:

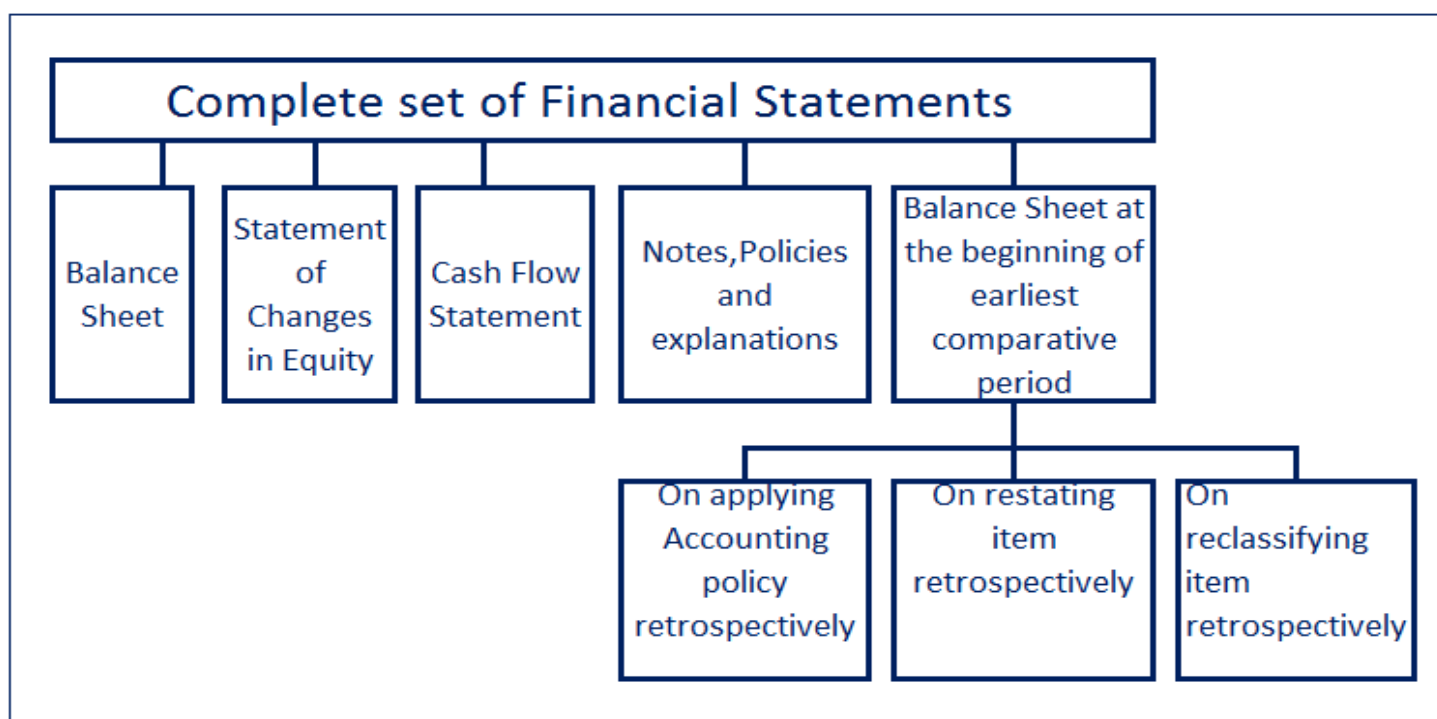
- The beginning of the earliest period for which an entity presents full comparative information under IND-AS in its “First IND AS Financial Statements”.

5. HOW AN ENTITY ADOPTS IND AS?

- An entity shall adopt IND AS by an explicit and unreserved statement which may preferably be provided under the caption 'Basis of Presentation of Financial Statements'.
- This means compliance with all IND AS is necessary, Partial Compliance is not enough to make an entity IND AS Compliant.

6. SET OF FINANCIAL STATEMENTS:

A complete set of Financial Statements under IND AS includes the following:



7. ACCOUNTING POLICIES:

- Use same Accounting policies throughout all the periods of reporting.
- The basic requirement is for full retrospective application of all IND AS, effective at the reporting date. However, there are a number of optional exemptions and mandatory exceptions to the requirement of retrospective application.
- Any adjustments because of differences in accounting policies of IND AS and Indian GAAP is to be adjusted against opening retained earnings (or, if appropriate, another category of equity) of the first period that is presented on an IND AS basis.

Steps:

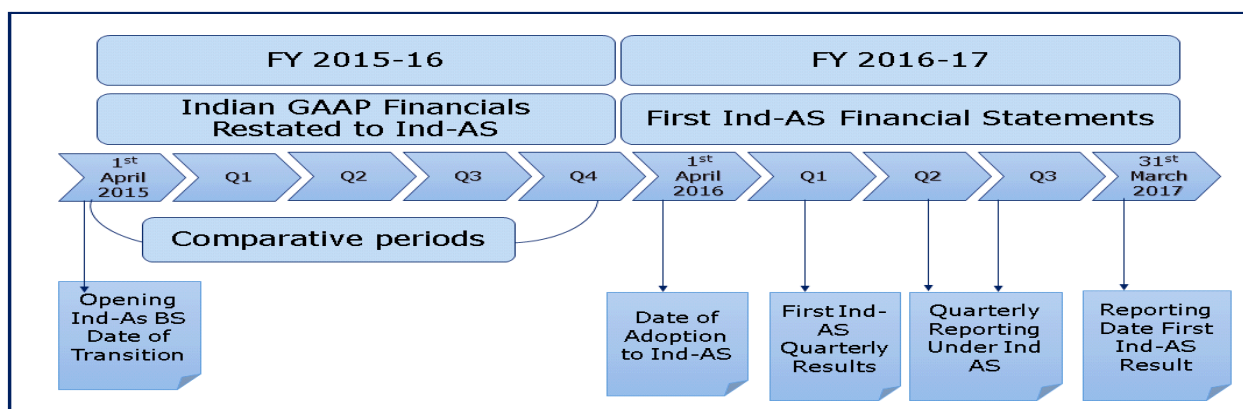
1. Identify the year of first IND AS compliant Financial Statements.
2. Identify the date of transition to IND AS.
3. Prepare opening IND AS balance Sheet at the transition date.
4. Prepare IND AS compliant financial statements for comparative period and current period.
5. Prepare reconciliation statement explaining differences in equity, total comprehensive income and cash flows arising on account of IND AS adoption.
6. Apply/ avail mandatory and voluntary exemptions to retrospective application.

Example:

ABC Limited, a listed company adopts IND AS for the F.Y. 2016-2017.

The following will be the relevant IND AS adoption dates/ periods:

- ✓ Date of transition – 1st April, 2015;
- ✓ Comparative period to first IND AS Financial Statements – F.Y. 2015-2016; and
- ✓ First IND AS Financial statements is for F.Y. 2016-2017.



8. MANDATORY EXCEPTIONS FROM RETROSPECTIVE APPLICATIONS- APPENDIX B:

- De-recognition of Financial Assets and Liabilities.
- Hedge accounting.
- Non-Controlling Interest.
- Impairment of financial assets.
- Classification and measurement of financial assets.
- Embedded derivatives.
- Government loans.
- Estimates.

9. THE OPTIONAL EXEMPTIONS:

Some of the examples of Optional Exemptions are:

- Share based payment transactions.
- Insurance Contracts.
- Deemed cost.
- Leases.
- Cumulative translation differences.
- Investment in Subsidiaries, Joint Ventures and Associates.
- Compound financial instruments.

10. HOW TO PREPARE OPENING BALANCE SHEET?

For this purpose, assets, liabilities and equity should be:

- Recognized in the Balance Sheet if not recognized earlier as per respective IND AS.
- Derecognized in Balance Sheet if recognized earlier as required by IND AS.

For example:

Miscellaneous Expenditure to the extent not written off
Internally generated goodwill

- Re-classify in Balance Sheet if re-classification earlier is not as per IND AS.
For example:
Convertible Debentures/ Bonds/ Debt
- Re-measure in Balance Sheet if existing measurement is not as per IND AS.
For example:
Investment in shares of other Companies to be valued at Fair Value

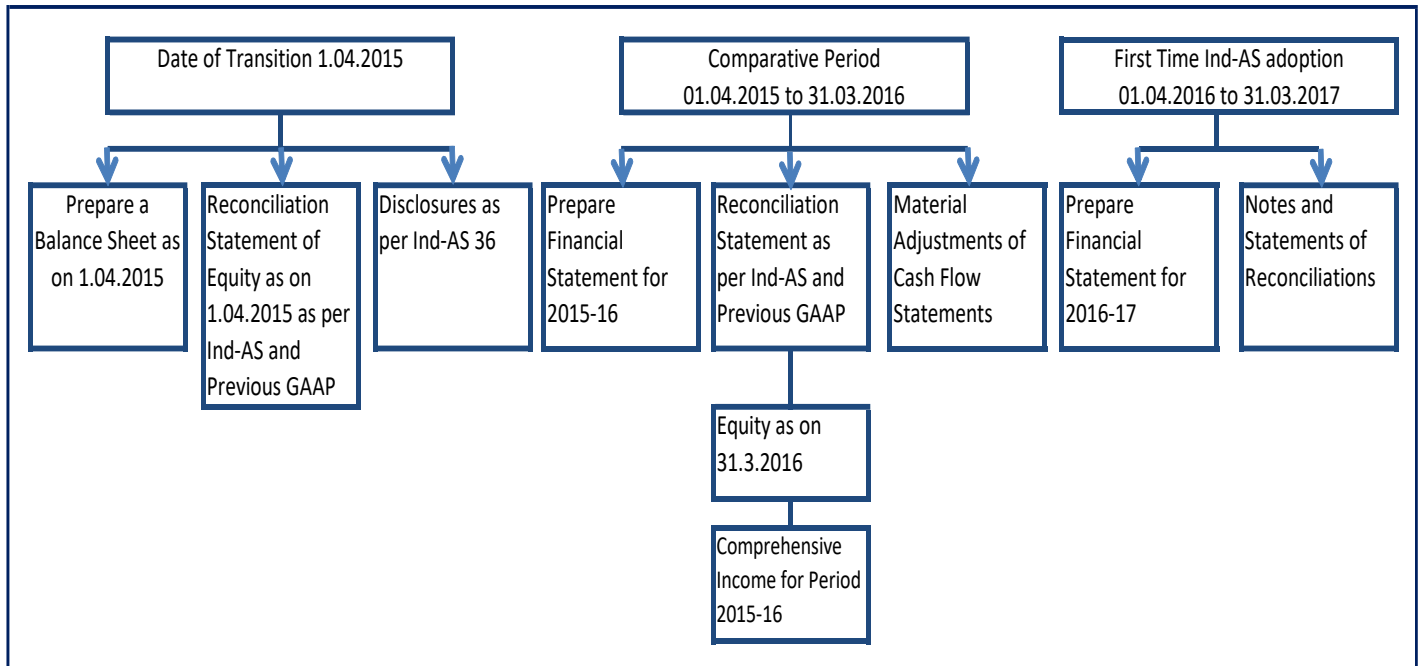
11. RECONCILIATION:

Previous GAAP to IND AS

<u>Reconciliations</u>	<u>As on date</u>
✓ <u>Equity</u>	1)As on Date of Transition 2)At the end of Most Recent Annual Financial Statement of Previous GAAP
✓ <u>Total Comprehensive Income</u> Income starting will be P/L if CI is not reported in previous GAAP	1)At the end of Most Recent Annual Financial Statement of Previous GAAP

12. PRESENTATION AND DISCLOSURE:

- This IND AS does not provide exemptions from the presentation and disclosure requirements in other IND AS.
- An entity's first IND AS financial statements shall include:
 1. **Three** Balance Sheets;
 2. **Two** Statements of Profit and Loss;
 3. **Two** Statements of Cash Flows; and
 4. **Two** Statement of Changes in Equity and related notes, including comparative information for all the statements presented.



The write-up does not aim to discuss the entire complex accounting rules and implications, which may arise from implementation of the IND AS. This write-up must not be relied upon as a substitute for reading the text of IND AS standards. If any specific issue is faced, it is recommended to seek appropriate expert professional advice. Before reaching any decision on how your specific organization may be affected by the application of IND AS, you should first take into consideration specific facts and circumstances, and thereafter consult GBCA or your professional advisors, who are familiar with your state of affairs, for advice.