Variance in Ind AS Accounts in Published Accounts: An Overview and Analysis

Corporate India has now experienced Phase I of transition to Ind AS (converged with IFRS Standards) by companies having net worth of INR 500 crores as of 31st March 2014 or any subsequent date. And very recently Phase II also have been declared for all the remaining listed companies and many of the unlisted companies having net worth of INR 250 crores and above. An attempt has been made by studying major variances in the converged financial statements of large number of published financial statements. This Article presents a summary of compilation of variances of reporting under Ind AS and IGAAP (Accounting Standards) with reason of variance. Hope readers will find it useful. In the summary at end, an attempt has been made to present as to how far the goals of transparent accounts have been achieved and to assess the likely impact on objectives of Ind AS transition, resulting from variances. Read on to know more...

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Auditors of some 42 companies like Manpasand, Atlanta, Vakrangee, Shilpi refusing to sign and resigning, comes as a shocker. Reasons formally are unknown but non-provision of significant information has been mentioned in newspaper reports. Is it Ind AS transparency challenge? Let us restrain from making any conclusion in absence of formal information. Well MCA is probing and we will know over period.

1. Ind AS 10: Events after Reporting Period

IGAAP:

- Provision for proposed final dividend (including dividend distribution tax) is accounted for relating to a given financial year in that year, even if the approval of that dividend by the shareholders took place after the balance sheet date.

Ind AS:

- A liability for final dividend (including dividend distribution tax) is recognized in the period when the dividends are approved by the shareholders.

Impact of Ind AS 10 on Financial Statements:

A. IndiGo:

i. The total liability recorded for proposed dividend and corporate dividend tax of ₹ 6,505.77 million as at 31st March 2016 (₹ 1,200.43 million as at 1st April 2015) included in the provisions has been reversed with corresponding adjustment to reserves and surplus.

ii. The other equity has increased by ₹ 6,505.77 million as at 31st March 2016 (₹ 1,200.43 million as at 1st April 2015).

B. Asian Paints:

As at 31st March 2016 the change has resulted in an increase in Equity with a corresponding decrease in Provisions by ₹ 611.24 crores. The change however, does not affect the Profit before tax and Profit after tax for the year ended 31st March 2016.

C. BOSCH:

The liability for proposed dividend of ₹ 3,212 million as at 31st March 2016 (1st April 2015 - ₹ 3,212 million) included under provisions has been reversed with corresponding adjustment to retained earnings. Consequently, the total equity increased by an equivalent amount.

D. Vedanta Limited:

The liability for proposed dividend of ₹ 698.97 Crore as at 01st April 2015 (including tax on proposed dividend of ₹ 2.19 Crore) included under provisions has been reversed with corresponding adjustment to retained earnings. Consequently, the total equity increased by equivalent amounts.

E. Ultra Tech Cement Limited:

In case of the Company, the declaration of dividend occurs after period end. Accordingly, proposed dividend has been reversed as at the date of transition and for financial year 2015-16 respectively and adjusted in retained earnings in financial year 2015-16 and 2016-17 respectively when paid.

Above Ind AS adjustments has resulted in decrease in Current Provisions by ₹ 297.24 crores and ₹ 313.78 crores as on 31st March 2015 and 31st March 2016 respectively.

2. Ind AS 12: Income Taxes

IGAAP:

- Deferred taxes are recognized for the tax effect of timing differences between accounting income and taxable income for the year i.e., income statement approach.

Ind AS:

- Deferred taxes are recognized for future tax consequences of temporary differences between the carrying value of assets and liabilities in books and their respective tax base i.e., balance sheet approach.
- Temporary differences arise when, the identifiable assets acquired and liabilities assumed in a business combination are recognised at their fair values in accordance with Ind AS 103, Business Combinations, but no equivalent adjustment is made for tax purposes.

Impact of Ind AS 12 on Financial Statements of:

A. IndiGo:

i. On the date of transition (i.e. 1st April 2015), the net impact on deferred tax liabilities is of ₹ 256.71 million (31st March 2016: ₹ 282.28 million). The profit and other equity for the year ended 31st March 2016 have decreased by ₹ 18.44 million due to temporary differences.

B. Asian Paints:

i. Deferred tax liabilities (net) amounting to ₹ 8.94 crores is created as at date of transition to Ind AS and ₹ 9.48 crores as at 31st March 2016.

ii. For the year ended 31st March 2016, the change has resulted in an increase in deferred tax expense by ₹ 0.03 crores in the Statement of Profit and Loss and recognition of deferred tax benefit by ₹ 0.57 crores in Other Comprehensive Income (OCI).

C. Ultra Tech Cements Limited:

i. The application of Ind AS 12 balance-sheet approach has resulted in recognition of deferred tax on new temporary differences, which was not required under IGAAP.

ii. In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred Tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or profit and loss respectively.

iii. As per Ind AS 12, the Company has considered MAT entitlement credit as deferred tax asset being unused tax credit entitlement. This has resulted in Transferring MAT credit to Deferred Tax Liabilities of ₹711.42 crores and ₹888.28 crores as on 31st March 2015 and 31st March 2016 respectively.

Above Ind AS adjustments have resulted in decrease in Deferred tax Liabilities by ₹ 664.61 and ₹ 795.38 crores as on 31st March 2015 and 31st March 2016 respectively.

D. Godrej Properties Limited:

Under Ind AS, deferred tax on account of fair value adjustment in relation to past schemes of amalgamation and on other Ind AS differences have been appropriately recognized.

It has resulted in increase in deferred tax Assets by ₹ 69.62 crores and ₹ 63.97 crores as on 31st March 2015 and 31st March 2016 respectively.

3. IND AS 16: Property Plant and Equipment

IGAAP:

- Only those spares that can be used in connection with Fixed Assets and their use is expected to be irregular are recognized as Property, Plant and Equipment and depreciated over the remaining useful life of the asset.
- Under IGAAP, Leasehold Land were classified as Fixed Assets as the standard on leases excluded Land.
- Pre-operative expenses are capitalized in the cost of Property, Plant and Equipment.

Ind AS 16:

- Spare parts are to be recognized as Property, Plant and Equipment if they are held for use in production or supply of goods or services and are expected to be used during more than one period. Otherwise such items are to be recognized as Inventory.
- As per Ind AS 17, where the substantial risks and rewards incidental to ownership of an asset (including Land) has been transferred, it is considered as Finance lease, else, as Operating Leases.
- Pre-operative expenses are specifically excluded from the cost of Property, Plant and Equipment.
- As per Ind AS 16, spare parts, stand - by equipment and servicing equipment are recognised as Property, Plant and Equipment ('PPE') when they meet the following criteria:
  - ➢ Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
  - ➢ Are expected to be used during more than one period.
- As per Appendix A to Ind AS 16, the cost of an item of property, plant and equipment includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Impact of Ind AS on Financial Statements of:

A. IndiGo:

The Company, in accordance with Ind AS 16 – Property, Plant and Equipment, has identified certain spare parts and stand-by equipment as they meet the definition of PPE, which were earlier classified as inventories in the Previous Indian GAAP, have been reclassified/ capitalized as rotables and non-aircraft equipment amounting to ₹ 361.79 million (1st April 2015) and ₹ 504.38 million (31st March 2016) under PPE and depreciated over its remaining useful life.

B. BOSCH:

i. The change has resulted in increase in the net carrying value of Property Plant and Equipment by ₹ 42 million as at 31st March 2016 (1st April 2015: ₹ 13 million) and reduction in value of Inventories by ₹ 76 million as at 31st March 2016 (1st April 2015 ₹ 38 million).

ii. Total equity decreased by ₹ 25 million as at 1st April 2015. The profit for the year and total equity as at 31st March 2016 decreased by ₹ 7 million due to depreciation charge of ₹ 83 million for the year on the spare parts recognized as Property, Plant and Equipment and reversal of consumption of machinery spares capitalized amounting to ₹ 76 million.

C. Pidilite:

i. On the date of transition to Ind AS, pre-operative expenses have been identified and excluded from the cost of Property, Plant and Equipment, resulting in reduction in value of opening block of Property, Plant and Equipment as at 1st April 2015, by 2.34 crores. During the year 2015-16, depreciation relating to pre-operative expenses (capitalised under previous GAAP) have been reversed to the extent of 0.16 crores.

D. Ultra Tech Cements Limited:

i. Stores and spares satisfying above criteria are de-recognised from Inventory and capitalized as PPE from the date of purchase.

ii. Under IGAAP, Leasehold Land were classified as Fixed Assets as the standard on leases excluded Land. However, as per Ind AS 17, where the substantial risks and rewards incidental to ownership of an asset has not been transferred in the name of Company, the Company has classified such land under Operating Leases. The amount paid towards such leases has been shown as Prepayments under Other noncurrent assets.

iii. As per Ind AS 38, right to use jetty has been classified as Intangible asset as on the date of transition. This Ind AS adjustment has impact of increase of ₹ 127.78 crores and ₹ 212.83 crores in Intangible assets carrying value, as on 31st March 2015 and 31st March 2016 respectively.

iv. As per Appendix A to Ind AS 16, the cost of an item of property, plant and equipment includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Above Ind AS adjustments have impact of increase of ₹ 4.80 crores and decrease of ₹ 58 crores in PPE carrying value, as on 31st March 2015 and 31st March 2016 respectively.

4. IND AS 17: Leases (and we will experience Ind AS 16 the new revolutionary standard on lease a year later when it is expected to be applicable from 1st April 2019, wherein operating leases get into balance-sheets both assets and liabilities)

IGAAP:

- One-time lease premium payments for operating leases are capitalized and included in property, plant and equipment and depreciation charged thereon over the lease term.
- The leasehold land is considered as part of property, plant and equipment and treated as perpetual lease. Accordingly, no Amortization is charged.
- Under IGAAP, Leasehold Land were classified as Fixed Assets as the standard on leases excluded Land.

Ind AS Implementation

Ind AS 17:

- One-time lease premium payments have been classified and accounted for as prepaid expenses, under other assets (current and non-current) in the Balance Sheet.
- Leasehold land of should be classified as operating lease and the premium paid on leasehold land is amortized over the period of the lease.
- As per Ind AS 17, where the substantial risks and rewards incidental to ownership of an asset has not been transferred in the name of Company, the Company has classified such land under Operating Leases.

Impact of Ind AS on Financial Statements of:

A. Eveready Industries India Limited:

i. Property, plant and equipment as at 31st March 2016 and 1st April 2015 has reduced by ₹ 1,070.87 Lakhs and ₹ 1,090.58 Lakhs respectively and depreciation expense for the year ended 31st March 2016 has reduced by ₹ 19.73 Lakhs, with corresponding increase in other expenses for the period ended 31st March 2016.

B. SRF:

i. Leasehold land of ₹ 95.50 Crores has now been classified as operating lease and the premium paid on leasehold land is amortized over the period of the lease which amounts to ₹ 1.00 crores in financial year 2015-16. The proportionate unamortized amount of ₹ 5.39 crores up to the date of transition is adjusted against retained earnings in the opening balance sheet.

C. Ultra Tech Cement Limited:

i. Under IGAAP, Leasehold Land were classified as Fixed Assets as the standard on leases excluded Land. However, as per Ind AS 17, where the substantial risks and rewards incidental to ownership of an asset has not been transferred in the name of Company, the Company has classified such land under Operating Leases. The amount paid towards such leases has been shown as Prepayments under Other noncurrent assets.

5. Ind AS 18: Revenue (and we will experience once again changes on account of new Ind AS 115 introduced from 1st April 2018 another path-breaking standard, wherein alongwith huge changes a discussion of whether POC – percentage completion method is allowed or not when/how will get discussed in at least 100s of meetings and seminars – a few companies have already disclosed expected impacts of same)

IGAAP:

- The revenue is accounted for net of trade discounts, sales taxes and excise duties.

Ind AS 18:

- New Revenue Definition – The revenue is recognized at the fair value of consideration received or receivable. Any sales incentive, discounts or rebates in any form, including cash discounts given to customers will be considered as selling price reductions and accounted as reduction from revenue. Under IGAAP, some of these costs were included in 'advertising and sales promotion' expenses.
- Gross Vs Net Presentation – Excise duty will not be netted from revenue and shown as a part of expenses.

Impact of Ind AS on Financial Statements of:

A. Asian Paints:

i. Excise duty expense amounting to ₹ 1,533.50 crores is presented separately on the face of the Statement of Profit and Loss for the year ended 31st March 2016.

ii. Cash discount and sales promotional expenses amounting to ₹ 870.85 crores for the year ended 31st March 2016, are reduced from revenue from sale of products.

iii. In light of the above, revenue from sale of products under Ind AS has increased by ₹ 686.30 crores (₹ 1533.50 crores less ₹ 870.85 crores plus ₹ 23.65 crores) with a corresponding increase in excise duty by ₹ 1533.50 crores, decrease in other expenses by ₹ 870.85 crores and increase in Cost of materials consumed by ₹ 23.65 crores in the Statement of Profit and Loss for the year ended 31st March 2016.

iv. The above changes do not affect equity as at date of transition to Ind AS, profit after tax for the year ended 31st March 2016 and Equity as at 31st March 2016.

B. BOSCH:

i. The excise duty is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended 31st March 2016 by ₹ 7,405 million. There is no impact on the total equity and profit.

ii. Amounts disclosed as revenue are net of discounts and sales incentives. This change has resulted in a decrease in total revenue and other expenses for the year ended 31st March 2016 by ₹ 460 million.

C. Ultra tech Cement Limited:

i. Cash discounts and other discounts directly attributable to sales, which has been adjusted against the revenue under Ind AS during the year ended 31st March 2016, which has resulted in decrease in Total revenue and expenses.

ii. As per Schedule III to the Companies Act, 2013, Revenue from Operation is to be shown inclusive of excise duty. Accordingly, excise duty has been included in Revenue from Operations and shown separately as an expense.

iii. Difference between the amount payable for Sales Tax Deferment Loan and its present value in Profit and Loss Account.

Above three Ind AS adjustments have impact of increase in Revenue from Operations by ₹ 2839.78 crores for year ended 31st March 2016.

6. Ind AS 19: Employee Benefits

IGAAP:

- The interest cost on defined benefit liability and expected return on plan assets is recognized as employee benefit expenses.
- Actuarial gains/losses are recognized an 'exceptional item' in profit and loss.
- Investment in the Retirement Benefit Trust did not qualify as plan asset under AS 15 and accordingly presented as non-current investment.

Ind AS 19

- The Company may adopt an accounting policy choice to recognize the net interest cost on net defined benefit liabilities as finance cost.
- Remeasurement of the net defined benefit liability/ (asset) will be recognized in 'Other Comprehensive Income'.
- The Retirement Benefit trust qualifies and will be recognized as a 'plan asset' under Ind AS 19.

Impact of Ind AS on Financial Statements of:

A. IndiGo:

i. The employee benefit expense to the extent of actuarial loss amounting to ₹ 19.39 million (net of taxes ₹ 12.68 million) for the year ended 31st March 2016 has been reduced and the same has been reclassified to Other Comprehensive Income.

ii. There is no impact on the other equity as at 31st March 2016.

B. Asian Paints:

i. For the year ended 31st March 2016, remeasurement of gratuity liability resulted in a net benefit of ₹ 2.63 crores which has now been removed from employee benefits expense in the Statement of Profit and Loss and recognized separately in OCI.

ii. There is no impact on the other equity as at 31st March 2016.

C. Pidilite:

i. The actuarial gains from remeasurement of the net defined benefit liability/ asset for the year ended 31st March 2016 were ₹ 0.31 crores, with tax ₹ 0.09 crores. This change does not affect total equity, but there is an increase in profit before tax of ₹ 0.31 crores and in total profit of ₹ 0.22 crores for the year ended 31st March 2016.

D. Godrej Properties Limited:

i. Under Ind AS, the ESOP trust is

consolidated in the Company's Separate Financial Statements, as the ESOP trust was established by the Company for administration of Employee Stock Option Plan of the Company. The trust is merely acting Branch of the Company.

Above Ind AS adjustment has resulted in decrease in equity by ₹ 40. 18 crores and ₹ 40.06 crores as on 31st March 2015 and 31st March 2016 respectively.

7. *Ind AS 28: Investments in Associates and Joint Ventures*

IGAAP:

- 'Proportionate consolidation' method was used to account for any joint venture in the consolidated financial statements.

Ind AS 28:

- Joint venture is accounted for by using the 'equity method' in the consolidated financial statements.

Impact of Ind AS on Financial Statements of:

A. HUL:

i. No line-by-line proportionate consolidation in the consolidated financial statements. Investment in JV will appear as a single line item at cost plus HUL's share in the profit or loss post acquisition.

ii. No impact on HUL's standalone financial statements. Investment in JV will continue to be accounted at cost less impairment loss.

8. *Ind AS 38: Intangible Assets*

IGAAP:

- The useful life of an intangible asset cannot be indefinite.
- Intangible asset is amortized on a straight-line basis at prescribed amortization rate.

Ind AS 38:

- The usefulness of an intangible assets like brand/trademark can be indefinite. Not required to be amortized and only tested for impairment.
- Goodwill arising on business combination cannot be amortized and is only tested for impairment.
- Does not allow recognition of internally generated brands.

Impact of Ind AS on Financial Statements of:

A. Asian Paints:

i. On the date of transition to Ind AS, there is no change in amount recognized as goodwill since the Company has opted for exemption from retrospective application of accounting of business combinations.

ii. The reversal of amortization expense for the year ended 31st March 2016 has resulted in decrease in depreciation and amortization expense in the Statement of Profit and Loss with a corresponding increase in goodwill in the Balance Sheet as at 31st March 2016, by ₹ 3.85 crores. Corresponding deferred tax expense on the same amounting to ₹ 1.33 crores has been recognized in Statement of Profit and Loss for the year ended 31st March 2016.

iii. The above change has resulted in increase in profit after tax for the year ended 31st March 2016 by ₹ 2.52 crores, increase in deferred tax liability as at 31st March 2016 by ₹ 1.33 crores and increase in equity as at 31st March 2016 by ₹ 2.52 crores.

B. Eveready Industries India Limited:

i. Value of the brand as at 1st April 2015 of ₹ 47,850 Lakhs has been de-recognized. The de-recognition was adjusted against general reserve and retained earnings. Consequently, intangible assets as at 31st March 2016 and 1st April 2015 has reduced by ₹ 46,200 Lakhs and ₹ 48,750 Lakhs respectively and depreciation expense for the year ended 31st March 2016 has reduced by ₹ 1,650 lakhs, with corresponding increase in equity as at 31st March 2016.

C. Pidilite:

i. On transitioning to Ind AS, amortization expense pertaining to Trademarks and Copyrights have been reversed, resulting in an increase in carrying amount of Trademark and copyrights by ₹ 16.95 crores and ₹ 0.77

crores respectively as at 31st March 2016.

ii. On transitioning to Ind AS, amortization expense pertaining to Goodwill has been reversed, resulting in an increase in carrying amount of Goodwill by ₹ 9.10 crores as at 31st March 2016.

9. Ind AS 102: Share-based Payment

IGAAP:

- The Company accounts for equity settled stock options under the 'intrinsic value' method and makes fair value disclosures.

Ind AS 102:

- The cost of equity settled stock options is recognized based on the fair value of the options as at the grant date.

Impact of Ind AS on Financial Statements of:

A. Bajaj Electricals Limited:

i. The amount recognized in share option outstanding account is ₹ 967.80 lakh as at 31st March 2016 (1st April 2015 – ₹ 555.56 lakh).

ii. The profit for the year 31st March 2016 decreased by ₹ 467.75 Lakh. There is no impact on equity.

B. Arvind Limited:

i. The amount recognized in share-based payment reserve account increased by ₹ 4.79 crores as at 31st March 2016 (1st April 2015: ₹ 2.20 crores).

ii. The profit for the year ended 31st March 2016 decreased by ₹ 2.59 crores. There is no impact on total equity.

10. Ind AS 32 - Financial Instruments: Presentation

IGAAP:

- There is no parallel Accounting Standard in IGAAP to establish principles for presenting financial instruments as liabilities or equity.

Ind AS:

- The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

A. Godrej Properties Limited:

Obligation to acquire Non-Controlling interest in a Subsidiary (Put Option): The Company has granted put option to Non-Controlling Interests in one of its subsidiary, which gives the investor right to sell their interests at guaranteed return to the Company on agreed terms. On transition to Ind AS, such put option has been classified as financial liability payable to the investor and is re-measured at each reporting date and difference is adjusted in equity.

Above Ind AS adjustments has resulted in decrease in Equity by ₹ 195.92 crores and ₹ 228.13 crores as on 31st March 2015 and 31st March 2016 respectively.

11. Ind AS 109: Financial instruments

IGAAP:

- The Financial assets and liabilities are recorded at their transaction value.
- Premium on Forward Contracts is amortized over the life of the contract.
- Long term equity investments and long-term preference investments were measured at cost less diminution in value which is other than temporary.
- Mutual funds were measured at lower of cost or fair value.

Ind AS 109:

- Difference between the fair value and transaction value of the security deposit has been recognized as deferred income/ expense.
- Forward contracts are measured at Fair value (MTM).
- Certain long-term equity investments are classified as fair value through OCI and accordingly all gains and losses on these investments needs to be recorded through Reserve for equity instrument through other comprehensive income.
- Long term preference investments and mutual funds are classified as Fair Value through Profit or Loss and accordingly all gains and losses on these investments needs to be recorded through Statement of Profit and Loss.

Impact of Ind AS on Financial Statements of:

B. IndiGo:

i. The amount of security deposit as on 31st March 2016 has decreased by ₹ 3,922.35 million (1st April 2015: ₹ 2,944.50 million) with a creation of deferred rent (included in other non-current and current assets) of ₹3,212.89 million (1st April 2015: ₹ 2,429.06 million). The other equity decreased by ₹ 515.44 million as at 1st April 2015. The profit and other equity for the year ended 31st March 2016 decreased by ₹ 194.02 million due to amortization of deferred rent by ₹ 447.01 million

ii. The supplemental rentals (Financial Liability) have decreased by ₹ 3,090.46 million (1st April 2015: ₹ 2,885.07 million). The other equity increased by ₹ 2,885.07 million as at 1st April 2015. The profit and other equity for the year ended 31st March 2016 has increased by ₹ 205.39 million due to gain on discounting of supplementary rentals by ₹ 1,500.90 million.

C. Bajaj Electricals Limited:

i. Due to fair valuation of forward contracts, there is in equity of ₹ 51.33 lakh (1st April – ₹ 94.65 Lakh). The net profit for the year 31st March 2016 has reduced by ₹ 43.33 Lakh.

D. Tata Communications:

i. For the year ended 31st March 2016, provision made towards diminution in value of TTSL investment (long term equity investments) ₹ 251.52 crores have been reclassified from exceptional item to Other Comprehensive Income and fair value gain of ₹ 2.38 crores on equity instrument has been recognized in Other Comprehensive Income. As a result, fair value gain of ₹ 98.42 crores and fair value loss of ₹ 347.56 crores have been recognized in Reserve for equity instrument through other comprehensive income as at 1st April 2015 and 31st March 2016 respectively.

ii. Fair value gain on Long term preference investments of ₹ 581.03 crores and ₹ 555.09 crores for 31st March 2016 and 1st April 2015 is recognized in total equity. For the year ended 31st March 2016, fair value gain of ₹ 25.94 crores have been recognized in Statement of Profit and Loss.

iii. As at 1st April 2015, fair value gain on mutual funds of ₹ 1.08 crores are recognized in total equity and fair value loss of ₹ 0.11 crores for year ended 31st March 2016 is recognized in Statement of Profit and Loss.

E. Ultra Tech Cements Limited:

i. Fair value gain on Units of Debt Schemes of Various Mutual Funds, Bonds including tax free bonds of ₹ 682.06 crores and ₹ 439.56 crores for 31st March 2016 and 1st April 2015 is recognized in total equity. For the year ended 31st March 2016, fair value gain of ₹ 245.50 crores have been recognized in Statement of Profit and Loss under head 'other income'.

ii. For Forward Covers and Commodity Derivatives, MTM reclassified to Derivative Liability as on the date of transition. The resulting gains or losses as on the date of transition are included in Retained earnings.

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps, currency swaps, principal only swaps and commodity fixed price swap contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively and Hedge accounting as permitted under Ind AS 109 and as per Company accounting policy is applied for the purpose of Accounting in the financial statements.

As per Ind AS 109, such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Above adjustments have resulted in increase in financial liabilities by ₹ 135.90 crores and ₹ 441.50 crores as on 31st March 2015 and 31st March 2016 respectively.

iii. Under IGAAP, sales tax deferment loan is recognized at the original amount without imputing interest and disclosed as borrowings. As per Ind AS 109 and Ind AS 20, Sales Tax Deferment Loan results into an interest-free loan from the government. Accordingly, the Company has prospectively measured the Sales Tax Deferment Loan at its fair value which is the discounted amount of the loan computed using the market rate of interest for a similar loan for the period for which the entity is not required to deposit the sales tax amount with the government.

As per Ind AS 109, the Company has classified Foreign Currency Loans as financial liabilities to be measured at amortised cost. The Company has executed derivative contracts to hedge foreign currency risk of borrowings. The borrowings have been restated as at the date of transition.

Above Ind AS adjustments have resulted in increase in Borrowings by ₹ 387.17 crores and ₹ 176.73 crores as on 31st March 2015 and 31st March 2016 respectively.

12. Ind AS 37 Provisions:

IGAAP:

The existing AS 29 prohibits discounting the amounts of provisions.

Ind AS:

Ind AS 37 requires discounting the amounts of provisions if effect of the time value of money is material.

A. **Ultra Tech Cements Limited:**

Under IGAAP, Provision for Asset Retirement Obligation is initially measured at the undiscounted amount to settle the obligation, however, Ind AS 37, requires that where the effect of time value of money is material, the amount of provision should be the present value of the expenditures expected to be required to settle the obligation.

Above Ind AS adjustment has resulted in increase in Provisions by ₹ 68.43 crores and ₹ 71.96 crores as on 31st March 2015 and 31st March 2016 respectively.

13. Ind AS 103 – Business Combinations

IGAAP

There are no specific provisions in AS 14, Accounting for Amalgamations, for Entities under same management.

Ind AS 103

In Ind AS 103, *Business Combinations*, Appendix C deals with Business Combinations of Entities or Businesses under Common control, Para 9 (iii) of the Appendix states that,

The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information shall be restated only from that date.

Godrej Properties Limited:

In accordance with the requirements of Para 9 (iii) of Appendix C of Ind AS 103, *Business Combinations*, the Financial Statements of the Company for the year ended 31st March 2016 and as at 1st April 2015 have been restated as if the Business Combination had occurred with 100% subsidiary HHL from the beginning of preceding period.

Amalgamation of HHL with the Company was pursuant to relevant provisions of the Companies Act, 2013 sanctioned by National Company Law Tribunal, appointed date of amalgamation being 1st May 2016.

Above Ind AS adjustment has resulted in increase in equity by ₹ 37.84 crores and ₹ 28.11 crores as on 31st March 2015 and 31st March 2016 respectively.

14. Ind AS 110: Consolidated Financial Statements

IGAAP:

- Consolidation of Employee Stock Option Trust is not required.

Ind AS 110:

As per the Provisions of Ind AS 110, *Consolidated Financial Statements*, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Employee Stock Option Trust is usually formed for the benefit of the employees of the Company, in light of which Employee Stock Option Trust has to be consolidated.

Impact of Ind AS on Financial Statements of:

A. Oracle Financial Services Software Limited:

Consolidation of Employee Stock Option Trust has resulted in an increase in equity

Summary: -

The prime objective of Ind AS is to achieve transparency which is vital for investors and other stakeholders for various purposes like -

1. Getting fair picture leading to far more informed investment decisions
2. Consolidation of controlled entities leading to knowledge about economic realities by investors, society, Government for various purposes.
3. Information about finance cost based on effective interest helping in formation of better judgment about cost of capital.
4. Making both local and global mergers and acquisition possible and easier by ascertaining company's financial health including fair valuation.

Key takeaways from the above analysis

1. Consolidation has changed from control and significant influence-based treatment of subsidiaries and associates and joint ventures leading to transparency of economic realities.
2. Any patents, softwares are getting recorded into intangible assets.
3. In case of consolidated subsidiaries appreciating assets like land and building have been shown at fair value on acquisition, leading to realistic picture.
4. Many ESOP Trusts are consolidated, making easier for SEBI to keep watch on insider trading.
5. Number of subsidiaries, associates, joint ventures have increased and, in many cases, they are interchanged as regards their relationships.
6. Construction companies suffered a lot on revenue. (there is also impact of GST reducing revenue as well as RERA strict provisions and enforcement has curbed revenue disclosure practices).
7. Investment properties not depreciated (which was not as per IGAAP also) are now getting depreciated.
8. Huge number of companies carried out independent valuations, as appears from disclosures.
9. Many patents disclosed in director's reports have now appeared in balance-sheets also.
10. Deferred tax hitherto was having an impression that it is only on depreciation difference, both corporates and auditors are learning intricacies and now working and creating itemized deferred tax calculations.
11. For loss making companies the deferred tax was created in many cases wherein the criteria of virtual certainty is shifted to probable.
12. Interest free or interest subsidized loans are getting fair valued, resulting in huge impairments.
13. Exploration and evaluation assets of mining and oil-wells has caused major impairments based on realistic assessments.
14. Prior period expenses have become concept of past, and hence every accrual and provision is being meticulously studied.
15. Many cases were noticed regarding discounting of deposits loans, to their present values leading to increase in finance cost.
16. What was doubtful debts, is now comes up with a minute expected credit loss with a huge long disclosures.
17. Upcoming standards also now are required to be disclosed as regards expected impact in notes to accounts. ■

Hatred does not cease through hatred at any time. Hatred ceases through love. This is an unalterable law. - Buddha