COMPARTIVE ANALYSIS OF AS(INDIA GAAP) AND INDAS

Article Assistant

PIPARA & CO LLP

IND AS vs. AS(GAAP)

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Summary of differences between IND AS 2 and AS 2 - Inventories

	IND AS 2	AS 2
Subsequent recognition	Deals with the subsequent recognition of cost/carrying amount of inventories as an expense	Does not deal with the same
Inventory of Service Provider	Requires that inventory of service provider may be described as "work- in-progress"	Silent on this matter
Machinery spares	Does not contain specific explanation in respect of such spares as this aspect is covered under Ind AS 16.	Inventories do not include machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular; such machinery spares are accounted for in accordance with AS 10, Accounting for Fixed Assets'.
Inventory held by Commodity Broker- trader	Does not apply to measurement of inventories held by commodity broker-traders, who measure their inventories at fair value less costs to sell.	Not covered
Definition of Fair value and distinction between NRV and Fair value	**Defines fair value and provides an explanation in respect of distinction between 'net realisable value' and 'fair value'. NRV is an entity specific value whereas fair value is not an entity specific value**	**Does not contain the definition of fair value and such explanation.**

Subsequent assessment of NRV	Provides guidance on subsequent assessment of NRV. It states that amount of reversal of any write-down of inventories arising from any increase in NRV, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs	Does not deal with such reversal
Inventories acquired on Deferred Settlement basis	**An entity may purchase inventories on deferred settlement terms. When the arrangement effectively contains a financing element, that element, for example a difference between the purchase price for normal credit terms and the amount paid, is recognised as interest expense over the period of the financing.**	**Contains no such provision**
Scope exclusion	Excludes from its scope only the measurement of inventories held by producers of agricultural and forest products, agricultural produce after harvest, and minerals and mineral products though it provides guidance on measurement of such inventories	Excludes from its scope such type of inventories
Cost formulae	Does not specifically state so and requires the use of consistent cost formulas for all inventories having a similar nature and use to the entity.	Specifically provides that the formula used in determining the cost of an item of inventory should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition

Summary of Differences between IND AS 7 and AS 3 – Cash Flow

	IND AS 7	AS 3
Bank overdrafts payable on demand	Specifically includes bank overdrafts which are repayable on demand as a part of cash and cash equivalents	Silent on this aspect
Treatment of cash payments in specific cases	Provides the treatment of cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale in the ordinary course of business as cash flows from operating activities. Further, treatment of cash receipts from rent and subsequent sale of such assets as cash flow from operating activity is also provided.	Does not contain such requirements
Adjustment of the Profit or Loss for the Effects of Undistributed Profits of Associates and Non-controlling Interests	Specifically requires adjustment of the profit or loss for the effects of undistributed profits of associates and non-controlling interests while determining the net cash flow from operating activities using the indirect method	Not included in AS 3
Cash Flows associated with Extraordinary Activities	Does not contain this requirement	Requires cash flows associated with extraordinary activities to be separately classified as arising from operating, investing and financing activities
Cash Flows arising from Changes in Ownership Interests in a Subsidiary	Requires to classify cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control as cash flows from financing activities	Does not contain such a requirement

Investment in Subsidiaries, Associates and Joint Ventures (Investees)	Ind AS 7 mentions the use of equity or cost method while accounting for an investment in an associate, joint venture or a subsidiary. It also specifically deals with the reporting of interest in an associate or a joint venture using equity method.	AS 3 does not contain such requirements

Summary of differences between IND AS 10 and AS 4- Events after the reporting period

	IND AS 10	AS 4
Non Adjusting Events if Material	Requires material non-adjusting events to be disclosed in the financial statements	Requires the material non-adjusting events to be disclosed in the report of approving authority
Proposed dividend	**Dividend proposed or declared after the reporting period, cannot be recognised as a liability in the financial statements because it does not meet the criteria of a present obligation as per Ind AS 37. Such dividend is required to be disclosed in the notes in the financial statements as per Ind AS 1**	**Proposed dividend is required to be adjusted in the financial statements**
Inappropriateness of fundamental accounting assumption of going concern	Requires a fundamental change in the basis of accounting (and not merely adjustment to assets and liabilities within the original basis of accounting), if after the reporting date, it is determined that the fundamental accounting assumption of going concern is no longer appropriate	Requires assets and liabilities to be adjusted for events occurring after the balance sheet date that indicate that the fundamental accounting assumption of going concern is not appropriate.

Summary of Differences between IND AS 8 and AS 5 – Accounting policies, Changes in Accounting estimates and Errors

	IND AS 8	AS 5
Objective	Objective of Ind AS 8 is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Ind AS 8 intends to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities.	Objective of existing AS 5 is to prescribe the classification and disclosure of certain items in the statement of profit and loss for uniform preparation and presentation of financial statements
Extraordinary items	Prohibits presentation of items of income or expense as extraordinary items linked to IND AS1 Presentation of Financial statement	Deals with presentation of items of incomes/expenses as extraordinary items
Definition of Accounting policies	Definition of accounting policies is wider and includes bases, conventions, rules and practices (in addition to principles) applied by an entity in the preparation and presentation of financial statements	Definition of accounting policies is restricted to specific accounting principles and methods to apply them
Change in accountin g policy	Requires that change in accounting policy should be accounted for with retrospective effect subject to situation where it is impracticable to determine period specific effects or cumulative effect of applying a new accounting policy	Does not specify how change in accounting policy should be accounted for

Prior period items	Uses the term 'errors' and relates it to errors or omissions arising from a failure to use or misuse of reliable information (in addition to mathematical mistakes, mistakes in application of accounting policies etc.) that was available when the financial statements of the prior periods were approved for issuance and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Specifically states errors include frauds	Defines prior period items as incomes or expenses which arise in the current period as a result of errors or omissions in the preparation of financial statements of one or more prior periods. Does not specifically mention errors includes frauds
Rectification of Material Prior Period Errors	Requires rectification of material prior period errors with retrospective effect subject to limited exceptions viz., where it is impracticable to determine the period specific effects or the cumulative effect of applying a new accounting policy.	Requires the rectification of prior period items with prospective effect

Summary of differences between IND AS 16 and AS10 – Property, Plant & Equipment

	IND AS 16	AS 10
Accounting for Real Estate Developers	IND AS 16 includes accounting of PPE by real estate developers in its scope	AS 10 specifically excludes accounting for real estate developers from its scope
Criteria for Initial Recognition	PPE should be recognised if:- (a) It is probable that future economic benefits associated with the item will flow to the entity and (b) Cost of item can be measured reliably	Does not lay any specific criteria for recognition of FA. If it meets the definition of FA it is recognised as FA.
Subsequent expenditur e	Initial costs as well as subsequent costs are evaluated based on recognition principle to determine whether they need to be recognised as item of PPE or expensed.	As 10 prescribes separate recognition principle for subsequent expenditure. Such expenditures are capitalised only if they increase the future benefits from existing asset beyond its previously assessed standard of performance.

Major spare parts capitalisation	They are capitalised when entity expects to use them during more than one period and when they can be used only in connection with an item of PPE	Only those spares are capitalised which can be used only in connection with a fixed asset and whose use is expected to be irregular.
Componen t approach	Each major part of an item of PPE with a cost that is significant in relation to the total cost is depreciated separately. As a result cost of replacing such parts is capitalised with consequent derecognition of carrying amount of replaced part. Cost of replacing those parts which have not been depreciated separately is also capitalised with consequent derecognition of replaced parts.	It is not mandatory to adopt component approach. But the standard states that accounting for a tangible FA may be improved if total cost is allocated to its various component parts. AS 10 nor AS 6 deals with aspects such as separate depreciation of components, capitalising cost of replacement, etc.
Cost of major inspection	They should be capitalised with consequent decognition of any remaining carrying amount if the cost of previous inspection	Does not deal with this aspect
Costs of dismantling and removing item of PPE and restoring the site	Initial estimate of such costs to be included in cost of PPE	Does not contain such a requirement. But Guidance note on Accounting for Oil and Gas producing activities requires capitalisation of such costs
Cost model or revaluation model	Entity can choose Cost model or Revaluation model as its accounting policy and apply that policy to entire class of PPE. Under revaluation model, revaluation is made with reference to Fair value of PPE with sufficient regularity (may be every year for some and once in 3 to 5 years for others depending upon changes in fair	Allows revaluation of FA. However revaluation approach adopted is ad hoc and does not require adoption of fair value as its accounting policy or require revaluation to be done with regularity. It also provides an option for selection of assets within a class for revaluation on systematic basis.

	value)	
Transfers from Revaluation Surplus	Revaluation surplus included in Equity may be transferred to Retained earnings when the asset is derecognised or such transfers are made on excess depreciation portion	Guidance note on Revaluation of FA states that transfer from revaluation surplus to P&L may be done on excess depreciation or when asset is sold the loss on sale can be adjusted with Revaluation reserve. If asset is disposed then any balance of Revaluation reserve is transferred to General Reserve
Self constructed assets	Cost of abnormal amounts of wasted material, labour or other resources incurred in construction of an asset is not included in cost of assets	It does not mention the same
Deferred payment beyond normal credit terms	Cost of an item of PPE is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms the difference between cash price equivalent and total payment is recognised as interest over the period of credit unless such interest is capitalised in accordance with IND AS 23. Similarly cash price equivalent has been followed in case of disposal of assets also.	Does not contain this reuqiremnet
Fixed assets jointly owned	It does not specifically deal with aspect as these would basically be covered under IND AS 31 as jointly controlled assets	Specifically deals with the same and states that the extent of its share in such assets and the proportion inthe original cost, accumulated depreciation and written down value are stated in the balance sheet
Several assets purchased for a consolidated price	Does not deal with this situation	Provides that consideration should be apportioned to various assets on fair basis as determined by competent valuers

Review of residual value and useful life	Residual value and useful life of an asset be reviewed at least at each financial year end and if expectations differ from previous estimates the change should be accounted for as a change in an accounting estimate	Such review is not obligatory as it simply provides useful life of an asset may be reviewed periodically.
Review of Depreciation method	Depreciation method applied to an asset should be reviewed at least at each financial year end and if there has been a significant change in the expected pattern of consumption of future economic benefits embodied in the asset, the method should be changed. Such a change should be considered as change in accounting estimate.	Depreciation method can be changed only if the adoption of new method is required by statute or for compliance with an accounting standard or if it is considered that the change would result in a more appropriate preparation or presentation of financial statements. Such a change is considered as change in accounting policy
Compensation from third parties for items of PPE that were impaired, lost or given up	Requires that compensation from third parties for items of PPE that were impaired, lost or given up should be included in the Statement of Profit and Loss when compensation becomes receivable.	Does not deal with this aspect
Gains on derecognition of PPE	Gains arising on derecognition of an item of PPE should not be treated as revenue as defined in IND AS 115	Silent on this aspect
Subsequent sale of PPE held for rental to others, in ordinary course of business	Deals with the situation	No such provision
Accounting for items of Fixed assets held for sale	IND AS 16 does not deal with assets 'held for sale' as treatment is covered under IND AS 105	Deals with accounting for items of fixed assets retired from active use and held for sale.
PPE acquired in exchange of non-monetary asset	Recognised at its Fair value unless (a) exchange transaction lacks commercial substance or (b) fair value of neither the asset received nor the asset given up is reliably measured	Recognised at fair market value of consideration given or fair market value of asset acquired if it is more clearly evident. Alternative accounting is also prescribed, where assets are similar, record at net book value of asset given up

Summary of differences between AS 9 & 7 and IND AS 115 – Revenue from Contracts with Customers

	IND AS 115	AS 9/7
Revenue Recognition	Entity shall recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when or as customer obtains control of that asset.	AS 9- Revenue is recognised when significant risks and rewards of ownership is transferred to buyer. AS 7 – revenue is recognised when outcome of a construction contract can be estimated reliably, contract revenue should be recognised by reference to stage of completion of contract activity at the reporting date
Coverage	Comprehensively deals with all types of performance obligation contract with customer. However it does not deal with revenue from 'interest' or 'dividend' which are covered in financial instruments standard	AS 7 covers only revenue from construction contracts which is measured at consideration received/receivable. AS 9 deals only with recognition of revenue from sale of goods, rendering of services, interest, royalties and dividends
Measurement of Revenue	Revenue is measured at Transaction price i.e. amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer excluding amounts collected on behalf of third parties.	AS 9 – Revenue is gross inflow of cash, receivables or other consideration arising in the course of ordinary activities. Revenue is measured by charges made to customers or clients for goods supplied and services rendered to then and by the charges and rewards arising from the use of resources by them. AS 7 – Measured at consideration received/receivable and to be recognised as revenue as construction progresses if certain conditions are met.
Capitalisation of costs	Provides guidance on recognition of costs to obtain and fulfil a contract as an asset	AS 7 & 9 do not deal with this aspect.

Summary of differences between IND AS 19 and AS 15 – Employee Benefits

	IND AS 19	AS 15
Constructive obligation	Employee benefits arising from constructive obligations are also covered.	AS 15 does not deal with the same
Coverage of employees	Employee includes Directors of all categories	Employee includes whole time directors
Multi-employer plans	Deals with situations where there is a contractual agreement between a multi employer plan and its participants that determines how the surplus in the plan will be distributed to the participants (or the deficit funded).	AS 15 does not deal with the same
Related party transaction	As per Ind AS 19, participation in a defined benefit plan sharing risks between various entities under common control is a related party transaction for each group entity and some disclosures are required in the separate or individual financial statements of an entity	Does not contain similar provisions
Actuary requirement	Encourages, but does not require, an entity to involve a qualified actuary in the measurement of all material post-employment benefit obligations	Though does not require involvement of a qualified actuary, does not specifically encourage the same.
P&L or SOCI	Ind AS 19 requires that the actuarial gains and losses shall be recognised in other comprehensive income and should not be recognised in profit or loss	Requires recognition of actuarial gains and losses immediately in the profit and loss
Financial assumptions	Ind AS 19 makes it clear that financial assumptions shall be based on market expectations, at the end of the reporting period, for the period over which the obligations are to be settled	No such clarification made

Discount rate	Rate to be used to discount PEB obligation shall be determined by reference to market yields on government bonds. However, subsidiaries, associates, joint ventures and branches domiciled outside India shall discount using the rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In case, such subsidiaries, associates, joint ventures and branches are domiciled in countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds of that country shall be used.	The rate used to discount post-employment benefit obligations should always be determined by reference to market yields at the balance sheet date on government bond

Summary of differences between IND AS 23 and AS 16 – Borrowing costs

	IND AS 23	AS 16
Biological assets	Borrowing costs on qualifying assets which are basically measured at fair value will not be capitalized. E.g. Biological assets	Not mentioned in AS 16
Inventories	IND AS specifically states that borrowing costs should not be capitalized on Inventories manufactured in large quantities on repetitive basis.	If inventories take substantial period of time to bring them to saleable condition, this standard is applicable and borrowing costs can be capitalized on such inventory
Effective Interest Rate method	IND AS requires interest costs to be worked out using the effective Interest rate method	Borrowing costs include: a) interest and commitment charges b) amortization of discounts or premiums c) ancillary costs in connection with arrangement of borrowings
Substantial period of time	Does not provide explanation of substantial period of time	Explains substantial period of time to be 12 months
Hyperinflationary	Borrowing costs that compensates for inflation should be expensed and not capitalized as per IND AS 29 Financial Reporting in Hyperinflationary Economies	Since there is no AS on this aspect, such treatment is not used.
Borrowings of Parent and	Borrowings of Parent and its subsidiaries can be used to find the weighted average	There is no provision regarding this in AS

its subsidiaries	borrowing costs	
Disclosure	Disclosure of capitalization rate used to determine borrowing costs needs to be done	There is no such disclosure requirement
Gains against adjustment to interest cost	Where there is an unrealized exchange loss which is treated as an adjustment to interest cost and subsequently any gains in respect of same borrowings, the gain to the extent of loss previously recognized as adjustment should also be adjusted	No such requirement under AS

Summary of differences between IND AS 108 and AS 17 – Segment Reporting

	IND AS 108	AS 17
Identification of Segments	Based on 'management approach' i.e. operating segments are identified based on the internal reports regularly reviewed by the entity's chief operating decision maker.	Requires identification of two sets of segments; one based on related products and services, and the other on geographical areas based on the risks and returns approach. One set is regarded as primary segments and the other as secondary segments.
Basis of measurement for amount to be reported in segments	Amounts reported for each operating segment shall be measured on the same basis as that used by the chief operating decision maker for the purposes of allocating resources to the segments and assessing its performance.	Segment information to be prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements. Accordingly, existing AS 17 also defines segment revenue, segment expense, segment result, segment assets and segment liabilities.
Aggregation criteria	Specifies aggregation criteria for aggregation of two or more segments and also requires the related disclosures in this regard	Does not deal with this aspect

Single reporting segment	Requires certain disclosures even in case of entities having single reportable segment.	An explanation has been given in the existing AS 17 that in case there is neither more than one business segment nor more than one geographical segment, segment information as per this standard is not required to be disclosed. However, this fact shall be disclosed by way of footnote
Interest expense	Requires the separate disclosures about interest revenue and interest expense of each reportable segment, therefore, these aspects have not been specifically dealt with.	Interest expense relating to overdrafts and other operating liabilities identified to a particular segment should not be included as a part of the segment expense. It also provides that in case interest is included as a part of the cost of inventories and those inventories are part of segment assets of a particular segment, such interest should be considered as a segment expense. These aspects are specifically dealt with keeping in view that the definition of 'segment expense' given in AS 17 excludes interest.
Disclosures	Requires disclosures of revenues from external customers for each product and service. With regard to geographical information, it requires the disclosure of revenues from customers in the country of domicile and in all foreign countries, noncurrent assets in the country of domicile and all foreign countries. It also requires disclosure of information about major customers.	Disclosures in existing AS 17 are based on the classification of the segments as primary or secondary segments. Disclosure requirements for primary segments are more detailed as compared to secondary segments.

Summary of differences between IND AS 105 and AS 24 – Non-current assets held for sale and Discontinued Operations

	IND AS 105	AS 24
Scope and objective	Specifies the accounting for non-current assets held for sale, and the presentation and disclosure of discontinued operations	Establishes principles for reporting information about discontinuing operations. It does not deal with the non-current assets held for sale; fixed assets retired from active used and held for sale, are dealt in existing AS 10, 'Accounting for Fixed Assets'.
Definition	A discontinued operation is a component of an entity that represents a separate major line of business or geographical area, or is a subsidiary acquired exclusively with a view to resale.	A discontinuing operation is a component of an entity that represents the major line of business or geographical area of operations and that can be distinguished operationally and for financial reporting purposes.
Discontinued vs Discontinuing operations	A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale.	There is no concept of discontinued operations but it deals with discontinuing operations.
Time period	The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification with certain exceptions.	Does not specify any time period in this regard as it relates to discontinuing operations
Initial Disclosure Event	Does not mention as it relates to discontinued operation	Specifies IDE
Measurement	Non-current assets (disposal groups) held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are presented separately in the balance sheet.	AS 10 requires that the fixed assets retired from active use and held for disposal should be stated at the lower of their net book value and net realisable value and shown separately in the financial statements.

Abandonment of assets	Specifically mentions that abandonment of assets should not be classified as held for sale.	Abandonment of assets is classified as a discontinuing operation; however, changing the scope of an operations or the manner in which it is conducted is not abandonment and hence not a discontinuing operation.

Summary of differences between IND AS 36 and AS 28 – Impairment

	IND AS 36	AS 28
Applicability	Ind AS 36 applies to financial assets classified as: (a) subsidiaries, as defined in Ind AS 110,(b) associates as defined in Ind AS 28, (c) joint ventures as defined in Ind AS 111	AS 28 does not apply to such assets
Biological assets	Ind AS 36 specifically excludes biological assets related to agricultural activity	Does not exclude biological assets
Frequency of testing	Ind AS 36 requires annual impairment testing for an intangible asset with an indefinite useful life or not yet available for use and goodwill acquired in a business combination	AS 28 does not require the annual impairment testing for the goodwill unless there is an indication of impairment
Reversal of impairment	AS 36 prohibits the recognition of reversals of impairment loss for goodwill.	Impairment loss recognised for goodwill should be reversed in a subsequent period when it was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events that have occurred that reverse the effect of that event.

Top down & Bottom up	Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. There is no bottom-up or top- down approach for allocation of goodwill.	Goodwill is allocated to CGUs only when the allocation can be done on a reasonable and consistent basis. If that requirement is not met for a specific CGU under review, the smallest CGU to which the carrying amount of goodwill can be allocated on a reasonable and consistent basis must be identified and the impairment test carried out at this level. Thus, when all or a portion of goodwill cannot be allocated reasonably and consistently to the CGU being tested for impairment, two levels of impairment tests are carried out, viz., bottom-up test and top-down test.

Summary of differences between IND AS 37 and AS 29 – Provisions, Contingent liabilities and Contingent assets

	IND AS 37	AS 29
Constructive obligations	A provision is recognized only when a past event has created a legal or constructive obligation, an outflow of resources is probable and the amount of obligation can be estimated reliably.	Provisions are not recognized based on constructive obligations though some provisions may be needed in respect of obligations arising from normal practice, custom and a desire to maintain good business relations or to act in an equitable manner
Discounting the amounts of provision	Requires discounting the amounts of provisions, in effect of the time value of money is material	Prohibits discounting the amounts of provisions
Disclosure of Contingent Assets	Requires disclosure of contingent assets in the financial statements when the inflow of economic benefits is probable. The disclosure, however, should avoid misleading indications of the likelihood of income arising.	Contingent assets are neither recognized nor disclosed in the financial statements. They are usually disclosed as part of the approving authority (e.g. Board of Directors report)

Restructuring cost	Requires provision on constructive obligations also. Hence when an entity has a detailed formal plan for	Requires recognition based on general recognition criteria for provisions i.e. when the entity has a present obligation as a result of

Thank You.....

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