Impact of Corporate Reporting under IFRS converged Ind AS and the Ind AS Taxonomy

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Adopting IFRS-converged Indian Accounting Standards (Ind AS) will benefit the Indian Economy by various ways such as-

- boost to the capital market;
- increased investor confidence;
- growth of industry;
- increase in mobility of accounting professionals.
Boost to Capital Market

- Convergence with IFRS will benefit the economy by increasing growth of its international business.
- It will facilitate maintenance of orderly and efficient capital markets and also will help to increase the capital formation and thereby economic growth.
- It will encourage international investing and thereby leading to more foreign capital flows to the country.
Increased Investor Confidence

- Information will be more relevant, reliable, timely and comparable across the jurisdictions as opposed to financial statements prepared using a different set of national accounting standards.

- Convergence with IFRSs contributes to investors’ understanding and confidence in high quality financial statements.
Growth of industry

- The industry would be able to raise capital from foreign markets at lower cost as their financial statements comply with Globally Accepted Accounting Standards.
- Accounting Standards are diverse from country to country.
- Enterprises which operate in different countries face a multitude of accounting requirements prevailing in the countries.
- It simplifies the process of preparing the individual and group financial statements and thereby reduces the costs of preparing the financial statements.
Increase in mobility of the accounting professionals

- Benefit to the accounting professionals as experts in different parts of the world.
- The thrust of the movement towards convergence has come mainly from accountants in public practice.
- It offers them more opportunities in any part of the world if same accounting practices prevail throughout the world.
- They are able to quote IFRS to clients to give them backing for recommending certain ways of reporting.
- Also, for accounting professionals in industry as well as in practice, their mobility to work in different parts of the world increases.
Impact of Implementation of Ind-AS

• Impact on classification of certain assets and liabilities:

- Classification of certain assets and liabilities may change under Ind AS compared to existing Accounting Standards. For example, at present, under existing Standards the classification of financial instruments, such as, preference shares, debentures, etc. is governed by their form, while under Ind AS the classification would be done on the basis of features of an instrument.

- Under existing Accounting framework, redeemable preference shares, optionally convertible debentures are classified as equity and as debt, respectively, while under Ind AS the redeemable preference shares would be required to be classified as debt, optionally convertible debentures would be required to be bifurcated into debt and equity and non-convertible debentures would continue to be classified as debt.

- This may affect the funding strategy of the companies as the financial ratios would be affected.
Presentation of Economic reality of the business: Ind AS rely on fair valuation approach. For example following Accounting Standards require measurement of various assets and liabilities at fair value

- Accounting Standards on Financial Instruments
- Accounting Standard on Share-based Payment
- Accounting Standard on Business Combinations
- Accounting Standard on Agriculture

This would help in presenting true and fair view of the financial position and performance of the entity.
Impact of Implementation of Ind-AS...contd.

- **Improved Disclosures**
  On the basis of the premise that the financial statements should be more and more transparent and should faithfully represent the actual financial position and performance of the entity, these Standards require extensive disclosures. This would improve transparency and comparability.
Need for Ind AS Taxonomy

- Once the Ind AS will be applicable, a separate XBRL taxonomy needs to be prepared in order to enable corporates to file their Financial Statements in XBRL format with the Registrar of Companies (ROC) in pursuance of Company Law.

- Since there will be various changes in the Accounting Framework, it has been decided to prepare a separate taxonomy, instead of revising the existing taxonomy, for the Ind AS compliant companies.
Development of Ind AS Taxonomy

- An Invitation to Expression of Interest (EOI) has been floated for the development of XBRL Taxonomy on the basis of Ind AS.
- Responses on EOIs have been received from vendors.
- Process of floating of Request for Proposals (RFPs) to selected vendors is going on and will be floated soon.
Scope of Ind AS Taxonomy

It has been decided to develop taxonomy for Commercial & Industrial (C&I) Companies on the basis of following:

- Notified Indian Accounting Standards (Ind AS);
- Company Law requirements; and
- Common practice elements for the companies who shall be required to prepare and file their financial statements as per the roadmap for adoption of Ind AS.
Change in Ind AS Taxonomy vis-à-vis existing C&I Taxonomy

- Broadly there would be new ELRs (Extended Link Roles) for the following Standards:
  - First Time Adoption
  - Fair Value Measurements
  - Agriculture
  - Exploration and evaluation of mineral resources

- There may be significant changes in disclosures under following ELRs:
  - Consolidated Financial Statements
  - Financial Instruments
  - Employee Benefits
Change in Ind AS Taxonomy vis-à-vis existing C&I Taxonomy...contd.

- There would be some changes in a few nomenclature:
  - Change of “Segment Reporting” to “Operating Segments”
  - Change of “Amalgamation” to “Business Combinations”
  - Change of “Tangible Assets” to “Property, Plant and Equipment”
  - Change of “Minority Interest” to “No Controlling Interest”
Thank You