INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCONTING STANDARDS (Ind-AS)

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INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCONTING STANDARDS (Ind-AS)

- A Primer on IFRS
- Introduction of Ind AS
- Concept of Fair Value Accounting
- Application of Fair Value Accounting
- Fair Value Measurement
- Financial Instruments

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCONTING STANDARDS (Ind-AS)

International Accounting Standards Committee Foundation (IASC Foundation)

The objectives of IASC Foundation are:

- To develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that required high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other uses economic decisions,
- To promote the use and rigorous application of those standards,
- To bring about convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards to high quality solutions.
- The IASC Foundation holds the copyright of IFRSs, IASs, Interpretations, Exposure Drafts and other IASB publications.

International Accounting Standards Board (IASB)

- The IASB has complete responsibility for preparation and issuing of IFRS, and exposure drafts and related technical matters.
- The IASB is expected to establish and maintain liaison with national standard setters and other official standard setting bodies with an objective to promote the convergence of national accounting standard with IAS and IFRS.

International Financial Reporting Interpretation Committee (IFRIC)

- The IFRIC is required to interpret the application of IAS and IFRS and to provide timely guidance on such issues which are not specifically discussed in IFRS or about which unsatisfactory or conflicting interpretations have emerged or likely to emerge.
- The IFRIC is also expected to assist IASB in achieving international convergence of accounting standards by working with similar bodies sponsored by national standards setters i.e. Accounting Standards Interpretation Committee of ICAI. Interpretations of IFRS are developed through a formal due process and broad international consultations.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCONTING STANDARDS (Ind-AS)

Standard Advisory Council (SAC)

- The SAC, comprising thirty or more members, appointed by IASC foundation trustees, is a forum of organizations and individuals having an interest in international financial reporting.
- The main objective of the council is to provide advice to the IASB on agenda decisions and priorities of its work.
- The council is also expected to inform views of its members on major standard setting projects. Alternatively, the IASB and the IASC foundation trustees may consult the council on major projects or on change in the constitution respectively.

The standard setting process of the IASB comprises six stages:

- Stage 1- Setting the agenda
- Stage 2- Project planning
- Stage 3- Development and publication of a discussion paper
- Stage 4- Development and publication of an exposure draft
- Stage 5- Development and publication of an IFRS
- Stage 6- Procedure after an IFRS is issued.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCONTING STANDARDS (Ind-AS)

- International Financial Reporting Standards (IFRS) have gained acceptance across the globe as a universal financial reporting language. Majority of countries have either adopted IFRS or converged towards the same. In India, the Ministry of Corporate Affairs has pronounced 35 Ind- AS, in consultation with ICAI and NACAS, which can be termed as a convergence approach towards IFRS. However, their implementation date has not been notified yet.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

The process of convergence towards IFRS will lead to some fundamental differences in various accounting practices as compared to existing Indian Accounting Standards. Fair Value Accounting is an integral part of IFRS whereas existing Indian Accounting Standards require Financial Statements to be prepared on Historical cost basis.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

There are two qualitative characteristics of Financial Statements- Relevance and Reliability. The opponents of Historical Cost Accounting Convention argue that Financial Statements based on this convention are not relevant because they do not portray current economic financial condition of the entity and therefore there is need to move towards Fair Value or Market based Accounting.

The supporters of Historical Cost Accounting convention oppose the varying degree of subjectivity caused due to measurement of various elements of Financial Statements at Fair Value which is generally taken as market value.

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have jointly created a uniform framework for how to measure fair value. On 12th May, 2011, the IASB issued **IFRS 13- Fair Value Measurement** with view to increase convergence with US GAAP.

In recent past, The Accounting Standards Board (ICAI) has announced Exposure Draft **Ind AS 113 – Fair Value Measurement**. The proposed Standard shall be uniformly applicable when other Ind ASs require or permit fair value measurements or disclosures about fair value measurements subject to certain exceptions. The Draft Standard, upon finalization, is expected to help in significant way to the preparers and users of the financial statements in India.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

- The process of defining the term Fair Value has been ongoing since 1982 with the issuance of IAS 20 by IASB. The FASB issued FAS 115 in 1994 requiring fair value accounting for many investments. In 2000, FAS 133 was issued for fair valuation of derivatives.
- FAS 157 issued in 2007 defined the term as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The IASB defined the term in various Standards as the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This definition is not based on the actual market price rather the price concluded between free parties without any compulsion where the transaction motive is the profit of both the parties.

Recently introduced IFRS13 defines the term Fair Value as **the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date**. The conceptual change in the definition of Fair Value issued by IASB is the result of the joint project undertaken with FASB to ensure that the term Fair Value has the same meaning in US GAAP and IFRS and also bring in similarity in Fair Value Measurement and Disclosure requirements.

- In India, ASB has accordingly changed the concept of Fair Value in alignment with IASB. The term has been defined in the same way in recently pronounced Exposure Draft Ind AS 113 on Fair Value Measurement.
- It can now be concluded that there is a broad agreement in the concept of Fair Value, measurement techniques and disclosure requirements amongst Standard Setters in FASB, IASB and ASB.

The concept of Fair Value can be commonly understood as follows:

- It is not an entity specific measurement.
- It is a market based concept as there is an explicit reference to market participants.
- It is an exit price as it refers to the transfer of a liability rather than settlement.
- It is not an entry price i.e. the price that was paid for the asset or that was received to assume the liability.

- Fair Value is a market based measurement
- Not an entity specific measurement
- The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

While undertaking Fair Value Measurement of asset or liability, an entity shall have to consider the following major aspects:

- Characteristics of the asset or liability
- Nature of transaction
- Nature of market
- Market participants
- The price
- Valuation techniques
- Fair Value Hierarchy

Characteristics of the asset or liability

A fair value measurement is in relation to a particular asset or liability. Characteristics attached thereto in terms of location, condition or restrictions which market participants would take into account when pricing the same at measurement date shall be incorporated.

Nature of transaction

- A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

Nature of market

- It is assumed under fair value measurement that the transaction to sell the asset or transfer the liability takes place in the **principle market** for the asset or the liability i.e. **the market with the greatest volume and level of activity.** If the principal market is not available, the transaction is assumed to take place in the **most advantageous market** i.e. the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.

- The entity's principal market is the market that it access to, that that has the greatest volume and level of activity for the asset or liability, even if the prices in other markets are more advantageous.

Market participants

- An entity shall measure the fair value of an asset or a liability based on the similar assumptions as would have been made by market participants acting in their best economic interest.
- Market participants are buyers and sellers in the principal (or most advantageous) market that are **independent** of each other, that are **knowledgeable**, **able to transact** in the asset or liability and **willing** to transact in the asset or liability.
- Market participants seek to maximize the fair value of an asset or minimize the fair value of a liability in a transaction to sell an asset or to transfer the liability in the principal (or most advantageous) market for the asset or liability.
- The entity is not required to identify specific market participants; rather it should develop a profile of potential market participants with specific characteristics of the asset or liability.

The Price

- Fair Value is based on the **exit price** i.e. the price that would be received to sell an asset or paid to transfer a liability and not the transaction price or entry price i.e. the price that was paid for the asset or paid to assume a liability.

- The price is not adjusted for transaction costs because these costs are not a characteristic of the asset or liability; they are characteristic of the transaction. However, in case of the most advantageous market, the transaction costs are taken into consideration. Transaction costs do not include transport costs. If location is a characteristic of an asset, then the price is adjusted for any costs that would be incurred to transport the asset to or from the market.

Valuation Techniques

- When determining the fair value of an asset or a liability, an entity selects those valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. The technique used should maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

- The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

- There are three widely used valuation techniques i.e. **market approach, the cost approach and the income approach.**

Fair Value Hierarchy

- In order to increase the consistency and comparability of valuation techniques for measuring the fair value, a three level hierarchy has been established. It gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.
- **Level 1 inputs** are unadjusted quoted prices in active markets for identical assets or liabilities. For example, quoted shares in a company traded on major stock exchanges. They are considered to be the most reliable.
- **Level 2** inputs are inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. For example, Bonds traded on a market with quoted price but with infrequent recent transactions.

Fair Value Hierarchy

- **Level 3** inputs are unobservable inputs for the fair value measurements of an asset or a liability. For example, unquoted shares in an unquoted private company or investment property valued using observable prices per square meter for similar for similar properties.
- The determination of whether a fair value measurement is classified into level 1 or level 2 depends on whether the inputs used in the valuation techniques are observable or unobservable and their significance to the fair value measurement.

REVENUE (Ind AS 18)

- An entity may provide interest free or below market interest rate credit to the buyer. Such an arrangement shall be treated as financing transaction and the fair value of the consideration shall be determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal value of the consideration shall be recognized as interest revenue. Here, the selection of rate of interest brings subjectivity which requires logical and sound assumptions while drafting an appropriate policy.

REVENUE (Ind AS 18)

- At the time of recognizing revenue from sales involving granting of awards under customer loyalty programme, a portion of the original sale is deferred because of pending redemption of rewards points. The amount deferred is recognized in revenue only when the points are redeemed and goods and services are provided. The amount of revenue deferred is measured based on the fair value of the points awarded. While estimating the fair value of the award points, popularity of the programme, the redemption rate, timing of redemption, restrictions attached to the award points, historical evidence and such other factors shall be considered.

SHARE BASED PAYMENT (Ind AS 102)

- In case of Equity settled Share based Payment transaction, share, share options or other equity instruments are granted to employees as a part of their remuneration package, the entity shall measure the fair value of the employee services received by reference to the fair value of the equity instruments granted. For transactions measured by reference to the fair value of the equity instruments granted, an entity shall measure the fair value of equity instruments granted at the *measurement date*, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted.

SHARE BASED PAYMENT (Ind AS 102)

- If market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. The valuation technique shall be consistent with generally accepted valuation methodologies for pricing financial instruments, and shall incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price.

PROPERTY, PLANT AND EQUIPMENT (Ind AS 16)

- An entity has option to choose either cost model or revaluation model as its accounting policy. In case of selecting revaluation model, after recognition as an asset, an item of property, plant and equipment shall be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. The fair value of items of plant and equipment is usually their market value determined by appraisal.

PROPERTY, PLANT AND EQUIPMENT (Ind AS 16)

- If there is no market-based evidence of fair value because of the specialized nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, an entity may need to estimate fair value using an income or a depreciated replacement cost approach. The entity shall disclose the methods and significant assumptions applied in estimating the items' fair values and the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques.

INVESTMENT PROPERTY (Ind AS 40)

- An entity shall adopt as its accounting policy the cost model to all of its investment property. The Standard requires all entities to determine the fair value of investment property for the purpose of disclosure even though they are required to follow the cost model. An entity is encouraged, but not required, to determine the fair value of investment property on the basis of a valuation by an independent valuer. The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value is time-specific as of a given date.

INVESTMENT PROPERTY (Ind AS 40)

- The fair value of investment property reflects, among other things, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows (including rental payments and other outflows) that could be expected in respect of the property. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts.

INTANGIBLE ASSETS (Ind AS 38)

- If an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. The fair value of an intangible asset will reflect expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity. Quoted market prices in an active market provide the most reliable estimate of the fair value of an intangible asset. The appropriate market price is usually the current bid price. If no active market exists for an intangible asset, its fair value is the amount that the entity would have paid for the asset, at the acquisition date, in an arm's length transaction between knowledgeable and willing parties, on the basis of the best information available.

INTANGIBLE ASSETS (Ind AS 38)

- An entity shall choose either the cost model or the revaluation model as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets. After initial recognition, an intangible asset shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations under this Standard, fair value shall be determined by reference to an active market.

INTANGIBLE ASSETS (Ind AS 38)

- One or more intangible assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an intangible asset is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable.

FINANCIAL INSTRUMENTS

- A financial asset or a financial liability, which is held for trading i.e.it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or is a part of a portfolio of identified financial instruments which managed together and for which there is a evidence of a recent actual pattern of short term profit taking or is a derivative, which is designated as FVTPL (Fair Value Through Profit & Loss), shall be subject to fair valuation

FINANCIAL INSTRUMENTS

- The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

In India, this complex issue relating to Financial Instruments has been addressed by notification of following recent Accounting Standards which reflects contemporary thinking of developed economies:

- Ind AS 39 / AS 30 – Recognition and Measurement (IAS 39)
- Ind AS 32 / AS 31 – Presentation (IAS 32)
- Ind AS 107/AS 32 – Disclosures (IFRS 7)
- IASB has recently announced **IFRS 9** on Classification and Measurement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

- The objectives of these Standards are to prescribe principles for the following:

- Recognition and De-Recognition of Financial Assets and Financial Liabilities
- Measurement (initial and subsequent) of Financial Assets and Liabilities
- The classification of Financial Instruments, from the perspective of the issuer, into financial assets, financial liabilities, and equity instruments.
- The classification of related interest, dividends, losses and gains.
- The circumstances in which financial assets and liabilities to be offset.
- Hedge Accounting
- Embedded Derivatives and its segregation from the Host Contract.
- Accounting for Treasury Shares.
- Disclosures relating to Financial Instruments.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

- **Financial Instruments**

- Financial Investments- listed and unlisted debt securities, listed equity shares
- Originated and purchased loans
- Repurchase agreements and security lending/borrowing transactions
- Financial assets held for trading
- Derivative Instruments held for trading/hedging
- Trade and other receivables
- Cash and cash equivalents
- Trading liabilities
- Trade and other payables
- Current and long term bank borrowings
- Bonds and Debentures
- Bank deposit
- Finance lease

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

- **Not Financial Instruments**

- Non monetary or physical assets such as inventories, property, plant etc.
- Intangible assets as patent ,trademark
- Own equity instruments
- Whether derivatives
- Commodity contracts which cannot be settled in cash or expected to be settled by commodity exchange
- Assets and liabilities relating to taxes that are a result of statutory requirements imposed by government like deferred tax assets/liabilities
- Prepaid expenses
- Warranty obligations
- Deferred Revenue Expenditure
- Operating lease

- Physical assets (like stock, fixed assets, plant, equipment etc.), leased assets and intangible assets (like patent, copyright, trademark etc.)are not financial assets. Control over such assets creates an opportunity to generate an inflow of cash or another financial asset, but it does not give rise to a present right to receive cash or another financial asset and also cash flow so generated are internal and not external. Therefore, they are not financial assets.

- Finance lease is considered as primarily an entitlement of the lesser to receive a stream of payments that are substantially the same as blended payments of principal and interest under a loan agreement. The lesser accounts for its investment in the amount receivable under the lease contract rather than the leased asset itself. Therefore, a finance lease is a financial instrument.

- An operating lease is primarily an uncompleted contract committing the lessor to provide the use of an asset in future periods in exchange for consideration similar to fee for a service. The lessor continues to account for the leased asset rather than any amount receivable in the future under the contract. Therefore, an operating lease is not regarded as a financial instrument.

- H Ltd. holds an option to purchase equity shares in another listed company S Ltd. for Rs.50 per share at the end of 60days.This call option gives H Ltd. a contractual right to exchange cash of Rs.50 for an equity share in S Ltd. and will be exercised if the market value of the share exceeds Rs. 50 at the end of 60 days period. H Ltd. will exercise the call option as the terms will be favourable. Since H Ltd. stands to gain if the call option is exercised, the exchange is potentially favourable. Therefore, the option is a derivative financial asset from the time the company becomes party to the option contract.

- Alternatively, if H Ltd. writes an option under which the counter party can force the company to sell equity shares in S Ltd. for Rs.50 per share at any time in the next 60 days, X Ltd. has a contractual obligation to exchange equity shares in S Ltd. for cash of Rs.50 per share on potentially unfavourable terms if the holder exercise the option, because the market price per share exceeds the exercise price of Rs.50 per share at the end of 60 days period. Since H Ltd. stands to lose if the option is exercised, the exchange is potentially unfavourable and the option is a derivative financial liability from the time the company becomes party to the contract.

- W hen an entity is required to discharge an obligation either by payment of financial assets or by payment in the form of its own equity shares, then the question arises that whether the obligation is a liability or equity. If the number of equity shares required settling the obligation varies with the changes in fair value such that the total fair value of the equity shares transferred is always equal to the amount of the contractual obligation, then the holder of the obligation is not exposed to a gain or loss from the price of the equity shares. Therefore, such an obligation should be accounted for as a liability.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

- A Ltd. sold goods to B Ltd. on 1.10.2011 for Rs.5 lakhs on credit. The payment shall be made on 31.12.2011. As per the agreement, A Ltd. will issue an adequate number of its own equity shares. to settle the obligation.

- If A Ltd. issues the number of shares by dividing the amount due (Rs. 5 lakhs) by the market price of shares of A Ltd. on 31.12.2011, then A Ltd. will recognize the payment due as to B Ltd.as a financial liability. Here, A Ltd. uses its shares as currency as such a contract represents a right or obligation for a specified amount rather than a specified residual interest in equity.
- If A Ltd. issues number of shares to B Ltd. by dividing the amount due by market price of shares of A Ltd. on 1.10.2011,then A Ltd. will recognize Rs.5 lakhs as equity as B Ltd. is getting residual equity interest under the contract on 1.10.2011.

Financial Assets are broadly classified under four heads:

- Financial assets at Fair Value Through Profit and Loss account (FVTPL)
- Held to maturity
- Loans and Receivables
- Available for Sale

Financial Assets at Fair Value Through Profit and Loss account (FVTPL)

- Financial Assets (FVTPL)are further classified :
  - Financial assets Held for Trading
  - Those designated to the category at the inception

Financial assets Held for Trading:

A financial asset is held for trading is one that is:

- Acquired principally for the purpose of selling it in near term
- Part of a portfolio for which there is an evidence of a recent pattern of short term profit taking
- A derivative unless it is designated as an effective hedging instrument be accounted for as per Hedge Accounting.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

- Derivatives are always categorized as held for trading unless they are accounted for as hedges.
- A financial asset or a group of financial assets may be designated as FVTPL as per the risk management strategy or investment strategy. However, an equity instrument can be so designated only if its market price is quoted in the active equity market.

Held to Maturity Investments (HTM):

- HTM investments are those which the entity intends to hold and at the same time it has the ability to hold till maturity. Their other characteristics are:
- They are non derivative.

  Their payment is fixed or determinable.
- Their maturity is fixed.
- They do not include instruments those that are designated as FVTPL, Available for sale or those within the definition of Loans and Receivables.
- Equity securities cannot be classified as HTM as they do not have fixed maturity date.

Loans and Receivables:

- Loans and Receivables are also non derivative financial assets with the following characteristics:
- Their payment is fixed or determinable.
- They are not quoted in the active market.
- They do not include assets acquired with the intention to sell in the near term.
- Or those which have been designated as FVTPL on inception or those designated as Available for Sale.
- They generally arise when an entity provides money, goods or services directly to a debtor with no intention of trading the receivables.

Available for Sale:

- They are non derivative financial assets that are:
- Designated as available for sale, or
- Are not classified as Loans and Receivables, HTM investments or financial assets at FVTPL.
- This is basically a residual category for all the financial assets that cannot be categorized in any of the above three category.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

- **FINANCIAL ASSETS: ACCOUNTING AND MEASUREMENT**

Sr.	Category of Financial Assets	Measurement at Initial Recognition	Measurement at Subsequent Reporting date	Impairment Test
1.	Fair Value Through Profit &Loss(FVTPL)	Measured at fair value on the date of acquisition i.e. At acquisition price Directly attributable Transaction cost is debited to P&L Account	At fair value Change in fair value between Two reporting date is debited or credited to P&L Account directly.	no

- **FINANCIAL ASSETS: ACCOUNTING AND MEASUREMENT**

Sr.	Category of Financial Assets	Measurement at Initial Recognition	Measurement at Subsequent Reporting date	Impairment Test
2.	Available for Sale (AFS)	Measured at fair value on the date of acquisition i.e. At acquisition price plus Directly attributable Transaction costs	Change in fair value between Two reporting date is debited or credited to a separate component of equity e.g. Investment Valuation Reserve	yes

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

- **FINANCIAL ASSETS: ACCOUNTING AND MEASUREMENT**

Sr.	Category of Financial Assets	Measurement at Initial Recognition	Measurement at Subsequent Reporting date	Impairment Test
3.	Held to Maturity (HTM)	Measured at fair value on the date of acquisition i.e. At acquisition price plus Directly attributable Transaction costs	At amortized cost applying effective interest rate	yes

- **FINANCIAL ASSETS: ACCOUNTING AND MEASUREMENT**

Sr.	Category of Financial Assets	Measurement at Initial Recognition	Measurement at Subsequent Reporting date	Impairment Test
4.	Loans and Receivables	Short term receivable with no stated interest rate should be measured at original invoice amount if the effect of discounting is immaterial. Other items are measured at fair value on the date of acquisition i.e. At acquisition price plus Directly attributable Transaction costs	At amortized cost applying effective interest rate.	yes

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind-AS)

Financial Liabilities are classified into two categories:

- Financial Liabilities at Fair Value Through Profit and Loss account (FVTPL)

- Liabilities Held for Trading includes

- Derivative liabilities that are not accounted for as hedging instrument
- Obligations to deliver securities or other financial assets borrowed by a short seller
- Financial liabilities that are incurred with the intention to repurchase them in the near term and
- Financial Liabilities that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit booking.

- Liabilities designated to the category at the inception
- The entity has right to designate any liability under this category on initial recognition, but it is irrevocable i.e. it cannot be subsequently transferred to any other category.

- Other financial Liabilities:

- They include trade payables, borrowings and other customer deposit account as residual category. All liabilities and derivatives other than trading liabilities and derivatives that are hedging instruments automatically fall under this category.

Thank you

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