

Exposure Draft

(Disclosure Initiative)

Amendments to Ind AS 1, *Presentation of Financial Statements*

(Last date for Comments: October 07, 2015)



Issued by
Accounting Standards Board
The Institute of Chartered Accountants of India

Exposure Draft

(Disclosure Initiative)

Amendments to Ind AS 1, *Presentation of Financial Statements*

Following is the Exposure Draft of (Disclosure Initiative) Amendments to Ind AS 1, Presentation of Financial Statements issued by the Accounting Standards Board of The Institute of Chartered Accountants of India, for comments.

The Board invites comments on any specific aspect of the Exposure Draft. Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

How to comment-

Comments should be submitted using one of the following methods, so as to be received not later than October 07, 2015:

- 1. Electronically: Visit at the following link <http://www.icai.org/comments/asb/>*
- 2. Email: comments can be sent to: commentsasb@icai.in or asb@icai.in*
- 3. Postal: Secretary, Accounting Standards Board,*

*The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg,
New Delhi 110 002*

Further clarifications on this Exposure Draft may be sought by e-mail to geetanshu.bansal@icai.in or asb@icai.in

*(The Exposure Draft of the Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. This Exposure Draft of the amendments Indian Accounting Standard should be read in the context of its objective and the Preface to the Statements of Accounting Standards)*

Amendments to Ind AS 1, *Presentation of Financial Statements*

Paragraphs 10, 31, 54–55, 82A, 85, 113–114, 117, 119 and 122 are amended, paragraphs 30A, 55A and 85A–85B are added and paragraphs 115 and 120 are deleted. Paragraphs 29–30, 112, 116, 118 and 121 have not been amended but are included for ease of reference. Deleted text is struck through and new text is underlined.

Complete set of financial statements

- 10 A complete set of financial statements comprises:**
- (a) a balance sheet as at the end of the period;**
 - (b) a statement of profit and loss for the period;**
 - (c) a statement of changes in equity for the period;**
 - (d) a statement of cash flows for the period;**
 - (e) notes, comprising a ~~summary~~ of significant accounting policies and other explanatory information; ~~and~~**
 - (ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and**
 - (f) a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D.**

...

Materiality and aggregation

- 29 An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial except when required by law.**
- 30 Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in**

the notes. An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate presentation in the notes.

30A When applying this and other Ind ASs an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

31 Some Ind ASs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an Ind AS if the information resulting from that disclosure is not material except when required by law. This is the case even if the Ind AS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in Ind AS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

...

Information to be presented in the balance sheet

54 ~~As a minimum, t~~**The balance sheet shall include line items that present the following amounts:**

(a) ...

55 **An entity shall present additional line items (including by disaggregating the line items listed in paragraph 54), headings and subtotals in the balance sheet when such presentation is relevant to an understanding of the entity's financial position.**

55A When an entity presents subtotals in accordance with paragraph 55, those subtotals shall:

(a) be comprised of line items made up of amounts recognised and measured in accordance with Ind AS;

(b) be presented and labelled in a manner that makes the line items

that constitute the subtotal clear and understandable;

- (c) be consistent from period to period, in accordance with paragraph 45; and
- (d) not be displayed with more prominence than the subtotals and totals required in Ind AS for the balance sheet.

...

Information to be presented in the other comprehensive income section

82A ~~The other comprehensive income section shall present line items for the amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other Ind ASs for the period of:~~

(a) items of other comprehensive income (excluding amounts in paragraph (b)), classified by nature and grouped into those that, in accordance with other Ind ASs;

~~(a)(i)~~ will not be reclassified subsequently to profit or loss; and

~~(b)(ii)~~ will be reclassified subsequently to profit or loss when specific conditions are met.

(b) the share of the other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other Ind ASs;

(i) will not be reclassified subsequently to profit or loss; and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met.

...

85 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement of profit and loss when such presentation is relevant to an understanding of the entity's financial performance.

85A When an entity presents subtotals in accordance with paragraph 85, those subtotals shall:

(a) be comprised of line items made up of amounts recognised and measured in accordance with Ind AS;

(b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;

- (c) be consistent from period to period, in accordance with paragraph 45; and
- (d) not be displayed with more prominence than the subtotals and totals required in Ind AS for the statement of profit and loss.

85B An entity shall present the line items in the statement of profit and loss that reconcile any subtotals presented in accordance with paragraph 85 with the subtotals or totals required in Ind AS for such statement.

...

Structure

112 **The notes shall:**

- (a) **present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117–124;**
- (b) **disclose the information required by Ind ASs that is not presented elsewhere in the financial statements; and**
- (c) **provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.**

113 **An entity shall present notes in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. An entity shall cross-reference each item in the balance sheet and in the statement of profit and loss, and in the statements of changes in equity and of cash flows to any related information in the notes.**

114 ~~An entity normally presents notes in the following order, to assist users to understand the financial statements and to compare them with financial statements of other entities: Examples of systematic ordering or grouping of the notes include:~~

- (a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;
- (b) grouping together information about items measured similarly such as assets measured at fair value; or
- (c) following the order of the line items in the statement of profit and loss and the balance sheet, such as:
 - (a)(i) statement of compliance with Ind ASs (see paragraph 16);

~~(b)(ii) summary of significant accounting policies applied (see paragraph 117);~~

~~(c)(iii) supporting information for items presented in the balance sheet and in the statement of profit and loss, and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and~~

~~(d)(iv) other disclosures, including:~~

~~(i) (1) contingent liabilities (see Ind AS 37) and unrecognised contractual commitments; and~~

~~(ii) (2) non-financial disclosures, eg the entity's financial risk management objectives and policies (see Ind AS 107).~~

115 ~~[Refer Appendix 1] In some circumstances, it may be necessary or desirable to vary the order of specific items within the notes. For example, an entity may combine information on changes in fair value recognised in profit or loss with information on maturities of financial instruments, although the former disclosures relate to the statement of profit and loss and the latter relate to the balance sheet. Nevertheless, an entity retains a systematic structure for the notes as far as practicable.~~

116 An entity may present notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

Disclosure of accounting policies

117 **An entity shall disclose ~~in the summary of its~~ significant accounting policies comprising:**

(a) the measurement basis (or bases) used in preparing the financial statements; and

(b) the other accounting policies used that are relevant to an understanding of the financial statements.

118 It is important for an entity to inform users of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares the financial statements significantly affects users' analysis. When an entity uses more than one measurement basis in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each

measurement basis is applied.

- 119 In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Ind ASs. An example is disclosure of a regular way purchase or sale of financial assets using either trade date accounting or settlement date accounting (see Ind AS 109, *Financial Instruments*). Some Ind ASs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, Ind AS 16 requires disclosure of the measurement bases used for classes of property, plant and equipment.
- 120 ~~[Refer Appendix 1] Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. For example, users would expect an entity subject to income taxes to disclose its accounting policies for income taxes, including those applicable to deferred tax liabilities and assets. When an entity has significant foreign operations or transactions in foreign currencies, users would expect disclosure of accounting policies for the recognition of foreign exchange gains and losses.~~
- 121 An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by Ind ASs but the entity selects and applies in accordance with Ind AS 8.
- 122 **An entity shall disclose, ~~in the summary of~~ along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.**

...

Appendix 1

6. Following paragraph numbers appear as ‘Deleted’ in IAS 1. In order to maintain consistency with paragraph numbers of IAS 1, the paragraph numbers are retained in Ind AS 1.

...

(ix) Paragraph 115

(x) Paragraph 120

Consequential amendments to other Ind ASs

Ind AS 107, *Financial Instruments: Disclosures*

Paragraph 21 is amended. Deleted text is struck through and new text is underlined.

Accounting policies

- 21 In accordance with paragraph 117 of Ind AS 1, *Presentation of Financial Statements*, an entity discloses, ~~in the summary of its~~ comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.

...

In Appendix B, paragraph B5 is amended. Deleted text is struck through and new text is underlined.

Other disclosure – accounting policies (paragraph 21)

- B5 Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:

(a) ...

Paragraph 122 of Ind AS 1 also requires entities to disclose, ~~in the summary of~~ along with its significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity’s

accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Ind AS 34, *Interim Financial Reporting*

Paragraph 5 is amended. Deleted text is struck through and new text is underlined.
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Content of an interim financial report

- 5 Ind AS 1 defines a complete set of financial statements as including the following components:

...

- (e) notes, comprising ~~a summary of~~ significant accounting policies and other explanatory information;

...