Exposure Draft

Changes in Ind ASs as a consequence of deferment of Ind AS 115, *Revenue from Contracts with Customers*

- **Ind AS 11, *Construction Contracts***
- **Ind AS 18, *Revenue***
- **Consequential amendments to other Ind ASs**

(Last date for Comments: 07th October, 2015)

Issued by

Accounting Standards Board

The Institute of Chartered Accountants of India

Exposure Draft

Changes in Ind ASs as a consequence of deferment of Ind AS 115

Following is the Exposure Draft of changes proposed in Ind ASs, as a consequence of deferment of Ind AS 115, Revenue with Contracts with Customers. The Exposure Draft contains Ind AS 11, Construction Contracts, along with the appendices corresponding to IFRIC 12, Service Concession Arrangements, SIC- 29, Service Concession Arrangements: Disclosures, and Ind AS 18, Revenue, along with the appendices which form integral part of the Standard, corresponding to IFRIC 13, Customer Loyalty Programmes, IFRIC 18, Transfers of Assets from Customers, SIC-31 Revenue- Barter Transactions Involving Advertising Services and consequential amendments to other Ind ASs, issued by the Accounting Standards Board of the Institute of Chartered Accountants of India, for comments.

The Board invites comments on any aspect of this 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 the following link* ***http://www.icai.org/comments/asb/***

2.Email: *Comments can be sent to: commentsasb@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 nikita.bothra@icai.in or asb@icai.in

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Indian Accounting Standard (Ind AS) 11

Construction Contracts

*(This Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.)*

Objective

The objective of this Standard is to prescribe the accounting treatment of revenue and costs associated with construction contracts. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. Therefore, the primary issue in accounting for construction contracts is the allocation of contract revenue and contract costs to the accounting periods in which construction work is performed. This Standard uses the recognition criteria established in the *Framework for the Preparation and Presentation of Financial Statements* issued by the Institute of Chartered Accountants of India to determine when contract revenue and contract costs should be recognised as revenue and expenses in the statement of profit and loss. It also provides practical guidance on the application of these criteria.

Scope

1. This Standard shall be applied in accounting for construction contracts in the financial statements of contractors including the financial statements of real estate developers.

1A The impairment of any contractual right to receive cash or another financial asset arising from this Standard shall be dealt in accordance with Ind AS 109, *Financial Instruments.*

2. [Refer Appendix 1]

Definitions

3. The following terms are used in this Standard with the meanings specified:

A *construction contract* **is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. It also includes agreements of real estate development to provide services together with construction material in order to perform contractual obligation to deliver the real estate to the buyer.**

A *fixed price contract* **is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.**

A *cost plus contract* **is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee.**

4. A construction contract may be negotiated for the construction of a single asset such as a bridge, building, dam, pipeline, road, ship or tunnel. A construction contract may also deal with the construction of a number of assets which are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use; examples of such contracts include those for the construction of refineries and other complex pieces of plant or equipment.

5. For the purposes of this Standard, construction contracts include:

   (a) contracts for the rendering of services which are directly related to the construction of the asset, for example, those for the services of project managers and architects; and

   (b) contracts for the destruction or restoration of assets, and the restoration of the environment following the demolition of assets.

6. Construction contracts are formulated in a number of ways which, for the purposes of this Standard, are classified as fixed price contracts and cost plus contracts. Some construction contracts may contain characteristics of both a fixed price contract and a cost plus contract, for example in the case of a cost plus contract with an agreed maximum price. In such circumstances, a contractor needs to consider all the conditions in paragraphs 23 and 24 in order to determine when to recognise contract revenue and expenses.

Combining and segmenting construction contracts

7. The requirements of this Standard are usually applied separately to each construction contract. However, in certain circumstances, it is necessary to apply the Standard to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

8. When a contract covers a number of assets, the construction of each asset shall be treated as a separate construction contract when:

   (a) separate proposals have been submitted for each asset;

(b) each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and

(c) the costs and revenues of each asset can be identified.

9. A group of contracts, whether with a single customer or with several customers, shall be treated as a single construction contract when:

(a) the group of contracts is negotiated as a single package;

(b) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and

(c) the contracts are performed concurrently or in a continuous sequence.

10. A contract may provide for the construction of an additional asset at the option of the customer or may be amended to include the construction of an additional asset. The construction of the additional asset shall be treated as a separate construction contract when:

(a) the asset differs significantly in design, technology or function from the asset or assets covered by the original contract; or

(b) the price of the asset is negotiated without regard to the original contract price.

Contract revenue

11. Contract revenue shall comprise:

(a) the initial amount of revenue agreed in the contract; and

(b) variations in contract work, claims and incentive payments:

(i) to the extent that it is probable that they will result in revenue; and
(ii) they are capable of being reliably measured.

12. Contract revenue is measured at the fair value of the consideration received or receivable. The measurement of contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimates often need to be revised as events occur and uncertainties are resolved. Therefore, the amount of contract revenue may increase or decrease from one period to the next. For example:

(a) a contractor and a customer may agree variations or claims that increase or decrease contract revenue in a period subsequent to that in which the contract was initially agreed;

(b) the amount of revenue agreed in a fixed price contract may increase as a result of cost escalation clauses;

(c) the amount of contract revenue may decrease as a result of penalties arising from delays caused by the contractor in the completion of the contract; or

(d) when a fixed price contract involves a fixed price per unit of output, contract revenue increases as the number of units is increased.

13. A variation is an instruction by the customer for a change in the scope of the work to be performed under the contract. A variation may lead to an increase or a decrease in contract revenue. Examples of variations are changes in the specifications or design of the asset and changes in the duration of the contract. A variation is included in contract revenue when:

(a) it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and

(b) the amount of revenue can be reliably measured.

14. A claim is an amount that the contractor seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. A claim may arise from, for example, customer caused delays, errors in specifications or design, and disputed variations in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are included in contract revenue only when:

(a) negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and

(b) the amount that it is probable will be accepted by the customer can be measured reliably.

15. Incentive payments are additional amounts paid to the contractor if specified performance standards are met or exceeded. For example, a contract may allow for an incentive payment to the contractor for early completion of the contract. Incentive payments are included in contract revenue when:

(a) the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and

(b) the amount of the incentive payment can be measured reliably.

Contract costs

16. Contract costs shall comprise:

(a) costs that relate directly to the specific contract;

(b) costs that are attributable to contract activity in general and can be allocated to the contract; and

(c) such other costs as are specifically chargeable to the customer under the terms of the contract.

17. Costs that relate directly to a specific contract include:

(a) site labour costs, including site supervision;

(b) costs of materials used in construction;

(c) depreciation of plant and equipment used on the contract;

(d) costs of moving plant, equipment and materials to and from the contract site;

(e) costs of hiring plant and equipment;

(f) costs of design and technical assistance that is directly related to the contract;

(g) the estimated costs of rectification and guarantee work, including expected warranty costs; and

(h) claims from third parties.

These costs may be reduced by any incidental income that is not included in contract revenue, for example income from the sale of surplus materials and the disposal of plant and equipment at the end of the contract.

18. Costs that may be attributable to contract activity in general and can be allocated to specific contracts include:

(a) insurance;

(b) costs of design and technical assistance that are not directly related to a specific contract; and

(c) construction overheads.

Such costs are allocated using methods that are systematic and rational and are applied consistently to all costs having similar characteristics. The allocation is based on the normal level of construction activity. Construction overheads include costs such as the preparation and processing of construction personnel payroll. Costs that may be attributable to contract activity in general and can be allocated to specific contracts also include borrowing costs.

19. Costs that are specifically chargeable to the customer under the terms of the contract may include some general administration costs and development costs for which reimbursement is specified in the terms of the contract.

20. Costs that cannot be attributed to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract. Such costs include:

(a) general administration costs for which reimbursement is not specified in the contract;

(b) selling costs;

(c) research and development costs for which reimbursement is not specified in the contract; and

(d) depreciation of idle plant and equipment that is not used on a particular contract.

21. Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. However, costs that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably and it is probable that the contract will be obtained. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs when the contract is obtained in a subsequent period.

Recognition of contract revenue and expenses

22. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. An expected loss on the construction contract shall be recognised as an expense immediately in accordance with paragraph 36.

23. In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

(a) total contract revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the contract will flow to the entity;

(c) both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and

(d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

24. In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

(a) it is probable that the economic benefits associated with the contract will flow to the entity; and

(b) the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

25. The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed. This method provides useful information on the extent of contract activity and performance during a period.

26. Under the percentage of completion method, contract revenue is recognised as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs are usually recognised as an expense in profit or loss in the accounting periods in which the work to which they relate is performed. However, any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense immediately in accordance with paragraph 36.

27. A contractor may have incurred contract costs that relate to future activity on the contract. Such contract costs are recognised as an asset provided it is probable that they will be recovered. Such costs represent an amount due from the customer and are often classified as contract work in progress.

28. The outcome of a construction contract can only be estimated reliably when it is probable that the economic benefits associated with the contract will flow to the entity. However, when an uncertainty arises about the collectibility of an amount already included in contract revenue, and already recognised in profit or loss, the uncollectible amount or the amount in respect of which recovery has ceased to be probable is recognised as an expense rather than as an adjustment of the amount of contract revenue.

29. An entity is generally able to make reliable estimates after it has agreed to a contract which establishes:

(a) each party's enforceable rights regarding the asset to be constructed;

(b) the consideration to be exchanged; and

(c) the manner and terms of settlement.

It is also usually necessary for the entity to have an effective internal financial budgeting and reporting system. The entity reviews and, when necessary, revises

the estimates of contract revenue and contract costs as the contract progresses. The need for such revisions does not necessarily indicate that the outcome of the contract cannot be estimated reliably.

30. The stage of completion of a contract may be determined in a variety of ways. The entity uses the method that measures reliably the work performed. Depending on the nature of the contract, the methods may include:

(a) the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs;

(b) surveys of work performed; or

(c) completion of a physical proportion of the contract work.

Progress payments and advances received from customers often do not reflect the work performed.

31. When the stage of completion is determined by reference to the contract costs incurred to date, only those contract costs that reflect work performed are included in costs incurred to date. Examples of contract costs which are excluded are:

(a) contract costs that relate to future activity on the contract, such as costs of materials that have been delivered to a contract site or set aside for use in a contract but not yet installed, used or applied during contract performance, unless the materials have been made specially for the contract; and

(b) payments made to subcontractors in advance of work performed under the subcontract.

32. When the outcome of a construction contract cannot be estimated reliably:

(a) revenue shall be recognised only to the extent of contract costs incurred that it is probable will be recoverable; and

(b) contract costs shall be recognised as an expense in the period in which they are incurred.

An expected loss on the construction contract shall be recognised as an expense immediately in accordance with paragraph 36.

33. During the early stages of a contract it is often the case that the outcome of the contract cannot be estimated reliably. Nevertheless, it may be probable that the entity will recover the contract costs incurred. Therefore, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. As the outcome of the contract cannot be estimated reliably, no profit is recognised. However, even though the outcome of the contract cannot be estimated reliably, it may be probable that total contract costs will exceed total contract revenues. In such cases, any expected excess of total contract costs over

total contract revenue for the contract is recognised as an expense immediately in accordance with paragraph 36.

34. Contract costs that are not probable of being recovered are recognised as an expense immediately. Examples of circumstances in which the recoverability of contract costs incurred may not be probable and in which contract costs may need to be recognised as an expense immediately include contracts:

(a) that are not fully enforceable, ie their validity is seriously in question;

(b) the completion of which is subject to the outcome of pending litigation or legislation;

(c) relating to properties that are likely to be condemned or expropriated;

(d) where the customer is unable to meet its obligations; or

(e) where the contractor is unable to complete the contract or otherwise meet its obligations under the contract.

35. When the uncertainties that prevented the outcome of the contract being estimated reliably no longer exist, revenue and expenses associated with the construction contract shall be recognised in accordance with paragraph 22 rather than in accordance with paragraph 32.

Recognition of expected losses

36. When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately.

37. The amount of such a loss is determined irrespective of:

(a) whether work has commenced on the contract;

(b) the stage of completion of contract activity; or

(c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract in accordance with paragraph 9.

Changes in estimates

38. The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate (see Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The changed estimates are used in the determination of the amount of revenue and expenses recognised

in profit or loss in the period in which the change is made and in subsequent periods.

Disclosure

39. An entity shall disclose:

(a) the amount of contract revenue recognised as revenue in the period;

(b) the methods used to determine the contract revenue recognised in the period; and

(c) the methods used to determine the stage of completion of contracts in progress.

40. An entity shall disclose each of the following for contracts in progress at the end of the reporting period:

(a) the aggregate amount of costs incurred and recognised profits (less recognised losses) to date;

(b) the amount of advances received; and

(c) the amount of retentions.

41. Retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the customer. Advances are amounts received by the contractor before the related work is performed.

42. An entity shall present:

(a) the gross amount due from customers for contract work as an asset; and

(b) the gross amount due to customers for contract work as a liability.

43. The gross amount due from customers for contract work is the net amount of:

(a) costs incurred plus recognised profits; less

(b) the sum of recognised losses and progress billings

for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceeds progress billings.

44. The gross amount due to customers for contract work is the net amount of:

(a) costs incurred plus recognised profits; less

(b) the sum of recognised losses and progress billings

for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

45. An entity discloses any contingent liabilities and contingent assets in accordance with Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities and contingent assets may arise from such items as warranty costs, claims, penalties or possible losses.

Appendix A

Service Concession Arrangements

This Appendix is an integral part of Indian Accounting Standard (Ind AS)

Background

1 Infrastructure for public services—such as roads, bridges, tunnels, prisons, hospitals, airports, water distribution facilities, energy supply and telecommunication networks—has traditionally been constructed, operated and maintained by the public sector and financed through public budget appropriation.

2 In recent times, governments have introduced contractual service arrangements to attract private sector participation in the development, financing, operation and maintenance of such infrastructure. The infrastructure may already exist, or may be constructed during the period of the service arrangement. An arrangement within the scope of this Appendix typically involves a private sector entity (an operator) constructing the infrastructure used to provide the public service or upgrading it (for example, by increasing its capacity) and operating and maintaining that infrastructure for a specified period of time. The operator is paid for its services over the period of the arrangement. The arrangement is governed by a contract that sets out performance standards, mechanisms for adjusting prices, and arrangements for arbitrating disputes. Such an arrangement is often described as a 'build-operate-transfer', a 'rehabilitate-operate-transfer' or a 'public-to-private' service concession arrangement.

3 A feature of these service arrangements is the public service nature of the obligation undertaken by the operator. Public policy is for the services related to the infrastructure to be provided to the public, irrespective of the identity of the party that operates the services. The service arrangement contractually obliges the operator to provide the services to the public on behalf of the public sector entity. Other common features are:

(a) the party that grants the service arrangement (the grantor) is a public sector entity, including a governmental body, or a private sector entity to which the responsibility for the service has been devolved.

(b) the operator is responsible for at least some of the management of the infrastructure and related services and does not merely act as an agent on behalf of the grantor.

(c) the contract sets the initial prices to be levied by the operator and regulates price revisions over the period of the service arrangement.

(d) the operator is obliged to hand over the infrastructure to the grantor in a specified condition at the end of the period of the arrangement, for little or no incremental consideration, irrespective of which party initially financed it.

Scope

4 This Appendix gives guidance on the accounting by operators for public-to-private service concession arrangements

5 This Appendix applies to public-to-private service concession arrangements if:

(a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(b) the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement.

6. Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole of life assets) is within the scope of this Appendix if the conditions in paragraph 5(a) of this Appendix are met. Paragraphs AG1–AG8 of the Application Guidance of this Appendix provide guidance on determining whether, and to what extent, public-to-private service concession arrangements are within the scope of this Appendix.

7 This Appendix applies to both:

(a) infrastructure that the operator constructs or acquires from a third party for the purpose of the service arrangement; and

(b) existing infrastructure to which the grantor gives the operator access for the purpose of the service arrangement.

8 This Appendix does not specify the accounting for infrastructure that was held and recognised as property, plant and equipment by the operator before entering the service arrangement. The derecognition requirements of Indian Accounting Standards (as set out in Ind AS 16) apply to such infrastructure.

9 This Appendix does not specify the accounting by grantors.

Issues

10 This Appendix sets out general principles on recognising and measuring the obligations and related rights in service concession arrangements. Requirements for disclosing information about service concession arrangements are in

Appendix B to this Indian Accounting Standard. The issues addressed in this Appendix are:

(a) treatment of the operator's rights over the infrastructure;
(b) recognition and measurement of arrangement consideration;
(c) construction or upgrade services;
(d) operation services;
(e) borrowing costs;
(f) subsequent accounting treatment of a financial asset and an intangible asset; and
(g) items provided to the operator by the grantor.

Accounting Principles

Treatment of the operator's rights over the infrastructure

11 Infrastructure within the scope of this Appendix shall not be recognised as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Recognition and measurement of arrangement consideration

12 Under the terms of contractual arrangements within the scope of this Appendix, the operator acts as a service provider. The operator constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

13 The operator shall recognise and measure revenue in accordance with Ind AS 11 and Ind AS 18 for the services it performs. If the operator performs more than one service (ie construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable. The nature of the consideration determines its subsequent accounting treatment. The subsequent accounting for consideration received as a financial asset and as an intangible asset is detailed in paragraphs 23–26 below.

Construction or upgrade services

14 The operator shall account for revenue and costs relating to construction or upgrade services in accordance with this standard.

Consideration given by the grantor to the operator

15 If the operator provides construction or upgrade services the consideration received or receivable by the operator shall be recognized at its fair value. The consideration may be rights to:

(a) a financial asset, or
(b) an intangible asset.

16 The operator shall recognise a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services; the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The operator has an unconditional right to receive cash if the grantor contractually guarantees to pay the operator (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if payment is contingent on the operator ensuring that the infrastructure meets specified quality or efficiency requirements.

17 The operator shall recognise an intangible asset to the extent that it receives a right (a licence) to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

18 If the operator is paid for the construction services partly by a financial asset and partly by an intangible asset it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

19 The nature of the consideration given by the grantor to the operator shall be determined by reference to the contract terms and, when it exists, relevant contract law.

Operation services

20 The operator shall account for revenue and costs relating to operation services in accordance with Ind AS 18.

Contractual obligations to restore the infrastructure to a specified level of serviceability

21 The operator may have contractual obligations it must fulfil as a condition of its licence (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement. These contractual obligations to maintain or restore infrastructure, except for any upgrade element (see paragraph 14 of this Appendix), shall be recognised and measured in accordance with Ind AS 37, ie at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period.

Borrowing costs incurred by the operator

22 In accordance with Ind AS 23, borrowing costs attributable to the arrangement shall be recognised as an expense in the period in which they are incurred unless the operator has a contractual right to receive an intangible asset (a right to charge users of the public service). In this case borrowing costs attributable to the arrangement shall be capitalised during the construction phase of the arrangement in accordance with that Standard.

Financial asset

23 Ind AS 32, Ind AS 107 and Ind AS 109 apply to the financial asset recognised under paragraphs 16 and 18 of this Appendix.

24 The amount due from or at the direction of the grantor is accounted for in accordance with Ind AS 109 at:

(a) amortised cost;

(b) fair value through other comprehensive income; or

(c) fair value through profit or loss.

25 If the amount due from the grantor is measured at amortised cost or fair value through other comprehensive income, Ind AS 109 requires interest calculated using the effective interest method to be recognised in profit or loss.

Intangible asset

26 Ind AS 38 applies to the intangible asset recognised in accordance with paragraphs 17 and 18 of this Appendix. Paragraphs 45–47 of Ind AS 38 provide guidance on measuring intangible assets acquired in exchange for a non-monetary asset or assets or a combination of monetary and non-monetary assets.

Items provided to the operator by the grantor

27 In accordance with paragraph 11, infrastructure items to which the operator is given access by the grantor for the purposes of the service arrangement are not recognised as property, plant and equipment of the operator. The grantor may also provide other items to the operator that the operator can keep or deal with as it wishes. If such assets form part of the consideration payable by the grantor for the services, they are not government grants as defined in Ind AS 20. They are recognised as assets of the operator, measured at fair value on initial recognition. The operator shall recognise a liability in respect of unfulfilled obligations it has assumed in exchange for the assets.

Application Guidance on Appendix A

This Application Guidance is an integral part of Appendix A

Scope (paragraph 5 of Appendix A)

AG1 Paragraph 5 of Appendix A specifies that infrastructure is within the scope of the Appendix when the following conditions apply:

(a) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(b) the grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the infrastructure at the end of the term of the arrangement.

AG2 The control or regulation referred to in condition (a) could be by contract or otherwise (such as through a regulator), and includes circumstances in which the grantor buys all of the output as well as those in which some or all of the output is bought by other users. In applying this condition, the grantor and any related parties shall be considered together. If the grantor is a public sector entity, the public sector as a whole, together with any regulators acting in the public interest, shall be regarded as related to the grantor for the purposes of this Appendix A.

AG3 For the purpose of condition (a), the grantor does not need to have complete control of the price: it is sufficient for the price to be regulated by the grantor, contract or regulator, for example by a capping mechanism. However, the condition shall be applied to the substance of the agreement. Non-substantive features, such as a cap that will apply only in remote circumstances, shall be ignored. Conversely, if for example, a contract purports to give the operator freedom to set prices, but any excess profit is returned to the grantor, the operator's return is capped and the price element of the control test is met.

AG4 For the purpose of condition (b), the grantor's control over any significant residual interest should both restrict the operator's practical ability to sell or pledge the infrastructure and give the grantor a continuing right of use throughout the period of the arrangement. The residual interest in the infrastructure is the estimated current value of the infrastructure as if it were already of the age and in the condition expected at the end of the period of the arrangement.

AG5 Control should be distinguished from management. If the grantor retains both the degree of control described in paragraph 5(a) of Appendix A and any significant residual interest in the infrastructure, the operator is only managing the infrastructure on the grantor's behalf—even though, in many cases, it may have wide managerial discretion.

AG6 Conditions (a) and (b) together identify when the infrastructure, including any replacements required (see paragraph 21 of Appendix A), is controlled by the

grantor for the whole of its economic life. For example, if the operator has to replace part of an item of infrastructure during the period of the arrangement (eg the top layer of a road or the roof of a building), the item of infrastructure shall be considered as a whole. Thus condition (b) is met for the whole of the infrastructure, including the part that is replaced, if the grantor controls any significant residual interest in the final replacement of that part.

AG7 Sometimes the use of infrastructure is partly regulated in the manner described in paragraph 5(a) of Appendix A and partly unregulated. However, these arrangements take a variety of forms:

(a) any infrastructure that is physically separable and capable of being operated independently and meets the definition of a cash-generating unit as defined in Ind AS 36 shall be analysed separately if it is used wholly for unregulated purposes. For example, this might apply to a private wing of a hospital, where the remainder of the hospital is used by the grantor to treat public patients.

(b) when purely ancillary activities (such as a hospital shop) are unregulated, the control tests shall be applied as if those services did not exist, because in cases in which the grantor controls the services in the manner described in paragraph 5 of Appendix A, the existence of ancillary activities does not detract from the grantor's control of the infrastructure.

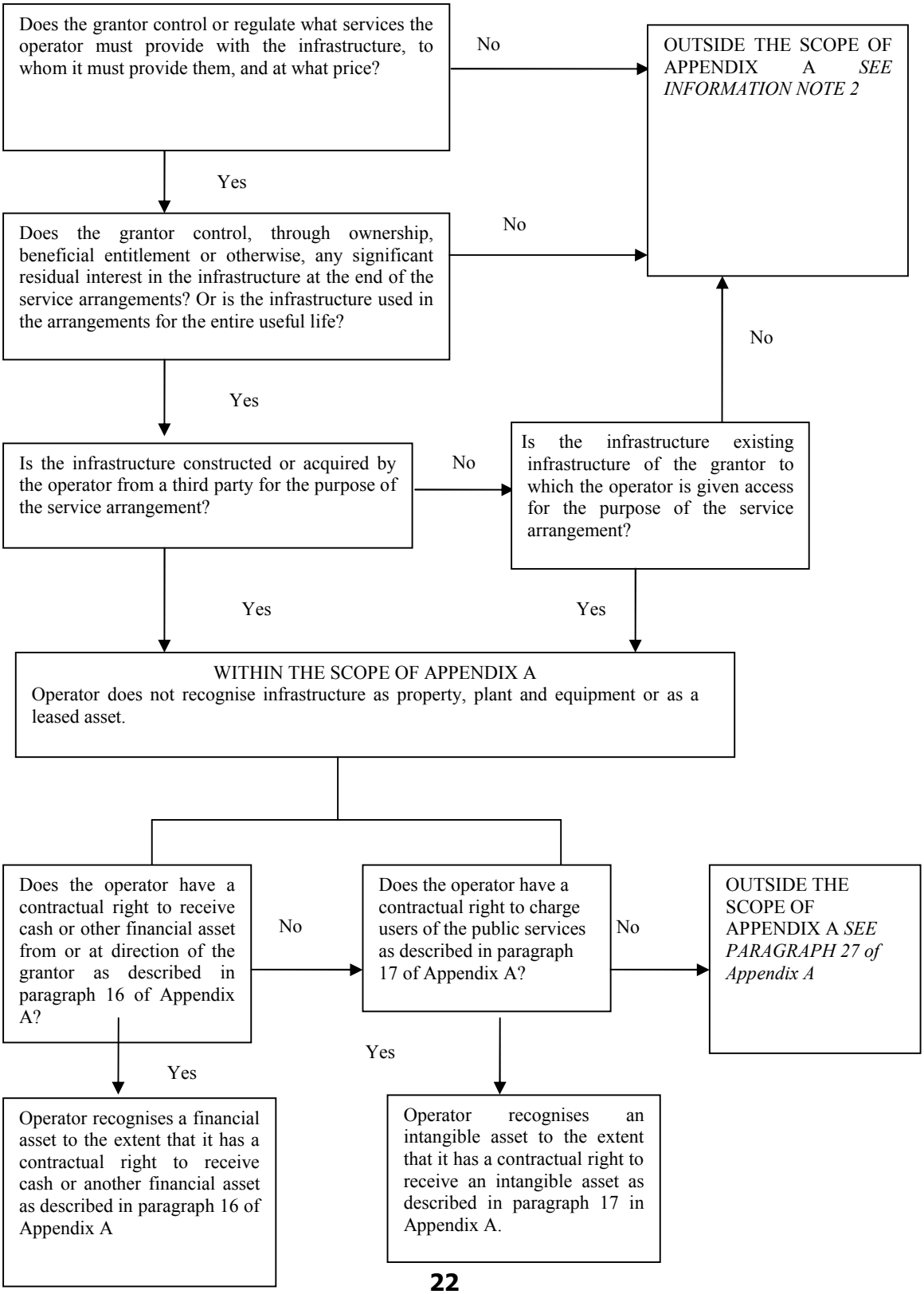
AG8 The operator may have a right to use the separable infrastructure described in paragraph AG7 (a), or the facilities used to provide ancillary unregulated services described in paragraph AG7 (b). In either case, there may in substance be a lease from the grantor to the operator; if so, it shall be accounted for in accordance with Ind AS 17.

Information note 1

Accounting framework for public-to-private service arrangements

This note accompanies, but is not part of, Appendix A

The diagram below summarises the accounting for service arrangements established by Appendix A



Information note 2

References to Indian Accounting Standards that apply to typical types of public-to-private arrangements

This note accompanies, but is not part of, Appendix A.

The table sets out the typical types of arrangements for private sector participation in the provision of public sector services and provides references to Indian Accounting Standards that apply to those arrangements. The list of arrangements types is not exhaustive. The purpose of the table is to highlight the continuum of arrangements. It is not Appendix A's intention to convey the impression that bright lines exist between the accounting requirements for public-to-private arrangements

<table>
<tr><td>Category</td><td>Lessee</td><td colspan="3">Service provider</td><td colspan="2">Owner</td></tr>
<tr><td>Typical arrangement types</td><td>Lease (eg Operator leases asset from grantor)</td><td>Service and/or maintenance contract (specific tasks eg debt collection)</td><td>Rehabilitate – operate - transfer</td><td>Build - operate - transfer</td><td>Build - own - operate</td><td>100% Divestment/ Privatisation/ Corporation</td></tr>
<tr><td>Asset ownership</td><td colspan="4">Grantor</td><td colspan="2">Operator</td></tr>
<tr><td>Capital investment</td><td colspan="2">Grantor</td><td colspan="4">Operator</td></tr>
<tr><td>Demand risk</td><td>Shared</td><td>Grantor</td><td colspan="2">Operator and/or Grantor</td><td colspan="2">Operator</td></tr>
<tr><td>Typical duration</td><td>8–20 years</td><td>1–5 years</td><td colspan="3">25–30 years</td><td>Indefinite (or may be limited by licence)</td></tr>
<tr><td>Residual interest</td><td colspan="4">Grantor</td><td colspan="2">Operator</td></tr>
<tr><td>Relevant Indian Accounting Standards</td><td>Ind AS 17</td><td>Ind AS 18</td><td colspan="2">This Appendix A</td><td colspan="2">Ind AS 16</td></tr>
</table>

Appendix B

Service Concession Arrangements: *Disclosures*

This Appendix is an integral part of Indian Accounting Standard (Ind AS) 11.

Issues

1. An entity (the operator) may enter into an arrangement with another entity (the grantor) to provide services that give the public access to major economic and social facilities. The grantor may be a public or private sector entity, including a governmental body. Examples of service concession arrangements involve water treatment and supply facilities, motorways, car parks, tunnels, bridges, airports and telecommunication networks. Examples of arrangements that are not service concession arrangements include an entity outsourcing the operation of its internal services (eg employee cafeteria, building maintenance, and accounting or information technology functions).

2. A service concession arrangement generally involves the grantor conveying for the period of the concession to the operator:

   (a) the right to provide services that give the public access to major economic and social facilities, and

   (b) in some cases, the right to use specified tangible assets, intangible assets, or financial assets, in exchange for the operator:

   (c) committing to provide the services according to certain terms and conditions during the concession period, and

   (d) when applicable, committing to return at the end of the concession period the rights received at the beginning of the concession period and/or acquired during the concession period.

3. The common characteristic of all service concession arrangements is that the operator both receives a right and incurs an obligation to provide public services.

4. The issue is what information should be disclosed in the notes in the financial statements of an operator and a grantor.

5. Certain aspects and disclosures relating to some service concession arrangements are addressed by Indian Accounting Standards (eg Ind AS 16 applies to acquisitions of items of property, plant and equipment, Ind AS 17 applies to leases of assets, and Ind AS 38 applies to acquisitions of intangible assets). However, a service concession arrangement may involve executory contracts that

are not addressed in Indian Accounting Standards, unless the contracts are onerous, in which case Ind AS 37 applies. Therefore, this Appendix addresses additional disclosures of service concession arrangements.

Accounting Principles

6. All aspects of a service concession arrangement shall be considered in determining the appropriate disclosures in the notes. An operator and a grantor shall disclose the following in each period:

(a) a description of the arrangement;

(b) significant terms of the arrangement that may affect the amount, timing and certainty of future cash flows (eg the period of the concession, re-pricing dates and the basis upon which re-pricing or re-negotiation is determined);

(c) the nature and extent (eg quantity, time period or amount as appropriate) of:

(i) rights to use specified assets;

(ii) obligations to provide or rights to expect provision of services;

(iii) obligations to acquire or build items of property, plant and equipment;

(iv) obligations to deliver or rights to receive specified assets at the end of the concession period;

(v) renewal and termination options; and

(vi) other rights and obligations (eg major overhauls);

(d) changes in the arrangement occurring during the period; and

(d) how the service arrangement has been classified.

6A An operator shall disclose the amount of revenue and profits or losses recognized in the period on exchanging construction services for a financial asset or an intangible asset.

7 The disclosures required in accordance with paragraph 6 of this Appendix shall be provided individually for each service concession arrangement or in aggregate for each class of service concession arrangements. A class is a grouping of service concession arrangements involving services of a similar nature (eg toll collections, telecommunications and water treatment services).

Appendix C

References to matters contained in other Indian Accounting Standards

This Appendix is an integral part of Indian Accounting Standard (Ind AS) 11.

This appendix lists the appendices which are part of other Indian Accounting Standards and makes reference to Ind AS 11, *Construction Contracts.*

1. Appendix A *Intangible Assets—Web Site Costs* contained in Ind AS 38, *Intangible Assets.*

Appendix 1

Note: This Appendix is not a part of the Indian Accounting Standard. The purpose of this Appendix is only to bring out the differences, if any, between Indian Accounting Standard (Ind AS) 11 and the corresponding International Accounting Standard (IAS) 11, Construction Contracts, IFRIC 12, Service Concession Arrangements and SIC 29, Service Concession Arrangements: Disclosures

Comparison with IAS 11, *Construction Contracts*, IFRIC 12, *Service Concession Arrangements* and SIC 29, *Service Concession Arrangements: Disclosures*

1. IAS 11 does not deal with accounting for construction contracts in respect of real estate developers. However, this has been dealt with under Ind AS 11, since it has been kept out of the scope of Ind AS 18, *Revenue.*

2. The transitional provisions given in IFRIC 12 have not been given in Ind AS 11, since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards* corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*.

3. Different terminology is used in this standard, e.g., the term 'balance sheet' is used instead of 'Statement of financial position' and 'Statement of profit and loss' is used instead of 'Statement of comprehensive income'

4. . Paragraph 2 of IAS 11 which states that IAS 11 supersedes the earlier version of IAS 11 is deleted in Ind AS 11 as this is not relevant in Ind AS 11. However, paragraph number 2 is retained in Ind AS 11 to maintain consistency with paragraph numbers of IAS 11.

Indian Accounting Standard (Ind AS) 18

Revenue

*(This Indian Accounting Standard includes paragraphs set in **bold** type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles.)*

Objective

Income is defined in the *Framework for the Preparation and Presentation of Financial Statements* issued by the Institute of Chartered Accountants of India as increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. Income encompasses both revenue and gains. Revenue is income that arises in the course of ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends and royalties. The objective of this Standard is to prescribe the accounting treatment of revenue arising from certain types of transactions and events.

The primary issue in accounting for revenue is determining when to recognise revenue. Revenue is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. This Standard identifies the circumstances in which these criteria will be met and, therefore, revenue will be recognised. It also provides practical guidance on the application of these criteria.

Scope

1 This Standard shall be applied in accounting for revenue arising from the following transactions and events:

(a) the sale of goods;

(b) the rendering of services; and

(c) the use by others of entity assets yielding interest and royalties.

1A This Standard deals with recognition of interest. However, measurement of interest is dealt in Ind AS 109, *Financial Instruments*.

1B The impairment of any contractual right to receive cash or another financial asset arising from this Standard shall be dealt in accordance with Ind AS 109, *Financial Instruments.*

2 [Refer Appendix 1]

3 Goods includes goods produced by the entity for the purpose of sale and goods purchased for resale, such as merchandise purchased by a retailer or land and other property held for resale.

4 The rendering of services typically involves the performance by the entity of a contractually agreed task over an agreed period of time. The services may be rendered within a single period or over more than one period. Some contracts for the rendering of services are directly related to construction contracts, for example, those for the services of project managers and architects. Revenue arising from these contracts is not dealt with in this Standard but is dealt with in accordance with the requirements for construction contracts as specified in Ind AS 11 *Construction Contracts*. The definition of a Construction Contract in Ind AS 11 includes agreements of real estate development. Accordingly, revenue arising from such agreements is not dealt with in this Standard.

5 The use by others of entity assets gives rise to revenue in the form of:

(a) interest—charges for the use of cash or cash equivalents or amounts due to the entity;

(b) royalties—charges for the use of long-term assets of the entity, for example, patents, trademarks, copyrights and computer software; and

(c) dividends—distributions of profits to holders of equity investments in proportion to their holdings of a particular class of capital.

6 This Standard does not deal with revenue arising from:

(a) lease agreements (see Ind AS 17 *Leases*);

(b) dividends arising from investments which are accounted for under the equity method (see Ind AS 28 *Investments in Associates and Joint Ventures*);

(c) insurance contracts within the scope of Ind AS 104 *Insurance Contracts*;

(d) changes in the fair value of financial assets and financial liabilities or their disposal (see Ind AS 109 *Financial Instruments*);

(e) changes in the value of other current assets;

(f) initial recognition and from changes in the fair value of biological assets related to agricultural activity (see Ind AS 41 *Agriculture*);

(g) initial recognition of agricultural produce (see Ind AS 41);

(h) the extraction of mineral ores;

(i) distributions of profits to holders of equity investments in proportion to their holdings of a particular class of capital (dividend); and

(j) Measurement of interest charges for the use of cash or cash equivalents or amounts due to the entity. The accounting for measurement of interest and

recognition and measurement dividend is dealt with by Ind AS 109, *Financial Instruments*.

Definitions

7 The following terms are used in this Standard with the meanings specified:

***Revenue* is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.**

***Fair value* is 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.(See Ind AS 113, *Fair Value Measurement*)**

8 Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes are not economic benefits which flow to the entity and do not result in increases in equity. Therefore, they are excluded from revenue. Similarly, in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.

Measurement of revenue

9 Revenue shall be measured at the fair value of the consideration received or receivable.[1]

10 The amount of revenue arising on a transaction is usually determined by agreement between the entity and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

11 In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. For example, an entity may provide interest-free credit to the buyer or accept a note receivable bearing a below-market interest rate from the buyer as consideration for the sale of goods. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

[1] See also Appendix A of this standard, *Revenue—Barter Transactions Involving Advertising Services.*

(a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or

(b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue in accordance with Ind AS 109.

12 When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue. This is often the case with commodities like oil or milk where suppliers exchange or swap inventories in various locations to fulfil demand on a timely basis in a particular location. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

Identification of the transaction

13 The recognition criteria in this Standard are usually applied separately to each transaction. However, in certain circumstances, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. For example, when the selling price of a product includes an identifiable amount for subsequent servicing, that amount is deferred and recognised as revenue over the period during which the service is performed. Conversely, the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole. For example, an entity may sell goods and, at the same time, enter into a separate agreement to repurchase the goods at a later date, thus negating the substantive effect of the transaction; in such a case, the two transactions are dealt with together.

Sale of goods

14 Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

(a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

15 The assessment of when an entity has transferred the significant risks and rewards of ownership to the buyer requires an examination of the circumstances of the transaction. In most cases, the transfer of the risks and rewards of ownership coincides with the transfer of the legal title or the passing of possession to the buyer. This is the case for most retail sales. In other cases, the transfer of risks and rewards of ownership occurs at a different time from the transfer of legal title or the passing of possession.

16 If the entity retains significant risks of ownership, the transaction is not a sale and revenue is not recognised. An entity may retain a significant risk of ownership in a number of ways. Examples of situations in which the entity may retain the significant risks and rewards of ownership are:

(a) when the entity retains an obligation for unsatisfactory performance not covered by normal warranty provisions;

(b) when the receipt of the revenue from a particular sale is contingent on the derivation of revenue by the buyer from its sale of the goods;

(c) when the goods are shipped subject to installation and the installation is a significant part of the contract which has not yet been completed by the entity; and

(d) when the buyer has the right to rescind the purchase for a reason specified in the sales contract and the entity is uncertain about the probability of return.

17 If an entity retains only an insignificant risk of ownership, the transaction is a sale and revenue is recognised. For example, a seller may retain the legal title to the goods solely to protect the collectability of the amount due. In such a case, if the entity has transferred the significant risks and rewards of ownership, the transaction is a sale and revenue is recognised. Another example of an entity retaining only an insignificant risk of ownership may be a retail sale when a refund is offered if the customer is not satisfied. Revenue in such cases is recognised at the time of sale provided the seller can reliably estimate future returns and recognises a liability for returns based on previous experience and other relevant factors.

18 Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. In some cases, this may not be probable until the consideration is received or until an uncertainty is removed. For example, it may be uncertain that a foreign governmental authority will grant permission to remit the consideration from a sale in a foreign country. When the permission is granted, the uncertainty is removed and revenue is recognised. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectible amount or the amount in respect of which recovery has ceased to be probable is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

19 Revenue and expenses that relate to the same transaction or other event are recognised simultaneously; this process is commonly referred to as the matching of revenues and expenses. Expenses, including warranties and other costs to be incurred after the shipment of the goods can normally be measured reliably when the other conditions for the recognition of revenue have been satisfied. However, revenue cannot be recognised when the expenses cannot be measured reliably; in such circumstances, any consideration already received for the sale of the goods is recognised as a liability.

Rendering of services

20 When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the transaction will flow to the entity;

(c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and

(d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.[2]

21 The recognition of revenue by reference to the stage of completion of a transaction is often referred to as the percentage of completion method. Under this method, revenue is recognised in the accounting periods in which the services are rendered. The recognition of revenue on this basis provides useful information on the extent of service activity and performance during a period. Ind AS 11 also requires the recognition of revenue on this basis. The requirements of that Standard are generally applicable to the recognition of revenue and the associated expenses for a transaction involving the rendering of services.

22 Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

23 An entity is generally able to make reliable estimates after it has agreed to the following with the other parties to the transaction:

[2] See also Appendix A of this standard, *Revenue—Barter Transactions Involving Advertising Services* and Appendix B of Ind AS 17 , *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

(a) each party's enforceable rights regarding the service to be provided and received by the parties;

(b) the consideration to be exchanged; and

(c) the manner and terms of settlement.

It is also usually necessary for the entity to have an effective internal financial budgeting and reporting system. The entity reviews and, when necessary, revises the estimates of revenue as the service is performed. The need for such revisions does not necessarily indicate that the outcome of the transaction cannot be estimated reliably.

24 The stage of completion of a transaction may be determined by a variety of methods. An entity uses the method that measures reliably the services performed. Depending on the nature of the transaction, the methods may include:

(a) surveys of work performed;

(b) services performed to date as a percentage of total services to be performed; or

(c) the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

Progress payments and advances received from customers often do not reflect the services performed.

25 For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

26 When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

27 During the early stages of a transaction, it is often the case that the outcome of the transaction cannot be estimated reliably. Nevertheless, it may be probable that the entity will recover the transaction costs incurred. Therefore, revenue is recognised only to the extent of costs incurred that are expected to be recoverable. As the outcome of the transaction cannot be estimated reliably, no profit is recognised.

28 When the outcome of a transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognised and the costs incurred are recognised as an expense. When the uncertainties that

prevented the outcome of the contract being estimated reliably no longer exist, revenue is recognised in accordance with paragraph 20 rather than in accordance with paragraph 26.

Interest and Royalties

29 Revenue arising from the use by others of entity assets yielding interest and royalties shall be recognised on the bases set out in paragraph 30 when:

(a) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(b) the amount of the revenue can be measured reliably.

30 Revenue shall be recognised on the following bases:

(a) interest shall be recognised using the effective interest method as set out in Ind AS109; and

(b) royalties shall be recognised on an accrual basis in accordance with the substance of the relevant agreement.

(c) [Refer Appendix 1]

31 [Refer Appendix 1]

32 [Refer Appendix 1]

33 Royalties accrue in accordance with the terms of the relevant agreement and are usually recognised on that basis unless, having regard to the substance of the agreement, it is more appropriate to recognise revenue on some other systematic and rational basis.

34 Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. However, when an uncertainty arises about the collectibility of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Disclosure

35 An entity shall disclose:

(a) the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services;

(b) the amount of each significant category of revenue recognised during the period, including revenue arising from:

(i) the sale of goods;

(ii) the rendering of services; and

(iii) [Refer Appendix 1]

(iv) royalties

(v) [Refer Appendix 1]

(c) the amount of revenue arising from exchanges of goods or services included in each significant category of revenue.

36 An entity discloses any contingent liabilities and contingent assets in accordance with Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities and contingent assets may arise from items such as warranty costs, claims, penalties or possible losses.

Appendix A

Revenue—Barter Transactions Involving Advertising Services

Issue

1 An entity (Seller) may enter into a barter transaction to provide advertising services in exchange for receiving advertising services from its customer (Customer). Advertisements may be displayed on the Internet or poster sites, broadcast on the television or radio, published in magazines or journals, or presented in another medium.

2 In some cases, no cash or other consideration is exchanged between the entities. In some other cases, equal or approximately equal amounts of cash or other consideration are also exchanged.

3 A Seller that provides advertising services in the course of its ordinary activities recognises revenue under Ind AS 18 from a barter transaction involving advertising when, amongst other criteria, the services exchanged are dissimilar (paragraph 12 of Ind AS 18) and the amount of revenue can be measured reliably (paragraph 20(a) of Ind AS 18.This Appendix only applies to an exchange of dissimilar advertising services. An exchange of similar advertising services is not a transaction that generates revenue under Ind AS 18.

4 The issue is under what circumstances can a Seller reliably measure revenue at the fair value of advertising services received or provided in a barter transaction.

Accounting Principles

5 Revenue from a barter transaction involving advertising cannot be measured reliably at the fair value of advertising services received. However, a Seller can reliably measure revenue at the fair value of the advertising services it provides in a barter transaction, by reference only to non-barter transactions that:

(a) involve advertising similar to the advertising in the barter transaction;

(b) occur frequently;

(c) represent a predominant number of transactions and amount when compared to all transactions to provide advertising that is similar to the advertising in the barter transaction;

(d) involve cash and/or another form of consideration (eg marketable securities, non-monetary assets, and other services) that has a reliably measurable fair value; and

(e) do not involve the same counterparty as in the barter transaction.

Appendix B

Customer Loyalty Programmes

Background

1 Customer loyalty programmes are used by entities to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits (often described as 'points'). The customer can redeem the award credits for awards such as free or discounted goods or services.

2 The programmes operate in a variety of ways. Customers may be required to accumulate a specified minimum number or value of award credits before they are able to redeem them. Award credits may be linked to individual purchases or groups of purchases, or to continued custom over a specified period. The entity may operate the customer loyalty programme itself or participate in a programme operated by a third party. The awards offered may include goods or services supplied by the entity itself and/or rights to claim goods or services from a third party.

Scope

3 This Appendix applies to customer loyalty award credits that:

(a) an entity grants to its customers as part of a sales transaction, ie a sale of goods, rendering of services or use by a customer of entity assets; and

(b) subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.

The Appendix addresses accounting by the entity that grants award credits to its customers.

Issues

4 The issues addressed in this Appendix are:

(a) whether the entity's obligation to provide free or discounted goods or services ('awards') in the future should be recognised and measured by:

(i) allocating some of the consideration received or receivable from the sales transaction to the award credits and deferring the recognition of revenue (applying paragraph 13 of Ind AS 18); or

(ii) providing for the estimated future costs of supplying the awards (applying paragraph 19 of Ind AS 18); and

(b) if consideration is allocated to the award credits:

(i) how much should be allocated to them;

(ii) when revenue should be recognised; and

(iii) if a third party supplies the awards, how revenue should be measured.

Accounting Principles

5 An entity shall apply paragraph 13 of Ind AS 18 and account for award credits as a separately identifiable component of the sales transaction(s) in which they are granted (the 'initial sale'). The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale.

6 The consideration allocated to the award credits shall be measured by reference to their fair value.

7 If the entity supplies the awards itself, it shall recognise the consideration allocated to award credits as revenue when award credits are redeemed and it fulfils its obligations to supply awards. The amount of revenue recognised shall be based on the number of award credits that have been redeemed in exchange for awards, relative to the total number expected to be redeemed.

8 If a third party supplies the awards, the entity shall assess whether it is collecting the consideration allocated to the award credits on its own account (ie as the principal in the transaction) or on behalf of the third party (ie as an agent for the third party).

(a) If the entity is collecting the consideration on behalf of the third party, it shall:

(i) measure its revenue as the net amount retained on its own account, ie the difference between the consideration allocated to the award credits and the amount payable to the third party for supplying the awards; and

(ii) recognise this net amount as revenue when the third party becomes obliged to supply the awards and entitled to receive consideration for doing so. These events may occur as soon as the award credits are granted. Alternatively, if the customer can choose to claim awards from either the entity or a third party, these events may occur only when the customer chooses to claim awards from the third party.

(b) If the entity is collecting the consideration on its own account, it shall measure its revenue as the gross consideration allocated to the award credits and recognise the revenue when it fulfils its obligations in respect of the awards.

9 If at any time the unavoidable costs of meeting the obligations to supply the awards are expected to exceed the consideration received and receivable for them (ie the consideration allocated to the award credits at the time of the initial sale that has not yet been recognised as revenue plus any further consideration receivable when the customer redeems the award credits), the entity has onerous contracts. A liability shall be recognised for the excess in accordance with Ind AS 37. The need to recognise such a liability could arise if the expected

costs of supplying awards increase, for example if the entity revises its expectations about the number of award credits that will be redeemed.

Application guidance on Appendix B

This application guidance is an integral part of Appendix B.

Measuring the fair value of award credits

AG1 Paragraph 6 of Appendix B requires the consideration allocated to award credits to be measured by reference to their fair value. If there is not a quoted market price for an identical award credit, fair value must be measured using another valuation technique.

AG2 An entity may measure the fair value of award credits by reference to the fair value of the awards for which they could be redeemed. The fair value of the award credits takes into account, as appropriate:

(a) the amount of the discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; ~~and~~

(b) the proportion of award credits that are not expected to be redeemed by customers; and

(c) non-performance risk.

If customers can choose from a range of different awards, the fair value of the award credits reflects the fair values of the range of available awards, weighted in proportion to the frequency with which each award is expected to be selected.

AG3 In some circumstances, other valuation techniques may be used. For example, if a third party will supply the awards and the entity pays the third party for each award credit it grants, it could measure the fair value of the award credits by reference to the amount it pays the third party, adding a reasonable profit margin. Judgement is required to select and apply the valuation technique that satisfies the requirements of paragraph 6 of Appendix B and is most appropriate in the circumstances.

Appendix C

Transfers of Assets from Customers

Background

1 In the utilities industry, an entity may receive from its customers items of property, plant and equipment that must be used to connect those customers to a network and provide them with ongoing access to a supply of commodities such as electricity, gas or water. Alternatively, an entity may receive cash from customers for the acquisition or construction of such items of property, plant and equipment. Typically, customers are required to pay additional amounts for the purchase of goods or services based on usage.

2 Transfers of assets from customers may also occur in industries other than utilities. For example, an entity outsourcing its information technology functions may transfer its existing items of property, plant and equipment to the outsourcing provider.

3 In some cases, the transferor of the asset may not be the entity that will eventually have ongoing access to the supply of goods or services and will be the recipient of those goods or services. However, for convenience this Appendix refers to the entity transferring the asset as the customer.

Scope

4 This Appendix applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers.

5 Agreements within the scope of this Appendix are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

6 This Appendix also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

7 This Appendix does not apply to agreements in which the transfer is either a government grant as defined in Ind AS 20 or infrastructure used in a service concession arrangement that is within the scope of Appendix A of Ind AS 11 *Service Concession Arrangements*.

Issues

8 The Appendix addresses the following issues:

(a) Is the definition of an asset met?

(b) If the definition of an asset is met, how should the transferred item of property, plant and equipment be measured on initial recognition?

(c) If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?

(d) How should the entity account for a transfer of cash from its customer?

Accounting Principles

Is the definition of an asset met?

9 When an entity receives from a customer a transfer of an item of property, plant and equipment, it shall assess whether the transferred item meets the definition of an asset set out in the *Framework for the Preparation and Presentation of Financial Statements* issued by the Institute of Chartered Accountants of India. Paragraph 49(a) of the Framework states that 'an asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.' In most circumstances, the entity obtains the right of ownership of the transferred item of property, plant and equipment. However, in determining whether an asset exists, the right of ownership is not essential. Therefore, if the customer continues to control the transferred item, the asset definition would not be met despite a transfer of ownership.

10 An entity that controls an asset can generally deal with that asset as it pleases. For example, the entity can exchange that asset for other assets, employ it to produce goods or services, charge a price for others to use it, use it to settle liabilities, hold it, or distribute it to owners. The entity that receives from a customer a transfer of an item of property, plant and equipment shall consider all relevant facts and circumstances when assessing control of the transferred item. For example, although the entity must use the transferred item of property, plant and equipment to provide one or more services to the customer, it may have the ability to decide how the transferred item of property, plant and equipment is operated and maintained and when it is replaced. In this case, the entity would normally conclude that it controls the transferred item of property, plant and equipment.

How should the transferred item of property, plant and equipment be measured on initial recognition?

11 If the entity concludes that the definition of an asset is met, it shall recognise the transferred asset as an item of property, plant and equipment in accordance with paragraph 7 of Ind AS 16 and measure its cost on initial recognition at its fair value in accordance with paragraph 24 of that Standard.

How should the credit be accounted for?

12 The following discussion assumes that the entity receiving an item of property, plant and equipment has concluded that the transferred item should be recognised and measured in accordance with paragraphs 9–11.

13 Paragraph 12 of Ind AS 18 states that 'When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue.' According to the terms of the agreements within the scope of this Appendix, a transfer of an item of property, plant and equipment would be an exchange for dissimilar goods or services. Consequently, the entity shall recognise revenue in accordance with Ind AS 18.

Identifying the separately identifiable services

14 An entity may agree to deliver one or more services in exchange for the transferred item of property, plant and equipment, such as connecting the customer to a network, providing the customer with ongoing access to a supply of goods or services, or both. In accordance with paragraph 13 of Ind AS 18, the entity shall identify the separately identifiable services included in the agreement.

15 Features that indicate that connecting the customer to a network is a separately identifiable service include:

(a) a service connection is delivered to the customer and represents stand-alone value for that customer;

(b) the fair value of the service connection can be measured reliably.

16 A feature that indicates that providing the customer with ongoing access to a supply of goods or services is a separately identifiable service is that, in the future, the customer making the transfer receives the ongoing access, the goods or services, or both at a price lower than would be charged without the transfer of the item of property, plant and equipment.

17 Conversely, a feature that indicates that the obligation to provide the customer with ongoing access to a supply of goods or services arises from the terms of the entity's operating licence or other regulation rather than from the agreement relating to the transfer of an item of property, plant and equipment is that customers that make a transfer pay the same price as those that do not for the ongoing access, or for the goods or services, or for both.

Revenue recognition

18 If only one service is identified, the entity shall recognise revenue when the service is performed in accordance with paragraph 20 of Ind AS 18. If such a service is ongoing, revenue shall be recognised in accordance with paragraph 20 of this Appendix.

19 If more than one separately identifiable service is identified, paragraph 13 of Ind AS 18 requires the fair value of the total consideration received or receivable for the agreement to be allocated to each service and the recognition criteria of Ind AS 18 are then applied to each service.

20 If an ongoing service is identified as part of the agreement, the period over which revenue shall be recognised for that service is generally determined by the terms of the agreement with the customer. If the agreement does not specify a period, the revenue shall be recognised over a period no longer than the useful life of the transferred asset used to provide the ongoing service.

How should the entity account for a transfer of cash from its customer?

21 When an entity receives a transfer of cash from a customer, it shall assess whether the agreement is within the scope of this Appendix in accordance with paragraph 6. If it is, the entity shall assess whether the constructed or acquired item of property, plant and equipment meets the definition of an asset in accordance with paragraphs 9 and 10. If the definition of an asset is met, the entity shall recognise the item of property, plant and equipment at its cost in accordance with Ind AS 16 and shall recognise revenue in accordance with paragraphs 13–20 at the amount of cash received from the customer.

Appendix D

References to matters contained in other Indian Accounting Standards

This Appendix is an integral part of Indian Accounting Standard 18.

This appendix lists the appendices which are part of other Indian Accounting Standards and make reference to Ind AS 18, *Revenues*

1. Appendix A, *Service Concession Arrangements* contained in Ind AS 11 *Construction Contracts.*

2. Appendix B, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* contained in Ind AS 17 *Leases.*

Appendix 1

Note: This appendix is not a part of the Indian Accounting Standard. The purpose of this Appendix is only to bring out the differences, if any, between Indian Accounting Standard (Ind AS) 18 and the corresponding International Accounting Standard (IAS) 18, Revenue, SIC 31, Revenue- Barter Transactions Involving Advertising Services, IFRIC 13, Customer Loyalty Programmes and IFRIC 18, Transfers Of Assets from Customers.

Comparison with IAS 18, *Revenue, SIC 31, IFRIC 13 and IFRIC 18*

1. The transitional provisions given in IAS 18, SIC 13 and IFRIC 13 have not been given in Ind AS 18, since all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, First-time Adoption of Indian Accounting Standards corresponding to IFRS 1, First-time Adoption of International Financial Reporting Standards.
2. On the basis of principles of the IAS 18, IFRIC 15 on Agreement for Construction of Real Estate prescribes that construction of real estate should be treated as sale of goods and revenue should be recognised when the entity has transferred significant risks and rewards of ownership and retained neither continuing managerial involvement nor effective control. IFRIC 15 has not been included in Ind AS 18 to scope out such agreements and to include the same in Ind AS 11, Construction Contracts.
3. Paragraph 2 of IAS 18 which states that IAS 18 supersedes the earlier version IAS 18 is deleted in Ind AS 18 as this is not relevant in Ind AS 18. However, paragraph number 2 is retained in Ind AS 7 to maintain consistency with paragraph numbers of IAS 18.
4. Paragraph number 31 appear as 'Deleted 'in IAS 18. In order to maintain consistency with paragraph numbers of IAS 18, the paragraph number is retained in Ind AS 18.
5. Paragraph 30(c), 32, 35 b(iii), 35b(v) appear as 'Deleted' in Ind AS 18 which addresses revenue in form of interest and dividend. The recognition, measurement of dividend is given in Ind AS 109, whereas the measurement of interest is given in Ind AS 109.
6. Paragraph 1A is inserted which states that recognition of interest is dealt in this standard whereas measurement of interest is dealt in accordance with Ind AS 109, *Financial Instruments*.
7. Paragraph 1B is inserted, which prescribes the impairment of any contractual right to receive cash or another financial asset arising from this standard, shall be dealt in accordance with Ind AS 109, *Financial Instruments*.

Consequential Amendments to other Ind ASs

This Appendix describes the amendments to other Standards that are made when it finalised Ind AS 11 and Ind AS 18. Amended paragraphs are shown with deleted text struck through and new text underlined.

Ind AS 101, *First-time Adoption of Indian Accounting Standards*

In Appendix D, paragraphs D1 and D22 are amended. Paragraphs D34–D35 and their related heading are deleted and paragraph D36 and its related heading is added. In Appendix 1, paragraph 10 is amended and paragraph 13 is added. Deleted text is struck through. New text is underlined.

D1 An entity may elect to use one or more of the following exemptions:

....

(m) financial assets or intangible assets accounted for in accordance with Appendix A~~C~~ to Ind AS 11~~115~~ Service Concession Arrangements (paragraph D22);

Financial assets or intangible assets accounted for in accordance with Appendix A~~C~~, *Service Concession Arrangements* to Ind AS 11~~115~~

D22 A first-time adopter may apply the following provisions while applying the Appendix A~~C~~ to Ind AS 11~~115~~:

i) …

~~**Revenue from contracts with customers**~~

D34 -D35 [Refer Appendix 1]

~~D34 A first-time adopter may use one or more of the following practical expedients when applying Ind AS 115 retrospectively:~~

~~(a) for completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period;~~

~~(b) for completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods; and~~

~~(c) for all reporting periods presented before the beginning of the first Ind AS reporting period, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.~~

~~D34AAFor any of the practical expedients in paragraph D34 that an entity uses, the entity shall apply that expedient consistently to all contracts within all reporting periods presented. In addition, the entity shall disclose all of the following information:~~

~~(a) the expedients that have been used; and~~

~~(b) to the extent reasonably possible, a qualitative assessment of the estimated effect of applying each of those expedients.~~

~~D35 A first-time adopter is not required to restate contracts that were completed before the earliest period presented. A completed contract is a contract for which the entity has transferred all of the goods or services identified in accordance with previous GAAP.~~

Transfers of Assets from Customers

D36 An entity shall apply Appendix C of Ind AS 18 prospectively to transfers of assets from customers received on or after the transition date. Earlier application is permitted provided the valuations and other information needed to apply the Appendix to past transfers were obtained at the time those transfers occurred. An entity shall disclose the date from which the Appendix D of Ind AS 18 was applied.

Appendix 1

...

10. IFRS 9 *Financial Instruments* ~~and IFRS 15 *Revenue from Contracts with Customers* are~~is effective from annual period beginning on or after January 1, 2018~~ and January 1, 2017,~~

~~respectively~~. As the above said standard~~s~~ is~~are~~ not yet effective consequential amendments due to ~~these~~ this standard~~s~~ have not been incorporated in current version of IFRS 1. However, corresponding Ind AS 109, *Financial Instruments* ~~and Ind AS 115, *Revenue from Contracts with Customer* have~~ has been issued with consequential amendments in other Ind ASs ~~IFRS~~ including Ind AS 101. Accordingly, ~~there~~ its consequential amendments to Ind AS 109~~and Ind AS 115~~ have been incorporated in Ind AS 101.

.....

13. Paragraphs D34-D35 deal with Ind AS 115, R*evenue from Contracts with Customers*. As Ind AS 115 is not yet effective, therefore, these paragraphs have not been included in this standard. However, in order to maintain consistency with paragraph numbers of IFRS 1, the paragraph numbers are retained in Ind AS 101.

Ind AS 103, *Business Combinations*

Paragraph 56 is amended. Deleted text is struck through and new text is underlined.

Contingent liabilities

56 After initial recognition and until the liability is settled, cancelled or expires, the acquirer shall measure a contingent liability recognised in a business combination at the higher of:

(a) the amount that would be recognised in accordance with Ind AS 37; and

(b) the amount initially recognised less, if appropriate, ~~the~~ cumulative amortisation ~~amount of income~~ recognised in accordance with Ind AS 18, *Revenue.* ~~the principles of Ind AS 115, *Revenue from Contracts with Customers*.~~

This requirement does not apply to contracts accounted for in accordance with Ind AS 109.

…

Ind AS 104, *Insurance Contracts*

Paragraphs 4, B7, B18 and B21 are amended. Deleted text is struck through and new text is underlined.

4. An entity shall not apply this Ind AS to:

(a) product warranties issued directly by a manufacturer, dealer or retailer (see Ind AS 18 ~~115~~, *Revenue ~~from Contracts with Customers~~,* and Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*).

(b) employers' assets and liabilities under employee benefit plans (see Ind AS 19, *Employee Benefits,* and Ind AS 102, *Share-based Payment*) and retirement benefit obligations reported by defined benefit retirement plans.

(c) contractual rights or contractual obligations that are contingent on the future use of, or right to use, a non-financial item (for example, some licence fees, royalties, contingent lease payments and similar items), as well as a lessee's residual value guarantee embedded in a finance lease (see Ind AS 17, *Leases*, Ind AS 18~~115~~, *Revenue ~~from Contracts with Customers~~,* and Ind AS 38, *Intangible Assets*).

Payments in kind

…

B7 Applying this Standard to the contracts described in paragraph B6 is likely to be no more burdensome than applying the Ind ASs that would be applicable if such contracts were outside the scope of this Ind AS:

(a) …

(b) If Ind AS 18, *Revenue*~~115~~ applied, the service provider would recognise revenue by reference to the stage of completion ~~when (or as) it transfers services to the customer~~ (and subject to other specified criteria). That approach is also acceptable under this Ind AS, which permits the service provider (i) to continue its existing accounting policies for these contracts unless they

involve practices prohibited by paragraph 14 and (ii) to improve its accounting policies if so permitted by paragraphs 22–30.

(c) …

Examples of insurance contracts

…

B18(h) product warranties. Product warranties issued by another party for goods sold by a manufacturer, dealer or retailer are within the scope of this Ind AS. However, product warranties issued directly by a manufacturer, dealer or retailer are outside its scope, because they are within the scope of Ind AS ~~115~~ 18 and Ind AS 37.

B21 If the contracts described in paragraph B19 do not create financial assets or financial liabilities, Ind AS 18 ~~Ind AS 115~~ applies. Under Ind AS 18 ~~Ind AS 115~~, revenue associated with a transaction involving the rendering of services is recognised by reference to the stage of completion of the transaction if the outcome of the transaction can be estimated reliably. ~~when (or as) an entity satisfies a performance obligation by transferring a promised good or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled~~.

Ind AS 107, *Financial Instruments: Disclosures*

Paragraph 5A is amended. Paragraph 2 of Appendix C is also amended. Deleted text is struck through and new text is underlined.

5A The credit risk disclosure requirements in paragraph 35A–35N apply to those rights that Ind AS 18, *Revenue* ~~115 *Revenue from Contracts with Customers*~~ specifies are accounted for in accordance with Ind AS 109 for the purposes of recognising impairment gains or losses. Any reference to financial assets or financial instruments in these paragraphs shall include those rights unless otherwise specified

Appendix C

References to matters contained in other Indian Accounting Standards

1. ...

2. Appendix A~~C~~, *Service Concession Arrangements,* contained in Ind AS 11 ~~115~~, *Construction Contracts* ~~*Revenue from Contracts with Customers*~~

Ind AS 109, *Financial Instruments*

Paragraphs 2.1, 2.2, 4.2.1, 5.1.1, 5.5.1, 5.5.15, B2.2, B2.5, B3.2.13, and B5.4.3 are amended. Paragraph 5.1.3 is deleted. Paragraph 2 of Appendix E and Appendix A are also amended. Paragraph 3 of appendix 1 is added. Deleted text is struck through and new text is underlined.

2.1 (j) rights and obligations within the scope of Ind AS 11, *Construction Contracts*, and Ind AS 18, *Revenue*, ~~115~~ ~~*Revenue from Contracts with Customers*~~ that are financial instruments, except for those that Ind AS 11 and Ind AS 18 ~~115~~ ~~specifies~~ specify are accounted for in accordance with this Standard.

2.2 The impairment requirements of this Standard shall be applied to those rights that Ind AS 11 and Ind AS 18 ~~115~~ ~~specifies~~ specify are accounted for in accordance with this Standard for the purposes of recognising impairment gains or losses.

4.2.1 (c)(ii) the amount initially recognised (see paragraph 5.1.1) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 18~~115~~.

4.2.1(d)(ii) the amount initially recognised (see paragraph 5.1.1) less, when appropriate, the cumulative amount of income recognised in accordance with the principles of Ind AS 18 ~~115~~.

5.1.1 ~~**Except for trade receivables within the scope of paragraph 5.1.3, at**~~ **At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the acquisition or issue of the financial asset or financial liability.**

5.1.3 [Refer Appendix 1] ~~Despite the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables at their transaction price (as defined in Ind AS 115) if the trade receivables do not contain a significant financing component in accordance with Ind AS 115 (or when the entity applies the practical expedient in accordance with paragraph 63 of Ind AS 115).~~

Simplified approach for trade receivables and lease receivables

5.5 Impairment

Recognition of expected credit losses
General approach

5.5.1 An entity shall recognise a loss allowance for *expected credit losses* on a financial asset that is measured in accordance with paragraphs 4.1.2 or 4.1.2A, a lease receivable, ~~a *contract asset* or~~ a loan commitment and a financial guarantee contract to which the impairment requirements apply in accordance with paragraphs 2.1(g), 4.2.1(c) or 4.2.1(d).

5.5.15 Despite paragraphs 5.5.3 and 5.5.5, an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for:

(a) trade receivables <u>or any contractual right to receive cash or another financial asset</u> ~~or contract assets~~ that result from transactions that are within

the scope of Ind AS ~~115~~11 and Ind AS 18.~~, and that:~~

~~(i) do not contain a significant financing componentin accordance with Ind AS 115 (or when the entity applies the practical expedient in accordance with paragraph 63 of Ind AS 115); or~~

~~(ii) contain a significant financing component in accordance with Ind AS 115, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.~~

(b) lease receivables that result from transactions that are within the scope of Ind AS 17, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all lease receivables but may be applied separately to finance and operating lease receivables.

Appendix A
Defined terms

~~contract assets~~	~~Those rights that Ind AS 115, *Revenue from Contracts with Customers* specifies are accounted for in accordance with this Standard for the purposes of recognising and measuring impairment gains or losses.~~

The following terms are defined in paragraph 11 of Ind AS 32,

Appendix A of Ind AS 107~~,~~ or Appendix A of Ind AS 113 ~~or Appendix A of Ind AS 115~~ and are used in this Standard with the meanings specified in Ind AS 32, Ind AS 107~~,~~ or Ind AS 113 ~~or Ind AS 115~~:

(a) credit risk;[1]
(b) equity instrument;
(c) fair value;
(d) financial asset;
(e) financial instrument;
(f) financial liability~~;~~ .
~~(g) transaction price.~~

Appendix B

B2.2 This Standard does not change the requirements relating to royalty agreements based on the volume of sales or service revenues that are accounted for under Ind AS 18, *Revenue* ~~115 *Revenue from Contracts with Customers*~~.

B2.5 Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, a credit default contract or an insurance contract. Their accounting treatment does not depend on their legal form. The following are examples of the appropriate treatment (see paragraph 2.1(e)):

(a) ....

(i) ....

(ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with ~~the principles of~~ Ind AS 18 ~~115~~ (see paragraph 4.2.1(c)).

(b) ...

(c) If a financial guarantee contract was issued in connection with the sale of goods, the issuer applies Ind AS 18~~115~~ in

[1]This term (as defined in Ind AS107) is used in the requirements for presenting the effects of changes in credit risk on liabilities designated as at fair value through profit or loss (see paragraph 5.7.7).

determining when it recognises the revenue from the guarantee and from the sale of goods.

Continuing involvement in transferred assets

B3.2.13 The following are examples of how an entity measures a transferred asset and the associated liability under paragraph 3.2.16.

All assets

(a) If a guarantee provided by an entity to pay for default losses on a transferred asset prevents the transferred asset from being derecognised to the extent of the continuing involvement, the transferred asset at the date of the transfer is measured at the lower of (i) the carrying amount of the asset and (ii) the maximum amount of the consideration received in the transfer that the entity could be required to repay ('the guarantee amount'). The associated liability is initially measured at the guarantee amount plus the fair value of the guarantee (which is normally the consideration received for the guarantee). Subsequently, the initial fair value of the guarantee is recognised in profit or loss on a time proportion basis ~~when (or as) the obligation is satisfied~~ (~~in accordance with the principles of~~ see Ind AS 18~~115~~) and the carrying value of the asset is reduced by any loss allowance.

B5.4.3 Fees that are not an integral part of the effective interest rate of a financial instrument and are accounted for in accordance with Ind AS 18~~115~~ include:

(a) ...
(b) ...
(c) ...

Appendix E
References to matters contained in other Indian Accounting Standards

1. ...

2. Appendix A~~C~~, *Service Concession Arrangements* contained in Ind AS 11~~5~~, *Construction Contracts* ~~*Revenue from Contracts with Customers*~~.

Appendix 1

3. Following paragraphs deal with Ind AS 115, *Revenue from Contracts with Customers.* As Ind AS 115 is not yet effective, therefore, these paragraphs have not been included in this standard. However, in order to maintain consistency with paragraph numbers of IFRS 9, the paragraph numbers are retained in Ind AS 109:

   (i) Paragraph 5.1.3

   (ii) 5.5.15 (a)(i)

   (iii) 5.2.15(a)(ii)

Ind AS 1, *Presentation of Financial Statements*

Paragraph 34 is amended. Deleted text is struck through and new text is underlined.

Offsetting

…

34 Ind AS 18, *Revenue,* defines revenue ~~Ind AS 115, *Revenue from Contracts with Customers,*~~ and requires an entity to measure it ~~revenue from contracts with customers~~ at the fair value of the consideration received or receivable, taking into account the amount of ~~amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services. For example, the amount of revenue recognised reflects~~ any trade discounts and volume rebates the entity allows. An entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. An entity presents the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:

(a) an entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the proceeds ~~amount of consideration~~ on disposal the carrying amount of the

asset and related selling expenses; and

(b) …

Ind AS 2, *Inventories*

Paragraphs 2, 8, 29 and 37 are amended. Paragraph 19 is added. Paragraph 2 of Appendix 1 is deleted. Deleted text is struck through and new text is underlined.

Scope

2 **This Standard applies to all inventories, except:**

(a) work in progress arising under construction contracts, including directly related service contracts (see Ind AS 11, *Construction Contracts*); ~~[Refer Appendix 1]~~

(b) ...

Definitions

…

8 Inventories encompass goods purchased and held for resale including, for example, merchandise purchased by a retailer and held for resale, or land and other property held for resale. Inventories also encompass finished goods produced, or work in progress being produced, by the entity and include materials and supplies awaiting use in the production process. In the case of a service provider, inventories include the costs of the service, as described in paragraph 19, for which the entity has not yet recognised the related revenue (see Ind AS 18, *Revenue*). ~~Costs incurred to fulfil a contract with a customer that do not give rise to inventories (or assets within the scope of another Standard) are accounted for in accordance with Ind AS 115, *Revenue from Contracts with Customers*.~~

Cost of inventories of a service provider

19 ~~[Refer Appendix 1]~~ To the extent that service providers have inventories, they measure them at the costs of their production. These costs consist primarily of the labour and other costs of personnel directly engaged in providing the service, including supervisory personnel, and attributable overheads.

Labour and other costs relating to sales and general administrative personnel are not included but are recognised as expenses in the period in which they are incurred. The cost of inventories of a service provider does not include profit margins or non-attributable overheads that are often factored into prices charged by service providers.

…

Net realisable value

…

29 Inventories are usually written down to net realisable value item by item. In some circumstances, however, it may be appropriate to group similar or related items. This may be the case with items of inventory relating to the same product line that have similar purposes or end uses, are produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product line. It is not appropriate to write inventories down on the basis of a classification of inventory, for example, finished goods, or all the inventories in a particular operating segment. Service providers generally accumulate costs in respect of each service for which a separate selling price is charged. Therefore, each such service is treated as a separate item.

…

Disclosure

…

37 Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are merchandise, production supplies, materials, work in progress and finished goods. The inventories of a service provider may be described as work in progress.

…

Appendix 1

~~2. Following paragraph numbers appear as 'Deleted' in IAS 2. In order to maintain consistency with paragraph numbers of IAS 2, the paragraph numbers are retained in Ind AS 2:~~

~~(iv) Paragraph 2(a)~~

~~(v) Paragraph 19.~~

Ind AS 12, *Income Taxes*

Paragraph 59 is amended. Deleted text is struck through and new text is underlined

Items recognised in profit or loss

…

59 Most deferred tax liabilities and deferred tax assets arise where income or expense is included in accounting profit in one period, but is included in taxable profit (tax loss) in a different period. The resulting deferred tax is recognised in profit or loss. Examples are when:

(a) ~~interest,~~ R~~r~~oyalty or dividend revenue is received in arrears and is included in accounting profit on a time apportionment basis in accordance with Ind AS 18, *Revenue,* ~~Ind AS 115, *Revenue from Contracts with Customers*,~~ or Ind AS 109, *Financial Instruments*, as relevant, but is included in taxable profit (tax loss) on a cash basis; and

(b) …

Ind AS 16, *Property, Plant and Equipment*

Paragraphs 68A, 69, 72 are amended. Paragraph 1 and 2 of Appendix C are also amended. Deleted text is struck through and new text is underlined.

Derecognition

…

68A However, an entity that, in the course of its ordinary activities, routinely sells items of property, plant and equipment that it has held for rental to others shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets

shall be recognised as revenue in accordance with Ind AS 18~~115~~, *Revenue ~~from Contracts with Customers~~*. Ind AS 105 does not apply when assets that are held for sale in the ordinary course of business are transferred to inventories.

69 The disposal of an item of property, plant and equipment may occur in a variety of ways (eg by sale, by entering into a finance lease or by donation). In determining t~~T~~he date of disposal of an item, an entity applies the criteria in Ind AS 18 for recognising revenue from the sale of goods ~~of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115~~. Ind AS 17 applies to disposal by a sale and leaseback.

…

72 The ~~amount of~~ consideration receivable on disposal ~~to be included in the gain or loss arising from the derecognition~~ of an item of property, plant and equipment is recognised initially at its fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with Ind AS 18 reflecting the effective yield on the receivable. ~~determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of Ind AS 115. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in Ind AS 115~~.

…

Appendix C

…

1 Appendix A~~C~~, *Service Concession Arrangements* contained in Ind AS ~~115~~11, *Construction Contracts* ~~*Revenue from Contracts with Customers*~~.

2 Appendix B~~D~~, *Service Concession Arrangements: Disclosures* contained in Ind AS 11 ~~115~~, ~~*Revenue from Contracts with Customers*~~ *Construction Contracts*.

Ind AS 17, *Leases*

Paragraph 8 of Appendix B, paragraph 4 of Appendix C and paragraphs 1 and 2 of Appendix D are amended. Deleted text is struck through and new text is underlined.

Appendix B
Evaluating the Substance of Transactions Involving the Legal Form of a Lease

8. The criteria ~~requirements~~ in paragraph 20 of Ind AS 18, *Revenue* ~~115, *Revenue from Contracts with Customers*,~~ shall be applied to the facts and circumstances of each arrangement in determining when to recognise a fee as income that an Entity might receive. Factors such as whether there is continuing involvement in the form of significant future performance obligations necessary to earn the fee, whether there are retained risks, the terms of any guarantee arrangements, and the risk of repayment of the fee, shall be considered. Indicators that individually demonstrate that recognition of the entire fee as income when received, if received at the beginning of the arrangement, is inappropriate include:

...

Appendix C
Determining whether an Arrangement contains a Lease

4. This appendix does not apply to arrangements that:

(a) ...

(b) are public-to-private service concession arrangements within the scope of Appendix A~~C~~ of Ind AS ~~115~~11, *Service Concession Arrangements*.

Appendix D
References to matters contained in other Indian Accounting Standards

...

1 Appendix A~~C~~, *Service Concession Arrangements* contained in Ind AS ~~115~~11, *Construction Contacts* ~~*Revenue from Contracts with Customers*~~.

2 Appendix B~~D~~, *Service Concession Arrangements: Disclosures*

contained in Ind AS ~~115~~11, *Construction Contacts* ~~*Revenue from Contracts with Customers*~~.

...

Ind AS 23, *Borrowing Costs*

Paragraph 2 of Appendix A is amended. Deleted text is struck through and new text is underlined.

Appendix A
References to matters contained in other Indian Accounting Standards (Ind ASs)

...

2. Appendix A~~C~~, *Service Concession Arrangements* contained in Ind AS 11, *Construction Contracts*~~115, *Revenue from Contracts with Customers*~~, makes reference to this Standard also.

Ind AS 32, *Financial Instruments: Presentation*

In the Application Guidance, paragraph AG21 is amended. Deleted text is struck through and new text is underlined.

Contracts to buy or sell non-financial items (paragraphs 8–10)

…

AG21 ~~Except as required by Ind AS 115, *Revenue from Contracts with Customers*,~~ A~~a~~ contract that involves the receipt or delivery of physical assets does not give rise to a financial asset of one party and a financial liability of the other party unless any corresponding payment is deferred past the date on which the physical assets are transferred. Such is the case with the purchase or sale of goods on trade credit.

Appendix B

References to matters contained in other Indian Accounting Standards

1. Appendix A~~C~~, *Service Concession Arrangements* contained in Ind AS 11, *Construction Contracts*. ~~115, *Revenue from Contracts with Customers*~~

....

Ind AS 34, *Interim Financial Reporting*

Paragraphs 15B and 16A are amended. Deleted text is struck through and new text is underlined.

Significant events and transactions

…

15B The following is a list of events and transactions for which disclosures would be required if they are significant: the list is not exhaustive.

(a) …

(b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, ~~assets arising from contracts with customers~~, or other assets, and the reversal of such an impairment loss;

(c) …

Other disclosures

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis.

…

~~**(l) the disaggregation of revenue from contracts with customers required by paragraphs 114-115 of Ind AS 115, *Revenue from Contracts with Customers.***~~

…

Ind AS 36, *Impairment of Assets*

Paragraph 2 is amended Deleted text is struck through and new text is underlined.

Scope

2 **This Standard shall be applied in accounting for the impairment of all assets, other than:**

(a) …

(b) assets arising from construction contracts (see Ind AS 11, *Construction Contracts*) ~~contract assets and assets arising from costs to obtain or fulfil a contract that are recognised in accordance with Ind AS 115, *Revenue from Contracts with Customers*~~;

(c) …

Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*

Paragraph 5 is amended. Paragraph 6 is added. Paragraph 3 of Appendix 1 and paragraph (i) of Appendix D are amended . Deleted text is struck through and new text is underlined.

Scope

…

5 When another Standard deals with a specific type of provision, contingent liability or contingent asset, an entity applies that Standard instead of this Standard. For example, some types of provisions are addressed in Standards on:

(a) construction contracts (see Ind AS 11, *Construction Contracts*); ~~[Refer Appendix 1]~~

(b) …

(e) insurance contracts (see Ind AS 104, *Insurance Contracts*). However, this Standard applies to provisions, contingent liabilities and contingent assets of an insurer, other than those arising from its contractual obligations and rights under insurance contracts within the scope of Ind AS 104; and

(f) contingent consideration of an acquirer in a business combination (see Ind AS 103, *Business Combinations*).~~;~~ ~~and~~

~~(g) revenue from contracts with customers (see Ind AS 115, *Revenue from Contracts with Customers*). However, as Ind AS 115 contains no specific requirements to address contracts with customers that are, or have become, onerous, this Standard applies to such cases.~~

6 Some amounts treated as provisions may relate to the recognition of revenue, for example where an entity gives guarantees in exchange for a fee. This Standard does not address the recognition of revenue. Ind AS 18, *Revenue,* identifies the circumstances in which revenue is recognised and provides practical guidance on the application of the recognition criteria. This Standard does not change the requirements of Ind AS 18.~~[Refer Appendix 1]~~

…

Appendix D

References to matters contained in other Indian Accounting Standards

(i) Appendix A~~C~~, *Service Concession Arrangements* and Appendix B~~D~~, *Service Concession Arrangements: Disclosures,* contained in Ind AS 11, *Construction Contracts*~~115, *Revenue from Contracts with Customers*~~.

Appendix 1

3. The following paragraph numbers appear as 'Deleted' in IAS 37. In order to maintain consistency with paragraph numbers of IAS 37, the paragraph numbers are retained in Ind AS 37 :
   (i) paragraph 1(b)

   (ii) paragraph 4

   ~~(iii) paragraph 5(a)~~

   ~~(iv) paragraph 6.~~

Ind AS 38, *Intangible Assets*

Paragraphs 3, 114 and 116 are amended. Paragraph 6 of Appendix A and paragraphs 1 and 2 of Appendix B are amended. Deleted text is struck through and new text is underlined.

Scope

…

3 If another Standard prescribes the accounting for a specific type of intangible asset, an entity applies that Standard instead of this Standard. For example, this Standard does not apply to:

(a) intangible assets held by an entity for sale in the ordinary course of business (see Ind AS 2, *Inventories,* and Ind AS 11, *Construction Contracts*).

(b) …

(i) ~~assets arising from contracts with customers that are recognised in accordance with Ind AS 115, *Revenue from Contracts with Customers*.~~

…

Retirements and disposals

…

114 The disposal of an intangible asset may occur in a variety of ways (eg by sale, by entering into a finance lease, or by donation). In determining t~~T~~he date of disposal of such an asset, an entity applies the criteria in Ind AS 18, *Revenue,* for recognising revenue from the sale of goods ~~an intangible asset is the date that the recipient obtains control of that asset in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115, *Revenue from Contracts with Customers*.~~ Ind AS 17 applies to disposal by a sale and leaseback.

…

116 The ~~amount of~~ consideration receivable on disposal ~~to be included in the gain or loss arising from the derecognition~~ of an intangible asset is recognised initially at its fair value. If payment for the intangible asset is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with Ind AS 18 reflecting the effective yield on the receivable ~~determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of Ind AS 115. Subsequent changes to the~~

~~estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in Ind AS 115~~.

…

Appendix A
Intangible Assets—Web Site Costs

6 Ind AS 38 does not apply to intangible assets held by an entity for sale in the ordinary course of business (see Ind AS 2 and Ind AS 11 ~~115~~) or leases that fall within the scope of Ind AS 17. Accordingly, this Appendix does not apply to expenditure on the development or operation of a web site (or web site software) for sale to another entity. When a web site is leased under an operating lease, the lessor applies this Appendix. When a web site is leased under a finance lease, the lessee applies this Appendix after initial recognition of the leased asset.

Appendix B

References to matters contained in other Indian Accounting Standards

1. *Appendix A~~C~~, Service Concession Arrangements contained in Ind AS 11~~5~~, Construction Contracts ~~Revenue from Contracts with Customers~~.*
2. *Appendix B~~D~~, Service Concession Arrangements: Disclosures contained in Ind AS 11~~5~~, Construction Contracts ~~Revenue from Contracts with Customers~~.*

Ind AS 40, *Investment Property*

Paragraphs 3, 9, 67 and 70 are amended. Paragraph 7 of Appendix 1 is also amended. Deleted text is struck through and new text is underlined.

3. Among other things, this Standard applies to the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating

lease. This Standard does not deal with matters covered in Ind AS 17, *Leases*, including:

(a) ....

(b) recognition of lease income from investment property (see also Ind AS 18, *Revenue*~~115, *Revenue from Contracts with Customers*~~);

Classification of property as investment property or owner-occupied property

…

9 The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

(a) …

(b) property being constructed or developed on behalf of third parties (see Ind AS 11, *Construction Contracts).* ~~[Refer Appendix 1]~~

(c) …

Disposals

…

67 The disposal of an investment property may be achieved by sale or by entering into a finance lease. In determining t~~T~~he date of disposal for investment property, an entity applies the criteria in Ind AS 18 for recognising revenue from the sale of goods ~~is the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115~~. Ind AS 17 applies to a disposal effected by entering into a finance lease and to a sale and leaseback.

…

70 The ~~amount of~~ consideration receivable on disposal ~~to be included in the gain or loss arising from the derecognition~~ of an investment property is recognised initially at fair value. In particular, if payment for an investment property is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is

recognised as interest revenue in accordance with Ind AS 18 using the effective interest method ~~determined in accordance with the requirements for determining the transaction price in paragraphs 47–72 of Ind AS 115. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in the transaction price in Ind AS 115~~.

…

Appendix 1

7. The following paragraphs appear as 'Deleted' in IAS 40. In order to maintain consistency with paragraph numbers of IAS 40, the paragraph numbers are retained in Ind AS 40:

~~(i) Paragraph 9(b)~~

....