Exposure Draft

Indian Accounting Standard (Ind AS) 118
Presentation and Disclosure in Financial Statements

(Last Date for comments: April 6, 2025)

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

Introduction

Following is the Exposure Draft of the proposed new standard Ind AS 118, *Presentation and Disclosure in Financial Statements*, issued by the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India, for comments. This standard aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit and loss. Although Ind AS 118 will not affect how companies measure financial performance, it will affect how companies present and disclose financial performance.

The proposed Ind AS 118 aims to improve financial reporting by requiring:

- presentation of new defined subtotals in profit or loss;
- disclosures about management-defined performance measures; and
- enhanced requirements for grouping (aggregation and disaggregation) of information.

It replaces Ind AS 1, *Presentation of Financial Statements*. As a result, the requirements in Ind AS 1 have been:

- replaced by new requirements in Ind AS 118;
- transferred to Ind AS 118 with only limited wording changes; or
- moved to amended Ind AS 8, *Basis of Preparation of Financial Statements,* or Ind AS 107, *Financial Instruments: Disclosures*, with only limited wording changes.

There are also consequential amendments to some other Ind ASs.

Globally, IFRS 18 is effective from the accounting periods beginning on or after January 1, 2027. In India, the proposed effective date of Ind AS 118 is for annual reporting periods beginning on or after April 1, 2027.

Key Features

[The purpose of this summary is to provide an overview of the principal requirements of proposed Ind AS 118 (or 'the Standard'). Reference should be made to the complete text of the exposure draft for complete understanding of the requirements of the Standard.]

Following is the summary of key new requirements proposed in Ind AS 118:

■ Changes in the Profit or Loss section of the Statement of Profit and loss

Required sub-totals

It is proposed to require entities to present two additional subtotals in the profit or loss section. The two defined sub-totals are:

- 'operating profit or loss' and
- 'profit or loss before financing and income taxes' (unless prohibited in specific circumstances)

The said subtotals provide a consistent structure for profit or loss, thereby improving comparability. It will not affect how companies measure their financial performance and the overall profit figure.

Categories for classifying income and expenses

Income and expenses included in the profit or loss section of the statement of profit and loss are required to be classified into the following five categories:

a) the operating category
b) the investing category
c) the financing category

d) the income taxes category and
e) the discontinued operations category

a) Operating category - The operating category provides a complete picture of a company's operations. It consists of all income and expenses that are not classified in the investing, financing, income taxes or discontinued operations categories. The operating category is the default category and:

- includes all income and expenses arising from a company's operations, regardless of whether they are volatile or unusual in some way. Operating profit provides a complete picture of a company's operations for the period.
- includes, but is not limited to, income and expenses from a company's main business activities. Income and expenses from other business activities, such as income and expenses from additional activities, are also classified in the operating category if those income and expenses do not meet the requirements to be classified in any of the other categories.

Presentation and disclosure of expenses in the operating category

Ind AS 118 requires a company to present expenses in the operating category in a way that provides the most useful structured summary of its expenses. To do so, a company will present in the operating category expenses classified based on:

- their nature—that is, the economic resources consumed to accomplish the company's activities, for example, raw materials, salaries, advertising costs; or
- their function—that is, the activity to which the consumed resource relates, for example, cost of sales, distribution costs, administrative expenses.

It requires companies to classify expenses in a way that provides the most useful information to investors, considering, for example:

- what line items provide the most useful information about the important components or drivers of the company's profitability; and
- what line items most closely represent the way the company is managed and how management reports internally.

Some companies might decide that classifying some expenses by nature and other expenses by function provides the most useful structured summary of their expenses.

The standard also requires companies that present expenses classified by function to disclose the amount of depreciation, amortisation, employee benefits, impairment losses and write-downs of inventories included in each line item in the operating category of profit or loss.

b) Investing category - The investing category enables investors to analyse returns from stand-alone investments separately from a company's operations. The investing category includes:

- income and expenses from assets that generate returns separately from a company's business activities—for example, a company might collect rentals from an investment property or dividends from shares in other companies.
- income and expenses from cash and cash equivalents and investments in associates and joint ventures—for example, a company might earn its share of profits from an associate.

c) Financing category - The financing category and the subtotal for profit before financing and income taxes enable investors to analyse companies' performance before the effects of its financing. The financing category includes:

- income and expenses on liabilities such as bank loans and bonds (liabilities arising from pure financing transactions); and
- interest expenses on any other liability, for example, lease and pension liabilities.

Therefore, the financing category includes interest expenses on all liabilities.

d) The income taxes category consists of income tax expense (or tax income) that is included in profit or loss in accordance with Ind AS 12, *Income Taxes.*

e) The discontinued operations category consists of income and expenses from discontinued operations recognised in accordance with Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*.

Entities with specified main business activities

An entity is required to assess whether it has a specified main business activity- that is a main business activity of investing in particular types of assets; or providing financing to customers, for example, insurers and banks. Income and expenses that would otherwise be classified in the investing or financing categories by most companies would form part of the operating result for such companies. Ind AS 118 therefore requires these income and expenses to be classified in the operating category.

Disclosures about Management-defined performance measures

The standard proposes to introduce a definition of 'management-defined performance measures' (MPMs) and require an entity to disclose information about all management-defined performance measures in a single note to improve the transparency of those measures.

A **management-defined performance measure** is a subtotal of income and expenses other than those specifically excluded by the Standard or required to be disclosed or presented by Ind ASs, *that a company uses in public communications outside financial statements to communicate to investors management's view of an aspect of the financial performance of the company as a whole*.

For example, measures that adjust a total or subtotal specified in Ind ASs, such as adjusted profit or loss, are management-defined performance measures. Other measures (such as free cash flow or customer retention rate) are not management-defined performance measures.

For the purpose of identifying MPMs, public communications outside the financial statements include management commentary, press releases and investor presentations. It does not include oral communications, written transcripts of oral communications or social media posts.

Disclosures

The standard requires an entity to provide disclosures for all MPMs in a single note, including:

- reconciliation between the measure and the most directly comparable subtotal listed in Ind AS 118 or total or subtotal specifically required by Ind ASs, including the income tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation;
- a description of how the measure communicates management's view and how the measure is calculated;
- an explanation of any changes in the company's MPMs or in how it calculates its MPMs; and

- a statement that the measure reflects management's view of an aspect of financial performance of the company as a whole and is not necessarily comparable to measures sharing similar labels or descriptions provided by other companies.

Enhanced requirements for aggregation & disaggregation of information

Role of primary financial statements and the notes

The standard provides that primary financial statements include a statement of profit and loss; a balance sheet; a statement of changes in equity; and a statement of cash flows (cash flow statement). It sets out requirements to help companies determine whether information about items should be in the primary financial statements or in the notes and provides principles for determining the level of details needed for the information.

It provides that the role of primary financial statements is to provide structured summaries of an entity's recognised assets, liabilities, equity, income, expenses and cash flows, that are useful to users of financial statement. Role of notes is to provide further information necessary to understand items included in primary financial statements (disaggregation); supplement the primary financial statements with other information to meet the objectives of financial statements.

Principles of aggregation and disaggregation

Ind AS 118 requires companies to aggregate or disaggregate information about individual transactions and other events into the information presented in the primary financial statements and disclosed in the notes. The requirements are based on principles for grouping (aggregation and disaggregation) of information. The Standard requires companies to ensure that:

- items are aggregated based on shared characteristics and disaggregated based on characteristics that are not shared;
- items are aggregated or disaggregated such that the primary financial statements and the notes fulfil their roles; and
- the aggregation and disaggregation of items does not obscure material information.

Companies will be specifically required to disaggregate information whenever the resulting information is material. If a company does not present such information in the primary financial statements, it will disclose the information in the notes.

To help companies apply the principles, Ind AS 118 provides guidance on grouping items and labelling aggregated items, including which characteristics to consider when assessing whether items have similar or dissimilar characteristics.

Restrictive use of label 'other'

The standard requires an entity to label and describe items presented or disclosed in a way that faithfully represents the characteristics of the item. It is also proposed to require that an entity shall label items presented or disclosed as 'other' only if it cannot find a more informative label. If an entity cannot find a more informative label than 'other', the entity shall use a label that describes the aggregated item as precisely as possible, for example, 'other operating expenses' or 'other finance expenses'.

Consequential amendments to other Ind ASs

Ind AS 118 has also introduced changes to other Ind ASs. Some of the major changes are highlighted below:

Ind AS 7, *Statement of Cash Flows*

Globally, IAS 7 is amended to remove the presentation alternatives for cash flows related to interest and dividends paid and received. However, in India, the said alternatives are already removed under Ind AS 7 and therefore, the requirement of IAS 7 will be principally aligned with the requirements of Ind AS 7 for entities carrying on activities such as financing (banks etc.) termed as 'specified business activities'. However, in this exposure draft the said requirements in Ind AS 7 are proposed to be aligned with the language of proposed IAS 7.

Further, it is proposed to amend Ind AS 7, *Statement of Cash Flows* to:

- require all companies to use the operating profit subtotal as the starting point for the indirect method of reporting cash flows from operating activities; and
- require entities that invest in assets or provide financing to customers as a main business activity to classify the total of each type of cash flows (dividends received, interest paid and interest received) in a single category of the statement of cash flows, even if the associated income and expenses are classified in more than one category in the profit or loss.

It is pertinent to note that classifying interest and dividends in the statement of cash flows will align with the classification in the profit or loss in most cases. However, it does not achieve full alignment as that was not the objective of issuing this standard.

Ind AS 33, *Earnings per share*

In addition to reporting basic and diluted earnings per share, companies were permitted under Ind AS 33, *Earnings per Share* to disclose earnings per share calculated based on any component of the statement of profit and loss. The amendments to Ind AS 33 permit a company to disclose these additional earnings per share only if the numerator is either a total or subtotal identified in Ind AS 118 or an MPM.

Ind AS 34, *Interim financial reporting*

Ind AS 34, *Interim Financial Reporting* is proposed to be amended to require companies to disclose information about MPMs in interim financial statements. Some of the other changes (including those about subtotals) also apply to condensed financial statements in interim reports.

The ASB invites comments on the below mentioned specific question as well as any aspect of this Exposure Draft:

Presentation and disclosure of expenses classified in the operating category of profit or loss (Paragraphs 78-85 and B80-B85)
Current position: Presently, as per Ind AS 1, *Presentation of Financial Statements* an entity is required to present an analysis of expenses recognised in profit or loss using nature-wise classification of expenses, whereas, the current IAS 1 requires an entity to present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity. *Proposals:* The new standard proposes that in the operating category of profit or loss, an entity shall classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using characteristics of the nature of expenses or characteristics of the function of the expenses within the entity or both these characteristics ('mixed presentation'). The Standard also provides factors that an entity shall consider in determining how to use the characteristics of nature and function to provide the most useful structured summary.

Thus, considering the factors set out in the Standard an entity needs to determine the classification and presentation of expenses by their nature or function or both that provides the most useful structured summary of its expenses.

The standard also requires an entity that presents line items comprising expenses classified by function to disclose in the notes additional information about specified expenses classified by nature. An entity shall classify and present expenses consistently from one reporting period to the next unless the exception applies (see paragraph 30).

Rationale for the proposal: The ASB was of the view that the requirements of IFRS 18 are based on the premise that the entity should be able to provide the most useful structured summary of its expenses. It is not a free choice to present expenses based on their nature or function. An entity needs to consider the factors given in the Standard to determine the characteristics that would provide the most useful structured summary of its expenses.

The ASB was of the view that allowing only nature-wise classification of expenses might prevent an entity from presenting operating expenses in a way that contributes to providing the most useful structured summary of its expenses.

Question for respondents: Do you agree with the proposal to require classification and presentation of expenses in the operating category in a way that provides the most useful structured summary of its expenses using characteristics of nature or function or mixed presentation (as explained above)? Why or why not? If you disagree with the proposal, please explain what you suggest instead and why.

Comments are most helpful if they contain a clear rationale and, where applicable, provide suggestions for alternative wording.

Comments can be submitted using one of the following methods. **The last date of comments is April 6, 2025.**

1. Electronically:	Click on http://www.icai.org/comments/asb/ to submit comments online. (Preferred method)
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 any aspect of this Exposure Draft may be sought by e-mail to asb@icai.in

Exposure draft

Indian Accounting Standard (Ind AS) 118
Presentation and Disclosure in Financial Statements

Objective

1 This Standard sets out requirements for the presentation and disclosure of information in *general purpose financial statements* (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

Scope

2 **An entity shall apply this Standard in presenting and disclosing information in financial statements prepared in accordance with *Indian Accounting Standards (Ind ASs)*.**

3 This Standard sets out general and specific requirements for the presentation of information in the statement of profit and loss, the balance sheet and the statement of changes in equity. This Standard also sets out requirements for the disclosure of information in the *notes*. Ind AS 7, *Statement of Cash Flows,* sets out requirements for the presentation and disclosure of cash flow information. However, the general requirements for financial statements in paragraphs 9–43 and 113–114 apply to the statement of cash flows.

4 Other Ind ASs set out the recognition, measurement, presentation and disclosure requirements for specific transactions and other events.

5 This Standard does not apply to the presentation and disclosure of information in condensed interim financial statements prepared applying Ind AS 34, *Interim Financial Reporting*. However, paragraphs 41–45 and 117–125 apply to such financial statements.

6 This Standard uses terminology that is suitable for profit-oriented entities, including public sector business entities. If entities with not-for-profit activities in the private sector or the public sector apply this Standard, they may need to amend the descriptions used for particular line items, categories, subtotals or totals in the financial statements and for the financial statements themselves.

7 Similarly, entities that do not have equity as defined in Ind AS 32, *Financial Instruments: Presentation* (for example, some mutual funds) and entities whose share capital is not equity may need to adapt the financial statement presentation of members' or unitholders' interests.

8 Many entities provide a financial review by management, which is separate from the financial statements (see paragraph 10), that describes and explains the main features of the entity's financial performance and financial position, as well as the principal uncertainties it faces. Such a review is outside the scope of Ind ASs.

General requirements for financial statements

Objective of financial statements

9 The objective of financial statements is to provide financial information about a reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources.

A complete set of financial statements

10 A complete set of financial statements comprises:

(a) a statement of profit and loss for the reporting period (see paragraph 12);

(b) a balance sheet as at the end of the reporting period;

(c) a statement of changes in equity for the reporting period;

(d) a statement of cash flows for the reporting period;

(e) notes for the reporting period;

(f) comparative information in respect of the preceding period as specified in paragraphs 31–32; and

(g) a balance sheet as at the beginning of the preceding period if required by paragraph 37.

11 The statements listed in paragraphs 10(a)–10(d) (and their comparative information) are referred to as the *primary financial statements*. Although this Standard uses terms such as '*other comprehensive income*', '*profit or loss*' and '*total comprehensive income*', an entity may use other terms to label the totals, subtotals and line items required by this Standard as long as they are labelled in a way that faithfully represents the characteristics of the items, as required by paragraph 43. For example, an entity may use the term 'net income' to label 'profit or loss'.

12 An entity shall present a single statement of profit and loss, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section.

13 [Refer Appendix 1].

14 An entity shall present each of the primary financial statements with equal prominence in a complete set of financial statements.

The roles of the primary financial statements and the notes

15 To achieve the objective of financial statements (see paragraph 9), an entity presents information in the primary financial statements and discloses information in the notes. An entity need only present or disclose *material information* (see paragraphs 19 and B1–B5).

16 The role of the primary financial statements is to provide structured summaries of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows, that are useful to users of financial statements for:

(a) obtaining an understandable overview of the entity's recognised assets, liabilities, equity, income, expenses and cash flows;

(b) making comparisons between entities, and between reporting periods for the same entity; and

(c) identifying items or areas about which users of financial statements may wish to seek additional information in the notes.

17 The role of the notes is to provide material information necessary:

(a) to enable users of financial statements to understand the line items presented in the primary financial statements (see paragraph B6); and

(b) to supplement the primary financial statements with additional information to achieve the objective of financial statements (see paragraph B7).

18 An entity shall use the roles of the primary financial statements and the notes, described in paragraphs 16–17, to determine whether to include information in the primary financial statements or in the notes. The different roles of the primary financial statements and the notes mean that the extent of the

information required in the notes differs from that in the primary financial statements. The differences mean that:

(a) to provide the structured summaries described in paragraph 16, information provided in the primary financial statements is more aggregated than information provided in the notes; and

(b) to provide the information described in paragraph 17, more detailed information about the entity's assets, liabilities, equity, income, expenses and cash flows, including the *disaggregation* of information presented in the primary financial statements, is provided in the notes.

Information presented in the primary financial statements or disclosed in the notes

19 **Some Ind ASs specify information that is required to be presented in the primary financial statements or disclosed in the notes. An entity need not provide a specific presentation or disclosure required by Ind ASs if the information resulting from that presentation or disclosure is not material. This is the case even if Ind ASs contain a list of specific requirements or describe them as minimum requirements.**

20 **An entity shall consider whether to provide additional disclosures when compliance with the specific requirements in Ind ASs is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance.**

Information presented in the primary financial statements

21 Paragraph 16 establishes that the role of the primary financial statements is to provide structured summaries that are useful for the purposes specified in that paragraph (referred to hereafter as a *useful structured summary*). An entity shall use the role of the primary financial statements to determine what material information to present in those statements, as set out in paragraphs 22–24.

22 **To provide a useful structured summary in a primary financial statement, an entity shall comply with specific requirements that determine the structure of the statement. The specific requirements are:**

(a) for the statement of profit and loss—the requirements in paragraphs 47, 69, 76,78 and 86-88;

(b) [Refer Appendix 1];

(c) for the balance sheet—the requirements in paragraphs 96 and 104;

(d) for the statement of changes in equity—the requirements in paragraph 107; and

(e) for the statement of cash flows—the requirements in paragraph 10 of Ind AS 7.

23 **Some Ind ASs require specific line items to be presented separately in the primary financial statements (for example paragraphs 75 and 103 of this Standard). An entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary. This is the case even if Ind ASs contain a list of specific required line items or describe the line items as minimum requirements (see paragraph B8).**

24 **An entity shall present additional line items and subtotals if such presentations are necessary for a primary financial statement to provide a useful structured summary. When an entity presents additional line items or subtotals, those line items or subtotals shall (see paragraph B9):**

(a) comprise amounts recognised and measured in accordance with Ind ASs;

(b) be compatible with the statement structure created by the requirements listed in paragraph 22;

(c) **be consistent from period to period, in accordance with paragraph 30; and**

(d) **be displayed no more prominently than the totals and subtotals required by Ind ASs.**

Identification of the financial statements

25 **An entity shall clearly identify the financial statements and distinguish them from other information in the same published document (see paragraph B10).**

26 Ind ASs apply only to financial statements, and not necessarily to other information provided in an annual report, a regulatory filing or another document. Therefore, it is important that users of financial statements can distinguish information that is prepared using Ind ASs from other information that may be useful to users but is not the subject of those requirements.

27 **An entity shall clearly identify each primary financial statement and the notes. In addition, an entity shall disclose prominently, and repeat when necessary for the information provided to be understandable:**

(a) **the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;**

(b) **whether the financial statements are of an individual entity or a group of entities;**

(c) **the date of the end of the reporting period or the period covered by the financial statements;**

(d) **the presentation currency, as defined in Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*; and**

(e) **the level of rounding used for the amounts in the financial statements (see paragraph B11).**

Frequency of reporting

28 **An entity shall provide a complete set of financial statements at least annually. When an entity changes the end of its reporting period and provides financial statements for a period longer or shorter than one year, the entity shall disclose, in addition to the period covered by the financial statements:**

(a) **the reason for using a longer or shorter period; and**

(b) **the fact that amounts included in the financial statements are not entirely comparable.**

29 [Refer Appendix 1].

Consistency of presentation, disclosure and classification

30 **An entity shall retain the presentation, disclosure and *classification* of items in the financial statements from one reporting period to the next unless:**

(a) **it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation, disclosure or classification would be more appropriate having regard to the criteria for selecting and applying accounting policies in Ind AS 8, *Basis of Preparation of Financial Statements* (see paragraph B12); or**

(b) **an Ind AS requires a change in presentation, disclosure or classification.**

Comparative information

31 **Except when Ind ASs permit or require otherwise, an entity shall provide comparative information (that is, information for the preceding reporting period) for all amounts reported in**

the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is necessary for an understanding of the current period's financial statements (see paragraph B13).

32 **An entity shall present a current reporting period and preceding period in each of its primary financial statements and in the notes. Paragraphs B14–B15 set out requirements relating to additional comparative information.**

Change in accounting policy, retrospective restatement or reclassification

33 **If an entity changes the presentation, disclosure or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period):**

- **(a) the nature of the reclassification;**
- **(b) the amount of each item or class of items that is reclassified; and**
- **(c) the reason for the reclassification.**

34 **When it is impracticable to reclassify comparative amounts, an entity shall disclose:**

- **(a) the reason for not reclassifying the amounts; and**
- **(b) the nature of the adjustments that would have been made if the amounts had been reclassified.**

35 Enhancing the inter-period comparability of information assists users of financial statements in making economic decisions, especially by allowing the assessment of trends in information for predictive purposes. In some circumstances, it is impracticable to reclassify comparative information for a particular prior reporting period to achieve consistency with the current period. For example, an entity may not have collected data in the prior period(s) in a way that allows reclassification, and it may be impracticable to recreate the information.

36 Ind AS 8 sets out the adjustments to comparative information required when an entity changes an accounting policy or corrects an error.

37 **An entity shall present a third balance sheet as at the beginning of the preceding period in addition to the comparative information required in paragraphs 31–32 if:**

- **(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and**
- **(b) the retrospective application, retrospective restatement or reclassification has a material effect on the information in the balance sheet as at the beginning of the preceding period.**

38 In the circumstances described in paragraph 37 an entity shall present three balance sheets—a balance sheet as at:

- (a) the end of the current reporting period;
- (b) the end of the preceding period; and
- (c) the beginning of the preceding period.

39 When an entity is required to present a third balance sheet applying paragraph 37, it shall disclose the information required by paragraphs 33–36 and Ind AS 8. However, it need not provide the related notes to the balance sheet as at the beginning of the preceding period.

40 The date of that third balance sheet shall be as at the beginning of the preceding period regardless of whether an entity's financial statements provide comparative information for earlier periods (as permitted by paragraphs B14–B15).

Aggregation and disaggregation

Principles of aggregation and disaggregation

41 **For the purposes of this Standard, an item is an asset, liability, equity instrument or reserve, income, expense or cash flow or any *aggregation* or disaggregation of such assets, liabilities, equity, income, expenses or cash flows. A line item is an item that is presented separately in the primary financial statements. Other material information about items is disclosed in the notes. Unless doing so would override specific aggregation or disaggregation requirements in Ind ASs, an entity shall (see paragraphs B16–B23):**

- **(a) classify and aggregate assets, liabilities, equity, income, expenses or cash flows into items based on shared characteristics;**
- **(b) disaggregate items based on characteristics that are not shared;**
- **(c) aggregate or disaggregate items to present line items in the primary financial statements that fulfil the role of the primary financial statements in providing useful structured summaries (see paragraph 16);**
- **(d) aggregate or disaggregate items to disclose information in the notes that fulfils the role of the notes in providing material information (see paragraph 17); and**
- **(e) ensure that aggregation and disaggregation in the financial statements do not obscure material information (see paragraph B3).**

42 Applying the principles in paragraph 41, an entity shall disaggregate items whenever the resulting information is material. If, applying paragraph 41(c), an entity does not present material information in the primary financial statements, it shall disclose the information in the notes. Paragraphs B79 and B111 set out examples of income, expenses, assets, liabilities and items of equity that might have sufficiently dissimilar characteristics that presentation in the profit or loss or balance sheet or disclosure in the notes is necessary to provide material information.

43 **An entity shall label and describe items presented in the primary financial statements (that is, totals, subtotals and line items) or items disclosed in the notes in a way that faithfully represents the characteristics of the item (see paragraphs B24–B26). To faithfully represent an item, an entity shall provide all descriptions and explanations necessary for a user of financial statements to understand the item. In some cases, an entity might need to include in the descriptions and explanations the meaning of the terms the entity uses and information about how it has aggregated or disaggregated assets, liabilities, equity, income, expenses and cash flows.**

Offsetting

44 **An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Ind AS (see paragraphs B27–B28).**

45 An entity reports separately both assets and liabilities, and income and expenses. Offsetting in the statement of profit and loss or the balance sheet, except when offsetting reflects the substance of the transaction or other event, reduces users' ability to understand the transactions and other events and conditions that have occurred and to assess the entity's future cash flows. Measuring assets net of valuation allowances—for example, obsolescence allowances on inventories and allowances for expected credit losses on financial assets—is not offsetting.

Profit or Loss

46 An entity shall include all items of income and expense in a reporting period in the profit or loss section of the statement of profit and loss unless an Ind AS requires or permits otherwise (see paragraphs 88–95 and B86).

Categories in the profit or loss

47 An entity shall classify income and expenses included in the profit or loss section in one of five categories (see paragraph B29):

(a) the operating category (see paragraph 52);

(b) the investing category (see paragraphs 53–58);

(c) the financing category (see paragraphs 59–66);

(d) the income taxes category (see paragraph 67); and

(e) the discontinued operations category (see paragraph 68).

48 Paragraphs 52–68 set out requirements for classifying income and expenses in the operating, investing, financing, income taxes and discontinued operations categories. In addition, paragraphs B65–B76 set out requirements on how foreign exchange differences, the gain or loss on the net monetary position, and gains and losses on derivatives and designated hedging instruments are classified in the categories.

Entities with specified main business activities

49 To classify income and expenses in the operating, investing and financing categories, an entity shall assess whether it has a specified main business activity—that is a main business activity of (see paragraphs B30–B41):

(a) investing in particular types of assets, referred to hereafter as investing in assets (see paragraph 53); or

(b) providing financing to customers.

50 Applying paragraphs 55–58 and 65–66, an entity with a specified main business activity classifies in the operating category some income and expenses that would have been classified in the investing or financing category if the activity were not a main business activity.

51 If an entity:

(a) invests in assets as a main business activity, it shall disclose that fact.

(b) provides financing to customers as a main business activity, it shall disclose that fact.

(c) identifies a different outcome from its assessment of whether it invests in assets or provides financing to customers as a main business activity (see paragraph B41), it shall disclose:

(i) the fact the outcome of the assessment has changed and the date of the change.

(ii) the amount and classification of items of income and expense before and after the date of the change in the outcome of the assessment in the current period and the amount and classification in the prior period for the items for which the classification has changed because of the changed outcome of the assessment, unless it is impracticable to do so. If an entity does not disclose the information because it is impracticable to do so, the entity shall disclose that fact.

The operating category

52 **An entity shall classify in the operating category all income and expenses included in the profit or loss section that are not classified in (see paragraph B42):**

(a) the investing category;

(b) the financing category;

(c) the income taxes category; or

(d) the discontinued operations category.

The investing category

53 **Except as required by paragraphs 55–58 for an entity that has a specified main business activity, an entity shall classify in the investing category income and expenses specified in paragraph 54 from:**

(a) investments in associates, joint ventures and unconsolidated subsidiaries (see paragraphs B43–B44);

(b) cash and cash equivalents; and

(c) other assets if they generate a return individually and largely independently of the entity's other resources (see paragraphs B45–B49).

54 **The income and expenses from the assets identified in paragraph 53 that an entity shall classify in the investing category comprise the amounts included in the profit or loss for (see paragraph B47):**

(a) the income generated by the assets;

(b) the income and expenses that arise from the initial and subsequent measurement of the assets, including on derecognition of the assets; and

(c) the incremental expenses directly attributable to the acquisition and disposal of the assets—for example, transaction costs and costs to sell the assets.

Entities with specified main business activities

55 For the assets specified in paragraph 53(a) (that is, investments in associates, joint ventures and unconsolidated subsidiaries) that an entity invests in as a main business activity (see paragraph B38), the entity shall classify the income and expenses specified in paragraph 54:

(a) in the investing category if the assets are accounted for applying the equity method (see paragraph B43(a); or

(b) in the operating category if the assets are not accounted for applying the equity method (see paragraphs B43(b)–(c) and B44(b)–(c)).

56 For the assets specified in paragraph 53(b) (that is, cash and cash equivalents), an entity shall classify the income and expenses specified in paragraph 54 in the investing category unless:

(a) it invests as a main business activity in financial assets within the scope of paragraph 53(c)—in which case it shall classify the income and expenses in the operating category.

(b) it does not meet the requirements in (a) but provides financing to customers as a main business activity—in which case it shall classify:

(i) the income and expenses from cash and cash equivalents that relate to providing financing to customers, for example cash and cash equivalents held for related regulatory requirements—in the operating category.

(ii) the income and expenses from cash and cash equivalents that do not relate to providing financing to customers—by applying an accounting policy choice to classify the income and expenses specified in paragraph 54 in the operating category or the investing category. The choice of accounting policy shall be consistent with that made by the entity for the purpose of the related accounting policy for income and expenses from liabilities in paragraph 65(a)(ii).

57 If an entity applying paragraph 56(b) cannot distinguish between the cash and cash equivalents described in paragraphs 56(b)(i) and 56(b)(ii), it shall apply the accounting policy choice in paragraph 56(b)(ii) to classify income and expenses from all cash and cash equivalents in the operating category.

58 For the assets specified in paragraph 53(c) (that is, other assets if they generate a return individually and largely independently of the entity's other resources) that an entity invests in as a main business activity (see paragraph B40), the entity shall classify the income and expenses specified in paragraph 54 in the operating category.

The financing category

59 To determine what income and expenses to classify in the financing category, an entity shall distinguish between:

(a) liabilities that arise from transactions that involve only the raising of finance (see paragraphs B50–B51); and

(b) liabilities other than those described in (a)—that is, liabilities that arise from transactions that do not involve only the raising of finance (see paragraph B53).

60 For the liabilities specified in paragraph 59(a) (that is, liabilities that arise from transactions that involve only the raising of finance), except as set out in paragraphs 63–66, an entity shall classify in the financing category the amounts included in the profit or loss for:

(a) income and expenses that arise from the initial and subsequent measurement of the liabilities, including on derecognition of the liabilities (see paragraph B52); and

(b) the incremental expenses directly attributable to the issue and extinguishment of the liabilities—for example, transaction costs.

61 For the liabilities specified in paragraph 59(b) (that is, liabilities that arise from transactions that do not involve only the raising of finance), except as set out in paragraphs 63–64, an entity shall classify in the financing category:

(a) interest income and expenses, but only if the entity identifies such income and expenses for the purpose of applying other requirements in Ind ASs; and

(b) income and expenses arising from changes in interest rates, but only if the entity identifies such income and expenses for the purpose of applying other requirements in Ind ASs.

62 Paragraphs B56–B57 set out how an entity shall apply the requirements in paragraphs 59–61 to hybrid contracts that contain a host that is a liability.

63 The requirements in paragraphs 60–61 do not apply to gains and losses on derivatives and designated hedging instruments. An entity shall apply paragraphs B70–B76 to classify such gains and losses.

64 An entity shall exclude from the financing category and classify in the operating category:

(a) income and expenses from issued investment contracts with participation features recognised applying Ind AS 109, *Financial Instruments* (see paragraph B58); and

(b) insurance finance income and expenses included in the profit or loss applying Ind AS 117, *Insurance Contracts*.

Entities with specified main business activities

65 If an entity provides financing to customers as a main business activity, it shall classify income and expenses (see paragraph B59):

(a) from the liabilities specified in paragraph 59(a) (that is, liabilities that arise from transactions that involve only the raising of finance):

(i) if the liabilities relate to providing financing to customers—in the operating category.

(ii) if the liabilities do not relate to providing financing to customers—by applying an accounting policy choice to classify the income and expenses specified in paragraph 60 in the operating category or the financing category. The choice of accounting policy shall be consistent with that made by the entity for the purpose of the related accounting policy for income and expenses from cash and cash equivalents in paragraph 56(b)(ii).

(b) from the liabilities specified in paragraph 59(b) (that is, liabilities that arise from transactions that do not involve only the raising of finance):

(i) if the income and expenses are specified in paragraph 61—in the financing category; or

(ii) if the income and expenses are not specified in paragraph 61—in the operating category.

66 If an entity applying paragraph 65(a) cannot distinguish between the liabilities described in paragraphs 65(a)(i) and 65(a)(ii), it shall apply the accounting policy choice in paragraph 65(a)(ii) to classify income and expenses from all such liabilities in the operating category.

The income taxes category

67 An entity shall classify in the income taxes category tax expense or tax income that is included in the profit or loss applying Ind AS 12, *Income Taxes*, and any related foreign exchange differences (see paragraphs B65–B68).

The discontinued operations category

68 An entity shall classify in the discontinued operations category income and expenses from discontinued operations as required by Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*.

Totals and subtotals to be presented in the profit or loss

69 An entity shall present totals and subtotals in the profit or loss section for:

(a) *operating profit or loss* (see paragraph 70);

(b) *profit or loss before financing and income taxes* (see paragraph 71), subject to paragraph 73; and

(c) profit or loss (see paragraph 72).

70 Operating profit or loss comprises all income and expenses classified in the operating category.

71 Profit or loss before financing and income taxes comprises:

(a) operating profit or loss; and

(b) all income and expenses classified in the investing category.

72 Profit or loss is the total of income less expenses included in the profit or loss section. Accordingly, it comprises all income and expenses classified in all categories in the profit or loss section (see paragraph 47).

73 An entity shall not apply paragraph 69(b) if it applies the accounting policy set out in paragraph 65(a)(ii) of classifying in the operating category income and expenses from liabilities that do not relate to the provision of financing to customers. However, such an entity shall apply paragraph 24 to determine whether to present an additional subtotal after operating profit and before the financing category. For example, the entity would present a subtotal for operating profit or loss and income and expenses from investments accounted for using the equity method if the entity determines doing so is necessary to provide a useful structured summary of its income and expenses.

74 If an entity described in paragraph 73 presents an additional subtotal comprising operating profit or loss and all income and expenses classified in the investing category, it shall not label the subtotal in a way that implies the subtotal excludes financing amounts, such as ‘profit before financing’. Applying paragraph 43, the entity shall label the subtotal in a way that faithfully represents the amounts included in the subtotal.

Items to be presented in the profit or loss or disclosed in the notes

75 **An entity shall present in the profit or loss line items for (see paragraph B77):**

(a) amounts required by this Standard, namely:

- **(i) revenue, presenting separately the line items described in (b)(i) and (c)(i);**
- **(ii) operating expenses, presenting separately line items as required by paragraphs 78 and 82(a);**
- **(iii) share of the profit or loss of associates and joint ventures accounted for using the equity method;**
- **(iv) income tax expense or income; and**
- **(v) a single amount for the total of discontinued operations (see Ind AS 105);**

(b) amounts required by Ind AS 109, namely:

- **(i) interest revenue calculated using the effective interest method;**
- **(ii) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of Ind AS 109;**
- **(iii) gains and losses arising from the derecognition of financial assets measured at amortised cost;**
- **(iv) any gain or loss arising from the difference between the fair value of a financial asset and its previous amortised cost at the date of reclassification from amortised cost measurement to measurement at fair value through profit or loss; and**
- **(v) any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss at the date of reclassification of a financial asset from measurement at fair value through other comprehensive income to measurement at fair value through profit or loss; and**

(c) amounts required by Ind AS 117, namely:

- **(i) insurance revenue;**
- **(ii) insurance service expenses from contracts issued within the scope of Ind AS 117;**
- **(iii) income or expenses from reinsurance contracts held;**
- **(iv) insurance finance income or expenses from contracts issued within the scope of Ind AS 117; and**
- **(v) finance income or expenses from reinsurance contracts held.**

76 An entity shall present in the profit or loss section (outside all the categories described in paragraph 47) an allocation of profit or loss for the reporting period attributable to:

(a) non-controlling interests; and

(b) *owners* of the parent.

77 Paragraphs B78–B79 set out requirements on how an entity uses its judgement to determine whether to present additional line items in the profit or loss or disclose items in the notes.

Presentation and disclosure of expenses classified in the operating category

78 In the operating category of the profit or loss section, an entity shall classify and present expenses in line items in a way that provides the most useful structured summary of its expenses, using one or both of these characteristics (see paragraphs B80–B85):

(a) the nature of expenses; or

(b) the function of the expenses within the entity.

79 Any individual line item shall comprise operating expenses aggregated on the basis of only one of these characteristics, but the same characteristic does not have to be used as the aggregation basis for all line items (see paragraph B81).

80 In classifying expenses by nature ('nature expenses'), an entity provides information about operating expenses related to the nature of the economic resources consumed to accomplish the entity's activities without reference to the activities in relation to which those economic resources were consumed. Such information includes information about raw material expense, employee benefit expense, depreciation and amortisation.

81 In classifying expenses by function within the entity, an entity allocates and aggregates operating expenses according to the activity to which the consumed resource relates. For example, cost of sales is a function line item that combines expenses relating to an entity's production or other revenue-generating activities such as: raw material expense, employee benefit expense, depreciation and amortisation. Therefore, when classifying expenses by function, an entity might:

(a) allocate to several function line items (such as cost of sales and research and development) expenses relating to economic resources of the same nature (such as employee benefit expense); and

(b) include in a single function line item an allocation of expenses relating to economic resources of several natures (such as raw material expense, employee benefit expense, depreciation and amortisation).

82 If an entity presents one or more line items comprising expenses classified by function in the operating category of the profit or loss, it shall:

(a) present a separate line item for its cost of sales, if the entity classifies operating expenses in functions that include a cost of sales function. That line item shall include the total of inventory expense described in paragraph 38 of Ind AS 2, *Inventories*.

(b) disclose a qualitative description of the nature of expenses included in each function line item.

83 An entity that presents one or more line items comprising expenses classified by function in the operating category of the profit or loss shall also disclose in a single note:

(a) the total for each of:

(i) depreciation, comprising the amounts required to be disclosed by paragraph 73(e)(vii) of Ind AS 16, *Property, Plant and Equipment*, paragraph 79(d)(iv) of Ind AS 40, *Investment Property* and paragraph 53(a) of Ind AS 116, *Leases*;

(ii) **amortisation, comprising the amount required to be disclosed by paragraph 118(e)(vi) of Ind AS 38, *Intangible Assets*;**

(iii) **employee benefits, comprising the amount for employee benefits recognised by an entity applying Ind AS 19, *Employee Benefits* and the amount for services received from employees recognised by an entity applying Ind AS 102, *Share-based Payment*;**

(iv) **impairment losses and reversals of impairment losses, comprising the amounts required to be disclosed by paragraphs 126(a) and 126(b) of Ind AS 36, *Impairment of Assets*; and**

(v) **write-downs and reversals of write-downs of inventories, comprising the amounts required to be disclosed by paragraphs 36(e) and 36(f) of Ind AS 2; and**

(b) **for each total listed in (a)(i)–(v):**

(i) **the amount related to each line item in the operating category (see paragraph B84); and**

(ii) **a list of any line items outside the operating category that also include amounts relating to the total.**

84 Paragraph 41 requires an entity to disaggregate items to provide material information. However, an entity that applies paragraph 83 is exempt from disclosing:

(a) in relation to function line items presented in the operating category of the profit or loss—disaggregated information about the amounts of nature expenses included in each line item, beyond the amounts specified in paragraph 83; and

(b) in relation to nature expenses specifically required by an Ind AS to be disclosed in the notes—disaggregated information about the amounts of the expenses included in each function line item presented in the operating category of the profit or loss, beyond the amounts specified in paragraph 83.

85 The exemption in paragraph 84 relates to disaggregation of operating expenses. However, it does not exempt an entity from applying specific disclosure requirements relating to those expenses in Ind ASs.

Statement of profit and loss

86 **An entity shall present in the statement of profit and loss totals for:**

(a) **profit or loss;**

(b) **other comprehensive income (see paragraphs B86–B87); and**

(c) **comprehensive income, being the total of profit or loss and other comprehensive income.**

87 **An entity shall present an allocation of comprehensive income for the reporting period attributable to:**

(a) **non-controlling interests; and**

(b) **owners of the parent.**

Other comprehensive income

88 **An entity shall classify income and expenses included in the other comprehensive income section of the statement of profit and loss in one of two categories:**

(a) **income and expenses that will be reclassified to profit or loss when specific conditions are met; and**

(b) income and expenses that will not be reclassified to profit or loss.

89 **An entity shall present, in each of the categories of the other comprehensive income section, line items for:**

(a) the share of other comprehensive income of associates and joint ventures accounted for using the equity method; and

(b) other items of other comprehensive income.

90 **An entity shall present in the other comprehensive income section or disclose in the notes *reclassification adjustments* relating to components of other comprehensive income (see paragraphs B88–B89).**

91 Other Ind ASs specify whether and when amounts previously included in other comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this Standard as reclassification adjustments. An entity includes a reclassification adjustment with the related component of other comprehensive income in the period that the adjustment is reclassified to profit or loss. An entity might have included these amounts in other comprehensive income as unrealised gains in the current or prior periods. An entity shall deduct them from other comprehensive income in the period in which the realised gains are reclassified to profit or loss to avoid including them in total comprehensive income twice.

92 An entity disclosing reclassification adjustments in the notes shall present in the other comprehensive income section the items of other comprehensive income after any related reclassification adjustments.

93 **An entity shall either present in the other comprehensive income section or disclose in the notes the amount of income taxes relating to each item of other comprehensive income, including reclassification adjustments (see paragraphs 61A and 63 of Ind AS 12).**

94 An entity may present items of other comprehensive income either:

(a) net of related tax effects; or

(b) before related tax effects, with one amount shown for the aggregate amount of income taxes relating to those items.

95 If an entity selects the alternative in paragraph 94(b), it shall allocate the tax between the categories set out in paragraph 88.

Balance Sheet

Classification of assets and liabilities as current or non-current

96 **An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet in accordance with paragraphs 99–102 except when a presentation based on liquidity provides a more useful structured summary. When that exception applies, an entity shall present all assets and liabilities in order of liquidity (see paragraphs B90–B93).**

97 **Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than 12 months for each asset and liability line item that combines amounts expected to be recovered or settled:**

(a) no more than 12 months after the reporting period; and

(b) more than 12 months after the reporting period.

98 **When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its balance sheet, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).**

Current assets

99 **An entity shall classify an asset as current when (see paragraphs B94–B95):**

(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within 12 months after the reporting period; or

(d) the asset is cash or a cash equivalent (as defined in Ind AS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

100 An entity shall classify all assets other than those specified in paragraph 99 as non-current.

Current liabilities

101 **An entity shall classify a liability as current when:**

(a) it expects to settle the liability in its normal operating cycle (see paragraphs B96 and B107–B108);

(b) it holds the liability primarily for the purpose of trading (see paragraph B97);

(c) the liability is due to be settled within 12 months after the reporting period (see paragraphs B97–B98 and B107–B108); or

(d) it does not have the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period (see paragraphs B99–B108).

102 An entity shall classify all liabilities other than those specified in paragraph 101 as non-current.

Items to be presented in the balance sheet or disclosed in the notes

103 **An entity shall present in the balance sheet line items for:**

(a) property, plant and equipment;

(b) investment property;

(c) intangible assets;

(d) goodwill;

(e) financial assets (excluding amounts shown under (g), (j) and (k));

(f) portfolios of contracts within the scope of Ind AS 117 that are assets, disaggregated as required by paragraph 78 of Ind AS 117;

(g) investments accounted for using the equity method;

(h) biological assets within the scope of Ind AS 41, *Agriculture*;

(i) inventories;

(j) trade and other receivables;

(k) cash and cash equivalents;

(l) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with Ind AS 105;

(m) trade and other payables;

(n) provisions;

(o) financial liabilities (excluding amounts shown under (m) and (n));

(p) **portfolios of contracts within the scope of Ind AS 117 that are liabilities, disaggregated as required by paragraph 78 of Ind AS 117;**

(q) **liabilities and assets for current tax, as defined in Ind AS 12;**

(r) **deferred tax liabilities and deferred tax assets, as defined in Ind AS 12; and**

(s) **liabilities included in disposal groups classified as held for sale in accordance with Ind AS 105.**

104 An entity shall present in the balance sheet:

(a) **non-controlling interests; and**

(b) **issued capital and reserves attributable to owners of the parent.**

105 Paragraphs B109–B111 set out requirements on how an entity uses its judgement to determine whether to present additional line items in the balance sheet or disclose items in the notes.

106 Subject to paragraph 96, this Standard does not prescribe the order or format in which an entity presents items in the balance sheet. In addition, the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide a useful structured summary of the entity's assets, liabilities and equity. For example, a financial institution may amend the descriptions in paragraph 103 to provide a useful structured summary of the assets, liabilities and equity of a financial institution.

Statement of changes in equity

Information to be presented in the statement of changes in equity

107 An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity shall include:

(a) **total comprehensive income for the reporting period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;**

(b) **for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with Ind AS 8; and**

(c) **for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (as a minimum) presenting changes resulting from:**

    (i) **profit or loss;**

    (ii) **other comprehensive income;**

    (iii) **transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control; and**

    (iv) **any item recognised directly in equity such as amount recognised directly in equity as capital reserve in accordance with paragraph 36A of Ind AS 103.**

108 Ind AS 8 requires retrospective adjustments for changes in accounting policies, to the extent practicable, except when the transition requirements in another Ind AS require otherwise. Ind AS 8 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity, but they are adjustments to the opening balance of retained earnings, except when Ind ASs require retrospective adjustment of another component of equity. Paragraph 107(b) requires an entity to present in the statement of changes in equity the total adjustment to each component of equity resulting from changes in accounting policies and, separately, from corrections of errors. An entity shall present these adjustments for each prior reporting period and the beginning of the period.

Information to be presented in the statement of changes in equity or disclosed in the notes

109 For each component of equity an entity shall either present in the statement of changes in equity or disclose in the notes an analysis of other comprehensive income by item (see paragraph 107(c)(ii)).

110 An entity shall either present in the statement of changes in equity or disclose in the notes the amount of dividends recognised as distributions to owners during the reporting period, and the related amount of dividends per share.

111 In paragraph 107, the components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings.

112 Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners in their capacity as owners (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends), transaction costs directly related to such transactions and gain on bargain purchase recognised directly in equity as capital reserve, the overall change in equity during a period represents the total amount of income and expenses, including gains and losses, generated by the entity's activities during that period.

Notes

Structure

113 An entity shall disclose in the notes:

(a) information about the basis of preparation of the financial statements (see paragraphs 6A–6N of Ind AS 8) and the specific accounting policies used (see paragraphs 27A–27I of Ind AS 8);

(b) information required by Ind ASs that is not presented in the primary financial statements; and

(c) other information that is not presented in the primary financial statements, but is necessary for an understanding of any of them (see paragraph 20).

114 An entity shall, as far as practicable, present notes in a systematic manner (see paragraph B112). In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. An entity shall cross-reference each item in the primary financial statements to any related information in the notes. If amounts disclosed in the notes are included in one or more line items in the primary financial statements, an entity shall disclose in the note the line item(s) in which the amounts are included.

115 An entity may disclose notes providing information about the basis of preparation of the financial statements and specific accounting policies used in a separate section of the financial statements.

116 If not disclosed elsewhere in information published with the financial statements, an entity shall disclose in the notes:

(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);

(b) a description of the nature of the entity's operations and its principal activities;

(c) the name of the parent and the ultimate parent of the group; and

(d) **if it is a limited-life entity, information regarding the length of its life.**

Management-defined performance measures

Identification of management-defined performance measures

117 A *management-defined performance measure* is a subtotal of income and expenses that (see paragraphs B113–B122):

(a) an entity uses in public communications outside financial statements;

(b) an entity uses to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole; and

(c) is not listed in paragraph 118, or specifically required to be presented or disclosed by Ind ASs.

118 Subtotals of income and expenses that are not management-defined performance measures are:

(a) gross profit or loss (revenue minus cost of sales) and similar subtotals (see paragraph B123);

(b) operating profit or loss before depreciation, amortisation and impairments within the scope of Ind AS 36;

(c) operating profit or loss and income and expenses from all investments accounted for using the equity method;

(d) for an entity that applies paragraph 73, a subtotal comprising operating profit or loss and all income and expenses classified in the investing category;

(e) profit or loss before income taxes; and

(f) profit or loss from continuing operations.

119 An entity shall presume that a subtotal of income and expenses that it uses in public communications outside its financial statements communicates to users of financial statements management's view of an aspect of the financial performance of the entity as a whole, unless, applying paragraph 120, the entity rebuts the presumption.

120 An entity is permitted to rebut the presumption described in paragraph 119 and assert that a subtotal does not communicate management's view of an aspect of the financial performance of the entity as a whole, but only if it has reasonable and supportable information available that demonstrates the basis for the assertion (see paragraphs B124–B131).

Disclosure of management-defined performance measures

121 The objective of the disclosures for management-defined performance measures is for an entity to provide information to help a user of financial statements understand:

(a) the aspect of financial performance that, in management's view, is communicated by a management-defined performance measure; and

(b) how the management-defined performance measure compares with the measures defined by Ind ASs.

122 An entity shall disclose information about all measures that meet the definition of management-defined performance measures in paragraph 117 in a single note (see paragraphs B132–B133). This note shall include a statement that the management-defined performance measures provide management's view of an aspect of the financial performance of the entity as a whole and are not necessarily comparable with measures sharing similar labels or descriptions provided by other entities.

123 An entity shall label and describe each management-defined performance measure in a clear and understandable manner that does not mislead users of financial statements (see

paragraphs B134–B135). For each management-defined performance measure, the entity shall disclose:

(a) a description of the aspect of financial performance that, in management's view, is communicated by the management-defined performance measure. This description shall include explanations of why, in management's view, the management-defined performance measure provides useful information about the entity's financial performance.

(b) how the management-defined performance measure is calculated.

(c) a reconciliation between the management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 or total or subtotal specifically required to be presented or disclosed by Ind ASs (see paragraphs B136–B140).

(d) the income tax effect (determined by applying paragraph B141) and the effect on non-controlling interests for each item disclosed in the reconciliation required by (c).

(e) a description of how the entity applies paragraph B141 to determine the income tax effect required by (d).

124 If an entity changes how it calculates a management-defined performance measure, adds a new management-defined performance measure, ceases using a previously disclosed management-defined performance measure or changes how it determines the income tax effects of the reconciling items required by paragraph 123(d), it shall disclose:

(a) an explanation that enables users of financial statements to understand the change, addition or cessation and its effects.

(b) the reasons for the change, addition or cessation.

(c) restated comparative information to reflect the change, addition or cessation unless it is impracticable to do so. An entity's selection of a management-defined performance measure is not an accounting policy choice. Nonetheless, in assessing whether restating the comparative information is impracticable, an entity shall apply the requirements in paragraphs 50–53 of Ind AS 8.

125 If an entity does not disclose the restated comparative information required by paragraph 124(c) because it is impracticable to do so, it shall disclose that fact.

Capital

126 An entity shall disclose in the notes information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

127 To comply with paragraph 126 an entity shall disclose in the notes:

(a) qualitative information about its objectives, policies and processes for managing capital, including:

  (i) a description of what it manages as capital;

  (ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and

  (iii) how it is meeting its objectives for managing capital.

(b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (for example, some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (for example, components arising from cash flow hedges).

(c) any changes in (a) and (b) from the preceding reporting period.

(d) whether during the reporting period it complied with any externally imposed capital requirements to which it is subject.

(e) when it has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

128 An entity shall base the note disclosures in paragraph 127 on the information provided internally to key management personnel.

129 An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or would distort a financial statement user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

Other disclosures

130 An entity shall either present in the balance sheet or the statement of changes in equity or disclose in the notes:

(a) for each class of share capital:

(i) the number of shares authorised;

(ii) the number of shares issued and fully paid, and issued but not fully paid;

(iii) par value per share, or a statement that the shares have no par value;

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;

(v) the rights, preferences and restrictions attaching to that class, including restrictions on the distribution of dividends and the repayment of capital;

(vi) shares in the entity held by the entity or by its subsidiaries or associates; and

(vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and

(b) a description of the nature and purpose of each reserve within equity.

131 An entity without share capital, such as a trust or whose capital is not limited by shares eg, a company limited by guarantee, shall disclose information equivalent to that required by paragraph 130(a), showing changes during the reporting period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.

132 An entity shall disclose in the notes:

(a) the amount of dividends proposed or declared before the financial statements were approved for issue but not recognised as a distribution to owners during the reporting period, and the related amount per share; and

(b) the amount of any cumulative preference dividends not recognised.

Appendix A
Defined terms

This appendix is an integral part of the Ind AS.

aggregation	The adding together of assets, liabilities, equity, income, expenses or cash flows that share characteristics and are included in the same classification.
classification	The sorting of assets, liabilities, equity, income, expenses and cash flows based on shared characteristics.
disaggregation	The separation of an item into component parts that have characteristics that are not shared.
general purpose financial reports	Reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. Those decisions involve decisions about: (a) buying, selling or holding equity and debt instruments; (b) providing or selling loans and other forms of credit; or (c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources. General purpose financial reports include—but are not restricted to—an entity's general purpose financial statements and sustainability-related financial disclosures.
general purpose financial statements	A particular form of *general purpose financial reports* that provide information about the reporting entity's assets, liabilities, equity, income and expenses.
Indian Accounting Standards	Accounting standards prescribed under Section 133 of the Companies Act, 2013.
management-defined performance measure	A subtotal of income and expenses that: (a) an entity uses in public communications outside financial statements; (b) an entity uses to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole; and (c) is not listed in paragraph 118 of Ind AS 118, or specifically required to be presented or disclosed by Ind ASs.
material information	Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
Notes	Information in financial statements provided in addition to that presented in the primary financial statements.
operating profit or loss	The total of all income and expenses classified in the operating category.
other comprehensive income	Items of income and expense (including reclassification adjustments) that are recognised outside profit or loss as required or permitted by other Ind ASs.

Owners	Holders of claims classified as equity.
primary financial statements	The statement of profit and loss, the balance sheet, the statement of changes in equity and the statement of cash flows.
profit or loss	The total of income less expenses included in the profit or loss section of the statement of profit and loss.
profit or loss before financing and income taxes	The total of operating profit or loss and all income and expenses classified in the investing category.
reclassification adjustments	Amounts reclassified to profit or loss in the current reporting period that were included in other comprehensive income in the current or prior periods.
total comprehensive income	The change in equity during a reporting period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners.
useful structured summary	A structured summary provided in a primary financial statement of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows that is useful for: (a) obtaining an understandable overview of the entity's recognised assets, liabilities, equity, income, expenses and cash flows; (b) making comparisons between entities, and between reporting periods for the same entity; and (c) identifying items or areas about which users of financial statements may wish to seek additional information in the notes.

Appendix B
Application guidance

This appendix is an integral part of the Ind AS. It describes the application of paragraphs 1–132 and has the same authority as the other parts of the Ind AS.

General requirements for financial statements

Materiality

B1 Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

B2 Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

B3 Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

(a) material information about an item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

(b) material information about an item, transaction or other event is scattered throughout the financial statements;

(c) dissimilar items, transactions or other events are inappropriately aggregated;

(d) similar items, transactions or other events are inappropriately disaggregated; and

(e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

B4 Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

B5 Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

The roles of the primary financial statements and the notes

B6 Applying paragraph 17(a), an entity provides in the notes information necessary for users of financial statements to understand the line items presented in the primary financial statements. Examples of such information include:

(a) disaggregation of the line items presented in the primary financial statements;

(b) descriptions of the characteristics of the line items presented in the primary financial statements; and

(c) information about the methods, assumptions and judgements used in recognising, measuring and presenting the items included in the primary financial statements.

B7 Applying paragraph 17(b), an entity supplements the primary financial statements with additional information necessary to achieve the objective of financial statements—that is:

(a) information specifically required by Ind ASs (see paragraph 19)—for example:

(i) information required by Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets* about an entity's unrecognised contingent assets and contingent liabilities; and

(ii) information required by Ind AS 107, *Financial Instruments: Disclosures* about an entity's exposure to various types of risks, such as credit risk, liquidity risk and market risk; and

(b) information additional to that specifically required by Ind ASs (see paragraph 20).

Information presented in the primary financial statements

B8 Paragraph 23 explains that an entity need not present separately a line item in a primary financial statement if doing so is not necessary for the statement to provide a useful structured summary, even if the line item is required by Ind ASs. For example, an entity need not present a line item listed in paragraph 75 if doing so is not necessary for the profit or loss to provide a useful structured summary of income and expenses, or a line item listed in paragraph 103 if doing so is not necessary for the balance sheet to provide a useful structured summary of assets, liabilities and equity. If an entity does not present the line items listed in paragraphs 75 and 103, it shall disclose the items in the notes if the resulting information is material (see paragraph 42).

B9 Conversely, applying paragraph 24, an entity shall present additional line items to those listed in paragraphs 75 and 103 if such presentations are necessary for the profit or loss to provide a useful structured summary of income and expenses or for the balance sheet to provide a useful structured summary of assets, liabilities and equity (see paragraphs B78–B79 and B109–B111).

Identification of the financial statements

B10 Paragraph 25 requires an entity to clearly identify the financial statements and distinguish them from other information in the same published document. An entity meets these requirements by providing appropriate headings for pages, statements, notes, columns and the like. Judgement is required in determining the best way of providing such information. For example, if an entity provides the financial statements electronically, an entity considers other ways to meet the requirements—for example, by appropriate digital tagging of information provided in the financial statements.

B11 An entity often makes financial statements more understandable by providing information in thousands, lakhs, millions, or crores of units of the presentation currency. This practice is acceptable as long as the entity discloses the level of rounding and does not omit material information.

Consistency of presentation, disclosure and classification

B12 Paragraph 30(a) requires an entity to change the presentation, disclosure or classification of items in the financial statements if it is apparent that another presentation, disclosure or classification would be more appropriate. For example, a significant acquisition or disposal, or a review of the financial statements, might suggest that the financial statements need to be changed. An entity is permitted to change the presentation, disclosure or classification of items in its financial statements only if the change provides information that is more useful to users of financial statements and if the entity is likely to continue using the revised presentation, disclosure or classification, so that inter-period comparability is not impaired. When making such changes, an entity reclassifies its comparative information in accordance with paragraphs 33–34.

Comparative information

Required comparative information

B13 In some cases, narrative information provided in the financial statements for the preceding reporting period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users of financial statements might benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from the disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

Additional comparative information

B14 An entity may provide comparative information in addition to the comparative information required by Ind ASs, as long as that information is prepared in accordance with Ind ASs. This additional comparative information may consist of one or more of the primary financial statements referred to in paragraph 10, but need not comprise a complete set of financial statements. When this is the case, the entity shall disclose in the notes information for those additional primary financial statements.

B15 For example, an entity may present a third statement of profit and loss (thereby presenting the current reporting period, the preceding period and one additional comparative period). However, the entity is not required to present a third balance sheet, a third statement of cash flows or a third statement of changes in equity (that is, an additional primary financial statement comparative). The entity is required to disclose in the notes the comparative information related to that additional statement of profit and loss.

Aggregation and disaggregation

Principles of aggregation and disaggregation

Process of aggregation and disaggregation

B16 Financial statements result from entities processing large numbers of transactions and other events. These transactions and other events give rise to assets, liabilities, equity, income, expenses and cash flows.

B17 To apply the requirements in paragraph 41, an entity shall aggregate items based on shared characteristics (that is, aggregate items that have similar characteristics) and disaggregate items based on characteristics that are not shared (that is, disaggregate items that have dissimilar characteristics). In doing so, an entity shall:

(a) identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events;

(b) classify and aggregate assets, liabilities, equity, income, expenses and cash flows into items based on their characteristics (for example, their nature, their function, their measurement basis or another characteristic) so as to result in the presentation in the primary financial statements of line items and disclosure in the notes of items that have at least one similar characteristic; and

(c) disaggregate items based on dissimilar characteristics:

 (i) in the primary financial statements, as necessary to provide useful structured summaries (as described in paragraph 16); and

 (ii) in the notes, as necessary to provide material information (as described in paragraph 17).

B18 An entity may apply the steps in paragraphs B17(a)–B17(c) in varying order to apply the principles of aggregation and disaggregation in paragraph 41.

Basis of aggregation and disaggregation

B19 Paragraphs B16–B18 explain that an entity uses its judgement to aggregate and disaggregate assets, liabilities, equity, income, expenses and cash flows from individual transactions and other events based on similar and dissimilar characteristics. Paragraphs B78 and B110 set out examples of characteristics an entity considers in making its judgements.

B20 The more similar the characteristics of assets, liabilities, equity, income, expenses and cash flows are, the more likely it is that aggregating them will fulfil the role of the primary financial statements (that is, to provide useful structured summaries as described in paragraph 16) or the notes (that is, to provide material information as described in paragraph 17). The more dissimilar the characteristics of assets, liabilities, equity, income, expenses and cash flows are, the more likely it is that disaggregating the items will fulfil the roles of the primary financial statements or the notes.

B21 The items aggregated and presented as line items in the primary financial statements shall have at least one similar characteristic other than meeting the definition of assets, liabilities, equity, income, expenses or cash flows. However, because the role of the primary financial statements is to provide useful structured summaries, the line items in the primary financial statements are also likely to aggregate items that have sufficiently dissimilar characteristics that information about the disaggregated items is material.

B22 Applying paragraph 41, an entity shall disaggregate items that have dissimilar characteristics when the resulting information is material. A single dissimilar characteristic could result in information about disaggregated items being material.

B23 For example, an entity might present in the balance sheet financial assets that comprise equity investments and debt investments separately from non-financial assets. The financial assets have dissimilar characteristics because they have different measurement bases—some are measured at fair value through profit or loss and others at amortised cost. The entity might therefore determine that to provide a useful structured summary it is necessary to present line items that disaggregate the financial assets based on those measurement bases. That disaggregation results in a line item comprising equity investments and debt investments measured at fair value through profit or loss and a line item comprising debt investments measured at amortised cost. Because equity investments are dissimilar to debt investments in that each exposes the entity to different risks, the entity would assess whether further disaggregation in the balance sheet of financial assets measured at fair value through profit or loss into equity investments and debt investments is needed to provide a useful structured summary. If not, and if the resulting information were material, the entity would need to disclose in the notes the equity investments separately from the debt investments. In addition if, for example, the equity investments had other dissimilar characteristics, the entity would be required to disaggregate further those equity investments in the notes if the resulting information were material.

Description of items

B24 Paragraph 43 requires an entity to label and describe items presented or disclosed in a way that faithfully represents the characteristics of the item. Such items will often be aggregations of items arising from individual transactions or other events and could vary in whether they are aggregations of items for which information is material and items for which information is immaterial. Specifically, in either the primary financial statements or in the notes:

(a) an item for which information is material could be aggregated with other items for which information is also material—an entity might provide such an aggregation to summarise information but would also be required to disclose information about each item;

(b) an item for which information is material could be aggregated with items for which information is not material—an entity would be required to provide information about disaggregated items only if immaterial information obscured the material information; or

(c) an item for which information is not material could be aggregated with other items for which information is not material—an entity might provide such an aggregation to complete a list of items and would not be required to disclose information about disaggregated items, subject to paragraph B26(b).

B25 An entity shall label items presented or disclosed as 'other' only if it cannot find a more informative label. Examples of how an entity might find a more informative label are:

(a) if an item for which information is material is aggregated with items for which information is not material, finding a label that describes the item for which information is material; and

(b) if items for which information is not material are aggregated:

(i) aggregating items that share similar characteristics and describing them in a way that faithfully represents the similar characteristics; or

(ii) aggregating items with other items that do not share similar characteristics and describing them in a way that faithfully represents the dissimilar characteristics of the items.

B26 If an entity cannot find a more informative label than 'other':

(a) for any aggregation—the entity shall use a label that describes the aggregated item as precisely as possible, for example, 'other operating expenses' or 'other finance expenses'.

(b) for an aggregation comprising only items for which information is not material—the entity shall consider whether the aggregated amount is sufficiently large that users of financial statements might reasonably question whether it includes items for which information could be material. If so, information to resolve that question is material information. Accordingly, in such cases, the entity shall disclose further information about the amount—for example:

(i) an explanation that no items for which information would be material are included in the amount; or

(ii) an explanation that the amount comprises several items for which information would not be material, with an indication of the nature and amount of the largest item.

Offsetting

B27 Paragraph 44 prohibits an entity from offsetting assets and liabilities or income and expenses unless required or permitted by an Ind AS. For example, Ind AS 115, *Revenue from Contracts with Customers* requires an entity to measure revenue from contracts with customers at the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services. The amount of revenue recognised reflects any trade discounts and volume rebates the entity allows. In contrast, an entity might undertake, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The entity would present in the primary financial statements or disclose in the notes the results of such transactions, when this presentation or disclosure 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 in the primary financial statements or discloses in the notes gains and losses on the disposal of non-current assets by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses; and

(b) an entity may net expenditure related to a provision that is recognised in accordance with Ind AS 37 and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement.

B28 In addition, an entity presents on a net basis gains and losses arising from a group of similar transactions—for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading that are included in the same category of the statement of profit and loss applying paragraphs 47–68. However, an entity shall disclose such gains and losses separately in the notes if doing so provides material information.

Profit or loss

Categories in the profit or loss

B29 Paragraph 47 requires an entity to classify income and expenses included in the profit or loss section of the Statement of profit and loss in one of five categories. The operating category comprises all income and expenses included in the profit or loss section that are not classified in the other categories (see paragraph 52). Income and expenses classified in the discontinued operations category applying paragraph 68 are not subject to the requirements for classifying items of income and expense in the categories listed in paragraphs 47(a)–(d). Income and expenses classified in the income taxes category applying paragraph 67 are not subject to the requirements for classifying items of income and expense in the categories listed in paragraphs 47(a)–(c).

Assessment of specified main business activities

B30 Paragraph 49 requires an entity to assess whether it invests in assets or provides financing to customers as a main business activity. An entity may have more than one main business activity. For example, an entity that manufactures a product and also provides financing to customers may determine that both its manufacturing activity and customer-finance activity are main business activities. To classify income and expenses into the categories of operating, investing and financing as required by this Standard, an entity need only determine whether either of, or both, investing in assets and providing financing to customers are main business activities.

B31 Examples of entities that might invest in assets as a main business activity include:

(a) investment entities as defined by Ind AS 110, *Consolidated Financial Statements*;

(b) investment property companies; and

(c) insurers.

B32 Examples of entities that might provide financing to customers as a main business activity include:

(a) banks and other lending institutions;

(b) entities that provide financing to customers to enable those customers to buy the entity's products; and

(c) lessors that provide financing to customers in finance leases.

B33 Whether investing in assets or providing financing to customers is a main business activity of the entity is a matter of fact and not merely an assertion. An entity shall use its judgement to assess whether investing in assets or providing financing to customers is a main business activity and that assessment shall be based on evidence.

B34 In general, investing in assets or providing financing to customers is likely to be a main business activity of an entity if the entity uses a particular type of subtotal as an important indicator of operating performance. The particular type of subtotal is a subtotal similar to gross profit (see paragraph B123) that includes income and expenses that would be classified in the investing or financing categories if investing in assets or providing financing to customers were not main business activities.

B35 Evidence that subtotals similar to gross profit described in paragraph B123 are important indicators of operating performance includes using such subtotals to:

(a) explain operating performance externally; or

(b) assess or monitor operating performance internally.

B36 Information about segments may provide evidence that investing in assets or providing financing to customers is a main business activity if an entity applies Ind AS 108, *Operating Segments*. Specifically:

(a) if a reportable segment comprises a single business activity, this indicates that the performance of the reportable segment is an important indicator of the entity's operating performance and that the business activity of the reportable segment is a main business activity of the entity; and

(b) if an operating segment comprises a single business activity, this indicates that the business activity might be a main business activity of the entity if the performance of the operating segment is an important indicator of the entity's operating performance as described in paragraph B34.

B37 An entity shall assess whether investing in assets or providing financing to customers is a main business activity for the reporting entity as a whole. Accordingly, the assessment of whether investing in assets or providing financing to customers is a main business activity by a reporting entity that is a consolidated group and a reporting entity that is one of the subsidiaries in the consolidated group could have different outcomes.

B38 An entity shall assess whether it invests as a main business activity in associates, joint ventures and unconsolidated subsidiaries not accounted for using the equity method (see paragraphs B43(b)–(c) and B44(b)–(c)) by individual asset or using groups of assets with shared characteristics. If an entity prepares separate financial statements as specified in Ind AS 27, *Separate Financial Statements* and performs the assessment for groups of assets, the entity shall use groups of assets that are consistent with the categories used to determine their measurement basis applying paragraph 10 of Ind AS 27. An entity need not assess whether it invests as a main business activity in associates and joint ventures accounted for using the equity method (see paragraphs B43(a)) because it is required to classify the income and expenses from those investments in the investing category (see paragraph 55(a)).

B39 An entity need not assess whether it invests as a main business activity in cash and cash equivalents (see paragraph 53(b)). An entity is required to classify income and expenses from cash and cash equivalents in the investing category unless paragraphs 56(a) or 56(b) apply.

B40 An entity shall assess whether it invests as a main business activity in other assets that generate a return individually and largely independently of the entity's other resources (see paragraph 53(c)) by assessing an individual asset or groups of assets with shared characteristics. When performing the assessment for groups of financial assets an entity shall use groups of financial assets that are consistent with the classes of financial assets identified by the entity in applying paragraph 6 of Ind AS 107.

B41 An entity shall assess whether investing in assets or providing financing to customers is a main business activity based on the facts at the time, so a change in the outcome of the assessment does not change the outcome of the previous assessments. Accordingly, an entity classifies and presents income and expenses applying the change in the outcome of the assessment prospectively from the date of the change and does not reclassify amounts presented before the date of the change. Unless it is impracticable to do so, paragraph 51(c)(ii) requires an entity to disclose the amount and classification of items of income and expense before and after the date of the change in the outcome of the assessment in the current period and the amount and classification in the prior period for items for which the classification has changed because of the change in the outcome of the assessment.

Operating

B42 The requirements in paragraphs 47–66 result in an entity classifying income and expenses from its main business activities in the operating category of the profit or loss, except for any such income and expenses from investments accounted for using the equity method. Furthermore, the operating category is not limited to income and expenses from an entity's main business activities. It includes all income and expenses that are not classified by an entity in the other categories applying paragraphs 53–68, including such income or expenses that are volatile or non-recurring.

Investing

Investments in associates, joint ventures and unconsolidated subsidiaries

B43 Paragraphs 53 and 55 set out requirements for the classification of income and expenses from investments in associates and joint ventures. These investments comprise:

(a) investments in associates and joint ventures accounted for using the equity method in accordance with paragraph 16 of Ind AS 28, *Investments in Associates and Joint Ventures*;

(b) investments in associates and joint ventures (or a portion thereof) that an entity elects to measure at fair value through profit or loss in accordance with Ind AS 109 applying paragraphs 18–19 of Ind AS 28 and paragraph 11 of Ind AS 27; and

(c) investments in associates and joint ventures in separate financial statements that are accounted for at cost applying paragraph 10(a) of Ind AS 27 or in accordance with Ind AS 109 applying paragraph 10(b) of Ind AS 27.

B44 Paragraphs 53 and 55 also set out requirements for the classification of income and expenses from unconsolidated subsidiaries. Investments in unconsolidated subsidiaries comprise:

(a) (Refer Appendix 1);

(b) investments in subsidiaries held by an investment entity that are measured at fair value through profit or loss in accordance with paragraph 31 of Ind AS 110 and paragraph 11A of Ind AS 27; and

(c) investments in subsidiaries in separate financial statements that are accounted for at cost applying paragraph 10(a) of Ind AS 27 or in accordance with Ind AS 109 applying paragraph 10(b) of Ind AS 27.

Assets that generate a return individually and largely independently of the entity's other resources

B45 Paragraph 53(c) requires an entity to identify assets that generate a return individually and largely independently of the entity's other resources. The return could be positive or negative.

B46 Assets that generate a return individually and largely independently of the entity's other resources in paragraph 53(c) typically include:

(a) debt or equity investments; and

(b) investment properties, and receivables for rent generated by those properties.

B47 Income and expenses specified in paragraph 54 from such assets typically include:

(a) interest;

(b) dividends;

(c) rental income;

(d) depreciation;

(e) impairment losses and reversals of impairment losses;

(f) fair value gains and losses; and

(g) income and expenses from the derecognition of the asset, or its classification and remeasurement as held for sale (see paragraphs B60–B64).

Assets that do not generate a return individually and largely independently of the entity's other resources

B48 Assets that an entity uses in combination to produce or supply goods or services do not generate a return individually and largely independently of the entity's other resources. Such assets typically include:

(a) property, plant and equipment;

(b) assets that arise from the production or supply of goods and services for which the income and expenses are classified in the operating category (for example, receivables for such goods and services); and

(c) if the entity provides financing to customers as a main business activity, any loans to a customer.

B49 Income and expenses from the assets described in paragraph B48 are classified in the operating category—for example:

(a) revenue for goods or services produced or supplied by the entity using a combination of assets;

(b) interest income;

(c) depreciation and amortisation;

(d) impairment losses and reversals of impairment losses;

(e) income and expenses from the derecognition of the asset, or its classification and remeasurement as held for sale (see paragraphs B60–B64); and

(f) income and expenses arising on a business combination that includes assets that will give rise to income and expenses that will be classified in the operating category, such as remeasurements of contingent consideration.

Financing

Liabilities arising from transactions that involve only the raising of finance

B50 Paragraph 59(a) requires an entity to identify liabilities that arise from transactions that involve only the raising of finance. In such transactions, an entity:

(a) receives finance in the form of cash, or an extinguishment of a financial liability, or receipt of the entity's own equity instruments; and

(b) at a later date, will return in exchange cash or its own equity instruments.

B51 Liabilities arising from transactions that involve only the raising of finance include:

(a) a debt instrument that will be settled in cash, such as debentures, loans, notes, bonds and mortgages—an entity receives cash and will return cash in exchange;

(b) a liability under a supplier finance arrangement when the payable for goods or services is derecognised—an entity is discharged of the financial liability for the goods or services and will return cash in exchange;

(c) a bond that will be settled through delivery of an entity's shares—an entity receives cash and will return its own equity instruments in exchange; and

(d) an obligation for an entity to purchase its own equity instruments—an entity receives its own equity instruments and will return cash in exchange.

B52 Examples of income and expenses from such liabilities that paragraph 60 requires an entity to classify in the financing category include:

(a) interest expenses (for example, on debt instruments issued);

(b) fair value gains and losses (for example, on a liability designated at fair value through profit or loss);

(c) dividends on issued shares classified as liabilities; and

(d) income and expenses from the derecognition of the liability (see paragraph B61).

Liabilities arising from transactions that do not involve only the raising of finance

B53 Paragraph 59(b) requires an entity to identify liabilities that arise from transactions that do not involve only the raising of finance. Such liabilities include:

(a) payables for goods or services that will be settled in cash—an entity receives goods or services, not finance in the form described in paragraph B50(a);

(b) contract liabilities—an entity will return goods and services, not cash or its own equity instruments as described in paragraph B50(b);

(c) lease liabilities—an entity receives a right-of-use asset, not finance in the form described in paragraph B50(a);

(d) defined benefit pension liabilities—an entity receives employee services, not finance in the form described in paragraph B50(a);

(e) decommissioning or asset restoration provisions—an entity receives an asset that is not finance in the form described in paragraph B50(a); and

(f) a litigation provision—an entity does not receive finance as described in paragraph B50(a).

B54 Examples of income and expenses from such liabilities that paragraph 61 requires an entity to classify in the financing category include:

(a) interest expenses on payables arising from the purchase of goods or services, applying Ind AS 109;

(b) interest expenses on a contract liability with a significant financing component as specified by Ind AS 115;

(c) interest expenses on a lease liability, applying Ind AS 116;

(d) net interest expense (income) on a net defined benefit liability (asset), applying Ind AS 19; and

(e) the increase in the discounted amount of a provision arising from the passage of time and the effect of any change in the discount rate on provisions, applying Ind AS 37.

B55 Examples of income and expenses that arise from transactions that do not involve only the raising of finance but that are not in the scope of paragraph 61, and accordingly are classified in the operating category, include:

(a) expenses recognised for consumption of the purchased goods or services described in paragraph B54(a);

(b) current and past service cost arising from a defined benefit plan, applying Ind AS 19; and

(c) remeasurements of the fair value of a liability for contingent consideration in a business combination recognised applying Ind AS 103, *Business Combinations*.

Classification of income and expenses from hybrid contracts containing a host that is a liability

B56 How an entity classifies income and expenses from a hybrid contract with a host that is a liability depends on whether the embedded derivative is separated from the host contract. If the embedded derivative:

(a) is separated from the host liability:

(i) for the separated host liability—an entity applies the requirements for income and expenses from liabilities, as specified in paragraphs 52, 59–61, 64(b) and 65–66; and

(ii) for the separated embedded derivative—an entity applies the requirements for income and expenses from derivatives, as specified in paragraphs B70–B76;

(b) is not separated from the host liability and if the hybrid contract arises from a transaction that involves only the raising of finance—an entity applies the requirements for liabilities that arise from such transactions, as specified in paragraphs 52, 60 and 65–66;

(c) is not separated from the host liability and if the hybrid contract does not arise from a transaction that involves only the raising of finance:

(i) if the host liability is a financial liability within the scope of Ind AS 109 that is measured at amortised cost—an entity classifies in the financing category income and expenses specified in paragraph 60 from the contract after initial recognition (instead of the income and expenses specified in paragraph 61) (see paragraph B59);

(ii) if the hybrid contract is an insurance contract within the scope of Ind AS 117—an entity applies the requirements in paragraphs 52 and 64(b); and

(iii) otherwise—an entity applies the requirements for income and expenses from liabilities that arise from such transactions, as specified in paragraphs 52 and 61.

B57 An entity shall apply paragraphs B56(b) and B56(c) to all hybrid contracts containing a host liability for which the embedded derivative is not separated, regardless of whether the embedded derivative is not separated by the entity applying paragraph 4.3.3 of Ind AS 109 or applying paragraph 4.3.5 of Ind AS 109.

Liabilities arising from issued investment contracts with participation features

B58 Paragraph 64(a) sets out requirements for income and expenses from liabilities arising from issued investment contracts with participation features recognised applying Ind AS 109. Examples of such investment contracts are:

(a) an investment contract with participation features issued by an insurer that does not meet the definition in Ind AS 117 of an investment contract with discretionary participation features; and

(b) an investment contract with participation features issued by an investment entity.

Income and expenses classified in the operating category by an entity that provides financing to customers as a main business activity

B59 Paragraph 65 requires an entity that provides financing to customers as a main business activity to classify in the operating category income and expenses from some or all liabilities that arise from transactions that involve only the raising of finance. An entity shall also apply the requirements in that paragraph to income and expenses from a derivative relating to a transaction that involves only the raising of finance specified in paragraph B73(a), but not to the income and expenses from a hybrid contract specified in paragraph B56(c)(i).

Derecognition and changes in classification

Derecognition of an asset or liability, or classification and remeasurement of an asset as held for sale

B60 Paragraphs B47(g) and B49(e) refer to income and expenses from the derecognition of an asset, or its classification as held for sale. An entity shall classify income and expenses on the derecognition of an asset, or its classification as held for sale and any subsequent measurement while held for sale, in the same category as it classified the income and expenses from the asset immediately before its derecognition. For example, an entity shall classify gains and losses:

(a) on the disposal of property, plant and equipment—in the operating category;

(b) on the disposal of an investment property that an entity does not invest in as a main business activity—in the investing category; and

(c) from the remeasurement of an investment in an associate previously accounted for using the equity method on the step acquisition of a subsidiary—in the investing category.

B61 An entity shall classify income and expenses from the derecognition of a liability by applying the requirements in paragraphs 52 and 59–60. For example, the entity classifies income and expenses from the derecognition of a liability:

(a) in the financing category—if the liability arises from a transaction that involves only the raising of finance by an entity that does not provide financing to customers as a main business activity; and

(b) in the operating category—if as part of a supplier finance arrangement an entity derecognises a payable to a supplier and recognises a liability under that arrangement.

Change in use of an asset

B62 A transaction or other event might change the category in the profit or loss section in which an entity classifies income and expenses from an asset, without the asset being derecognised. In such cases, an entity shall classify the income and expenses from the transaction or other event in the category in which it classified income and expenses from the asset immediately before the transaction or event. For example, an entity shall classify in the operating category any income or expenses recognised in the profit or loss section on the transfer of property from the scope of Ind AS 16 to investment property in the scope of Ind AS 40.

Groups of assets and liabilities

B63 Paragraphs B60–B62 set out requirements for income and expenses from an asset or liability from its derecognition, classification and subsequent measurement while held for sale, or from its change in use. A transaction or other event might result in these outcomes for a group of assets (or a group of assets and liabilities) that generated income and expenses that an entity classified in different categories immediately before the transaction or other event. An entity shall classify income or expenses from such a transaction or other event:

(a) in the investing category if, other than any income tax assets, all the assets in the group generated income and expenses that the entity classified in the investing category immediately before the transaction or other event; and

(b) in the operating category otherwise.

B64 For example, an entity classifies:

(a) in the operating category—gains and losses on the disposal of a consolidated subsidiary, if the subsidiary included assets that generated income and expenses that the entity classified in the operating category immediately before the disposal. The gains and losses include the reclassification from equity to profit or loss of foreign exchange differences required by paragraph 48 of Ind AS 21.

(b) in the operating category—an impairment loss arising on the classification of a disposal group as held for sale by the entity applying Ind AS 105, if the disposal group included assets that generated income and expenses that the entity classified in the operating category immediately before its classification as held for sale.

(c) in the investing category—gains and losses on disposal of a consolidated subsidiary, if the only assets of the subsidiary were investment property that the consolidated reporting entity did not invest in as a main business activity and related income tax assets. The gains and losses include the reclassification from equity to profit or loss of foreign exchange differences required by paragraph 48 of Ind AS 21.

Classification of foreign exchange differences and the gain or loss on the net monetary position

B65 To apply paragraph 47, an entity shall classify foreign exchange differences included in the profit or loss applying Ind AS 21 in the same category as the income and expenses from the items that gave rise to the foreign exchange differences, unless doing so would involve undue cost or effort (see paragraph B68).

B66 For example, an entity classifies foreign exchange differences on:

(a) a receivable described in paragraph B48(b) denominated in a foreign currency, in the same category as the income and expenses from that asset—that is, in the operating category; and

(b) a debt instrument that is a liability described in paragraph B51(a) denominated in a foreign currency, in the same category as the income and expenses on that liability—that is, in the financing category (unless the entity provides financing to customers as a main business activity and classifies the income and expenses from the liability in the operating category applying paragraph 65).

B67 An entity might classify in more than one category income and expenses from a transaction that does not involve only the raising of finance. For example, the purchase of services in a transaction denominated in a foreign currency and negotiated on extended credit terms could give rise to an expense for the purchase of the services classified in the operating category (see paragraph B55(a)) and interest expenses classified in the financing category (see paragraph B54(a)). In such cases, subject to paragraph B68, an entity shall use its judgement to determine whether the foreign exchange difference relates to the amount classified in the financing category—and classify it in that category—or whether it relates to the amount classified in another category—and classify it in that category. An entity shall not allocate between categories a foreign exchange difference arising on a liability from a transaction that does not involve only the raising of finance. In making its judgements about how to classify the foreign exchange differences, an entity need not classify in the same category the foreign exchange differences on all such liabilities. However, an entity shall classify in the same category foreign exchange differences on similar liabilities.

B68 If applying the requirements in paragraphs B65 and B67 would involve undue cost or effort, an entity shall instead classify the affected foreign exchange differences in the operating category. An entity shall assess whether classifying foreign exchange differences as described in paragraphs B65 and B67 involves undue cost or effort for each item that gives rise to foreign exchange differences. The assessment is specific to the facts and circumstances related to each item. If the same facts and circumstances relate to a number of items, an entity could apply the same assessment to each of the items.

B69 Applying paragraph 28 of Ind AS 29, *Financial Reporting in Hyperinflationary Economies*, an entity might present the gain or loss on the net monetary position with other income and expense items associated with the net monetary position, such as interest income and expenses and foreign exchange differences. If the entity does not present the gain or loss on the net monetary position with the associated income and expenses, it shall classify the gain or loss in the operating category.

Classification of gains and losses on derivatives and designated hedging instruments

B70 Paragraph 47 requires an entity to classify income and expenses in categories in the profit or loss section. To apply paragraph 47, an entity shall classify gains and losses included in the profit or loss section on a financial instrument designated as a hedging instrument applying Ind AS 109 in the same category as the income and expenses affected by the risks the financial instrument is used to manage.

However, if doing so would require the grossing up of gains and losses, an entity shall classify all such gains and losses in the operating category (see paragraphs B74–B75).

B71 An entity shall classify gains and losses on an undesignated component of a designated hedging instrument in the same category as gains and losses on the designated component. An entity shall classify ineffective portions of a gain or loss in the same category as the effective portions.

B72 An entity shall also apply the requirements in paragraph B70 to gains and losses on a derivative that is not designated as a hedging instrument applying Ind AS 109, but is used to manage identified risks. However, if doing so would require the grossing up of gains or losses (see paragraphs B74–B75) or involve undue cost or effort, the entity shall instead classify all gains and losses on the derivative in the operating category.

B73 An entity shall classify gains and losses on a derivative that is not used to manage identified risks:

(a) in the financing category, if the derivative relates to a transaction that involves only the raising of finance (for example, a purchased call option that allows the issuing entity to exchange a fixed amount of a foreign currency for a fixed number of the entity's equity instruments), unless the entity that provides financing to customers as a main business activity classifies the gains and losses in the operating category applying paragraph B59; and

(b) in the operating category, if the conditions in (a) are not met.

B74 Paragraphs B70 and B72 prohibit the grossing up of gains and losses on financial instruments designated as hedging instruments and derivatives not designated as hedging instruments. The grossing up of gains and losses might arise from situations in which:

(a) an entity uses such financial instruments to manage the risks of a group of items with offsetting risk positions (see paragraph 6.6.1 of Ind AS 109 for the criteria for a group of items to be an eligible hedged item); and

(b) the risks managed affect line items in more than one category of the profit or loss section.

B75 For example, an entity may use a derivative to manage both the net foreign currency risk on revenue (classified in the operating category) and interest expenses (classified in the financing category). In such cases, the foreign exchange differences on the revenue are offset by the foreign exchange differences on the interest expenses and the gains or losses on the derivative. However, the entity classifies the foreign exchange differences on the revenue in a different category from the foreign exchange differences on the interest expenses. To present the gain or loss on the derivative in each category, an entity would need to present in each category a larger gain or loss than occurred on the derivative. Applying the requirements in paragraphs B70–B73, an entity shall not gross up the gains or losses in this manner and instead shall classify any gain or loss on the derivative in the operating category.

B76 The requirements in paragraphs B70–B75 specify only how to classify income and expenses into categories of the profit or loss section. They do not prescribe the line item (or line items) in which to include such income and expenses, nor do they override the requirements in other Ind ASs.

Items to be presented in the profit or loss or disclosed in the notes

B77 An entity may be required to present a line item listed in paragraph 75, or specified in another Ind AS, in more than one of the categories listed in paragraph 47. For example, an entity that does not invest in assets or provide financing to customers as a main business activity may be required to present the line item specified in paragraph 75(b)(ii) of impairment losses determined in accordance with Section 5.5 of Ind AS 109 in:

(a) the operating category—if it relates to receivables for goods and services as described in paragraph B48(b); and

(b) the investing category—if it relates to financial assets that generate a return individually and largely independently of the entity's other resources as described in paragraph B46.

B78 Paragraphs 24 and 41(c) require an entity to present additional line items in the profit or loss if doing so is necessary to provide a useful structured summary of the entity's income and expenses. An entity uses its judgement to make this determination (including whether it is necessary to disaggregate the line items listed in paragraph 75). Paragraphs 20 and 41(d) require an entity to disaggregate items to disclose material information in the notes. An entity also uses its judgement to make this determination. Paragraph 41 requires the entity to base its judgements on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). Such characteristics include:

(a) nature (see paragraph 80);

(b) function (role) within the entity's business activities (see paragraph 81);

(c) persistence (including the frequency of the item of income or expense or whether it is recurring or non-recurring);

(d) measurement basis;

(e) measurement uncertainty or outcome uncertainty (or other risks associated with an item);

(f) size;

(g) geographical location or regulatory environment;

(h) tax effects (for example, if different tax rates apply to items of income or expense); and

(i) whether the income or expenses arise on initial recognition of a transaction or event or from a subsequent change in estimate relating to the transaction or event.

B79 Income and expenses that might have sufficiently dissimilar characteristics that presentation in the profit or loss is necessary to provide a useful structured summary or disclosure in the notes is necessary to provide material information include:

(a) write-downs of inventories, as well as reversals of such write-downs;

(b) impairment losses for property, plant and equipment, as well as reversals of such impairment losses;

(c) income and expenses from restructurings of an entity's activities and reversals of any provisions for restructuring;

(d) income and expenses from disposals of property, plant and equipment;

(e) income and expenses from disposals of investments;

(f) income and expenses from litigation settlements;

(g) reversals of provisions; and

(h) non-recurring income and expenses not included in (a)–(g).

Presentation and disclosure of expenses classified in the operating category

Use of characteristics of nature and function

B80 In determining how to use the characteristics of nature and function to provide the most useful structured summary as required by paragraph 78, an entity shall consider:

(a) what line items provide the most useful information about the main components or drivers of the entity's profitability. For example, for a retail entity a main component or driver of profitability might be cost of sales. Presenting a cost of sales line item might provide relevant information about whether the revenue generated from the sale of goods covers what, for retailers, are mainly direct costs, and by what margin. However, cost of sales is unlikely to provide relevant information about the important components or drivers of profitability if the link between revenue and costs is less direct. For example, for some service entities, information about operating expenses classified by nature, such as employee benefits, might be more relevant to users of financial statements because these expenses are the main drivers of profitability.

(b) what line items most closely represent the way the business is managed and how management reports internally. For example, a manufacturing entity managed on the basis of major functions might classify expenses by function for internal reporting purposes. In contrast, an entity that has a single predominant function, such as providing financing to customers, might determine that line items comprising expenses classified by nature provide the most useful information for internal reporting purposes.

(c) what standard industry practice entails. If expenses are classified in the same way by entities in an industry, users of financial statements can more easily compare expenses between entities in the same industry.

(d) whether the allocation of particular expenses to functions would be arbitrary to the extent that the line items presented would not provide a faithful representation of the functions. In such cases, an entity shall classify these expenses by nature.

B81 In some cases, an entity considering the factors set out in paragraph B80 could determine that classifying and presenting some expenses by nature and other expenses by function provides the most useful structured summary. For example:

(a) the factors in paragraphs B80(a)–(b) might indicate that classifying and presenting expenses by function provides the most useful structured summary, except for particular expenses for which the allocation to functions would be arbitrary (see paragraph B80(d)); and

(b) an entity having two different types of main business activities might classify and present some expenses by function and other expenses by nature to provide information about the main drivers of its profitability.

B82 If an entity classifies and presents some expenses by nature and other expenses by function in the profit or loss, it shall label the resulting line items in a way that clearly identifies what expenses are included in each line item. For example, if an entity includes some employee benefits in a function line item and other employee benefits in a nature line item, the label for the nature line item would clearly identify that it does not include all employee benefits (for example, 'employee benefits other than those included in cost of sales').

B83 Applying paragraph 30, an entity shall classify and present expenses consistently from one reporting period to the next unless paragraphs 30(a) or 30(b) apply. For example, if an entity presents impairment of goodwill as a nature line item in one reporting period, it shall also present any similar impairment of goodwill as a nature line item in subsequent reporting periods unless paragraphs 30(a) or 30(b) apply. If there is no similar impairment of goodwill in a subsequent period, the fact that there is an expense of nil in that subsequent period does not constitute a change in classification and presentation.

B84 An entity will either present expenses by nature, or applying paragraph 83, disclose some expenses by nature. The amounts presented or disclosed need not be the amounts recognised as an expense in the period. They could include amounts that have been recognised as part of the carrying amount of an asset. If an entity:

(a) presents amounts that are not the amounts recognised as an expense in the period, it will also present an additional line item for the change in the carrying amount of the affected assets. For example, applying paragraph 39 of Ind AS 2, an entity might present a line item for changes in inventories of finished goods and work in progress.

(b) discloses, applying paragraph 83(b), amounts that are not the amounts recognised as an expense in the period, the entity shall give a qualitative explanation of that fact, identifying the assets involved.

Aggregation of operating expenses

B85 To apply paragraph 78, an entity shall consider what level of aggregation for operating expenses provides the most useful structured summary. For example, an entity might have various administrative activities (such as human resources, information technology, legal and accounting). To provide a useful structured summary, the entity might aggregate operating expenses relating to those activities based on their shared characteristic—all are expenses for resources consumed in administrative activities. Accordingly the entity might present them in a line item labelled as 'administrative expenses'. The entity might also have expenses for resources consumed in selling activities. These expenses have a dissimilar characteristic from the administrative expenses—selling expenses arise from resources consumed in selling activities and administrative expenses arise from resources consumed in administrative activities. These characteristics are sufficiently dissimilar that disaggregation—presentation in separate line items for selling expenses and administrative expenses—might be necessary to provide a useful structured summary of the entity's expenses.

Statement of profit and loss

Other comprehensive income

B86 Some Ind ASs specify circumstances when an entity includes particular items outside the profit or loss in the current reporting period. Ind AS 8 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other Ind ASs require or permit an entity to exclude from profit or loss components of other comprehensive income that meet the definition of income or expenses of *Conceptual Framework for Financial Reporting under Ind AS* (see paragraph B87).

B87 Appendix A defines 'other comprehensive income'. The components of other comprehensive income include:

(a) changes in revaluation surplus (see Ind AS 16 and Ind AS 38);

(b) remeasurements of defined benefit plans (see Ind AS 19);

(c) gains and losses arising from translating the financial statements of a foreign operation (see Ind AS 21);

(d) gains and losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of Ind AS 109;

(e) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of Ind AS 109;

(f) the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of Ind AS 109 (see Chapter 6 of Ind AS 109);

(g) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.7.7 of Ind AS 109);

(h) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see Chapter 6 of Ind AS 109);

(i) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of Ind AS 109);

(j) insurance finance income and expenses from contracts issued within the scope of Ind AS 117 excluded from profit or loss when total insurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of Ind AS 117, or by an amount that eliminates accounting mismatches with the finance income or expenses arising on the underlying items, applying paragraph 89(b) of Ind AS 117; and

(k) finance income and expenses from reinsurance contracts held excluded from profit or loss when total reinsurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation, applying paragraph 88(b) of Ind AS 117.

(l) bargain purchase gain arising on business combination recognised in accordance with paragraphs 34 of Ind AS 103.

B88 Reclassification adjustments arise, for example, on disposal of a foreign operation (see Ind AS 21) and when some hedged forecast cash flows affect profit or loss (see paragraph 6.5.11(d) of Ind AS 109 in relation to cash flow hedges).

B89 Paragraph 90 requires an entity to present in the other comprehensive income section or disclose in the notes reclassification adjustments relating to components of other comprehensive income. Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with Ind AS 16 or Ind AS 38 or on remeasurements of defined benefit plans recognised in accordance with Ind AS 19. An entity recognises these components in other comprehensive income and does not reclassify them to profit or loss in subsequent reporting periods. An entity may transfer changes in revaluation surplus to retained earnings in subsequent periods as the asset is used or when it is derecognised (see Ind AS 16 and Ind AS 38). In accordance with Ind AS 109, reclassification adjustments do not arise if a cash flow hedge or the accounting for the time value of an option (or the forward element of a forward contract or the foreign currency basis spread of a financial instrument) results in amounts that an entity removes from the cash flow hedge reserve or a separate component of equity, respectively, and includes directly in the initial cost or other carrying amount of an asset or a liability. An entity transfers these amounts directly to assets or liabilities.

Balance Sheet

Classification of assets and liabilities as current or non-current

B90 In applying paragraph 96, when an entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities in the balance sheet provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity's long-term operations. Such separate classification also highlights assets that an entity expects to realise within the current operating cycle and liabilities that are due for settlement within the same period.

B91 For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides a more useful structured summary than a current/non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle.

B92 In applying paragraph 96, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when doing so provides a more useful structured summary. The need for a mixed basis of presentation might arise when an entity has diverse operations.

B93 Information about expected dates of realisation of assets and liabilities is useful in assessing the liquidity and solvency of an entity. Ind AS 107 requires disclosure of the maturity analysis of financial assets and financial liabilities. Financial assets include trade and other receivables, and financial liabilities include trade and other payables. Information on the expected date of recovery of non-monetary assets, such as inventories, and the expected date of settlement for liabilities, such as provisions, is also useful, whether assets and liabilities are classified as current or as non-current. For example, an entity discloses in the notes the amount of inventories that it expects to recover more than 12 months after the reporting period.

Current assets

B94 Paragraph 100 requires an entity to classify as non-current all assets not classified as current. This Standard uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature. It does not prohibit the use of alternative descriptions as long as the meaning is clear.

B95 The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When an entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting period. Current assets also include assets held primarily for the purpose of trading (examples include some financial assets that meet the definition of held for trading in Ind AS 109) and the current portion of non-current financial assets.

Current liabilities

Normal operating cycle (see paragraph 101(a))

B96 Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in an entity's normal operating cycle. An entity classifies such items as current liabilities even if they are due to be settled more than 12 months after the reporting period. The same normal operating cycle applies to the classification of the entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months.

Held primarily for the purpose of trading (see paragraph 101(b)) or due to be settled within 12 months (see paragraph 101(c))

B97 Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within 12 months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities that meet the definition of held for trading in Ind AS 109, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (that is, are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within 12 months after the reporting period are non-current liabilities, subject to paragraphs B99–B103.

B98 An entity classifies its financial liabilities as current when they are due to be settled within 12 months after the reporting period, even if:

(a) the original term was for a period longer than 12 months; and

(b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are approved for issue.

Right to defer settlement for at least 12 months (paragraph 101(d))[1]

B99 An entity's right to defer settlement of a liability for at least 12 months after the reporting period must have substance and, as illustrated in paragraphs B100–B103, must exist at the end of the reporting period.

B100 An entity's right to defer settlement of a liability arising from a loan arrangement for at least 12 months after the reporting period may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as 'covenants'). For the purposes of applying paragraph 101(d), such covenants:

(a) affect whether that right exists at the end of the reporting period—as illustrated in paragraphs B102–B103—if an entity is required to comply with the covenant on or before the end of the reporting period. Such a covenant affects whether the right exists at the end of the reporting period even if compliance with the covenant is assessed only after the reporting period (for example, a covenant based on the entity's balance sheet at the end of the reporting period but assessed for compliance only after the reporting period).

(b) do not affect whether that right exists at the end of the reporting period if an entity is required to comply with the covenant only after the reporting period (for example, a covenant based on the entity's balance sheet six months after the end of the reporting period).

B101 If an entity has the right, at the end of the reporting period, to roll over an obligation for at least 12 months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. If the entity has no such right, the entity does not consider the potential to refinance the obligation and classifies the obligation as current.

B102 When an entity breaches a covenant of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach. The entity classifies the liability as current because, at the end of the reporting period, it does not have the right to defer its settlement for at least 12 months after that date.

B103 However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least 12 months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

B104 Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting period. If a liability meets the criteria in paragraphs 101–102 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within 12 months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are approved for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of financial statements to understand the impact of the liability on the entity's balance sheet (see paragraphs 6C(c) of Ind AS 8 and B105(d)).

B105 If the following events occur between the end of the reporting period and the date the financial statements are approved for issue, those events are disclosed as non-adjusting events in accordance with Ind AS 10, *Events after the Reporting Period*:

(a) refinancing on a long-term basis of a liability classified as current (see paragraph B98);

(b) rectification of a breach of a long-term loan arrangement classified as current (see paragraph B102);

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[1] *Globally, amendments to 'Classification of Liabilities as Current or Non-current' and 'Non-current Liabilities with Covenants'- Amendments to IAS 1 have been issued. The said amendments are proposed to amend Ind AS 1 including removal of carve-out under paragraph 74 of Ind AS 1. Hence, in this exposure draft of Ind AS 118, the related paragraphs are appearing assuming the said amendments will be notified.*

(c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement classified as current (see paragraph B103); and

(d) settlement of a liability classified as non-current (see paragraph B104).

B106 In applying paragraphs 101–102 and B96–B103 an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within 12 months after the reporting period (see paragraph B100(b)). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period, including:

(a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities.

(b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the end of the reporting period.

Settlement (paragraphs 101(a), 101(c) and 101(d))

B107 For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of:

(a) cash or other economic resources—for example, goods or services; or

(b) the entity's own equity instruments, unless paragraph B108 applies.

B108 Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, applying Ind AS 32, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.

Items to be presented in the balance sheet or disclosed in the notes

B109 Paragraphs 24 and 41(c) require an entity to present additional line items in the balance sheet if doing so is necessary to provide a useful structured summary of the entity's assets, liabilities and equity. An entity uses its judgement to make this determination (including whether it is necessary to disaggregate the line items listed in paragraph 103). Paragraph 41 requires the entity to base its judgements on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). For additional line items for assets and liabilities, an entity bases its judgements on an assessment of the nature or function of the assets or liabilities. The characteristics listed in paragraphs B110(c)–(k) might assist an entity in identifying the nature or function of assets and liabilities.

B110 Paragraphs 20 and 41(d) require an entity to disaggregate items to disclose material information in the notes. An entity uses its judgement to do this based on an assessment of whether the items have characteristics that are shared (similar characteristics) or characteristics that are not shared (dissimilar characteristics). Such characteristics include:

(a) nature;

(b) function (role) in the entity's business activities;

(c) duration and timing of recovery or settlement (including whether an asset or liability is classified as current or non-current or whether its recovery or settlement forms part of the entity's operating cycle);

(d) liquidity;

(e) measurement basis;

(f) measurement uncertainty or outcome uncertainty (or other risks associated with an item);

(g) size;

(h) geographical location or regulatory environment;

(i) type, for example, the type of good, service or customer;

(j) tax effects—for example, if assets or liabilities have different tax bases; and

(k) restrictions on the use of an asset or on the transferability of a liability.

B111 Assets, liabilities and items of equity that might have sufficiently dissimilar characteristics that presentation in the balance sheet is necessary to provide a useful structured summary or disclosure in the notes is necessary to provide material information include:

(a) property, plant and equipment disaggregated into classes in accordance with Ind AS 16;

(b) receivables disaggregated into amounts receivable from trade customers, amounts receivable from related parties, prepayments and other amounts;

(c) inventories disaggregated, applying Ind AS 2, into items such as merchandise, production supplies, materials, work in progress and finished goods;

(d) trade payables disaggregated, applying Ind AS 7, to provide separately the amounts of those payables that are part of supplier finance arrangements;

(e) provisions disaggregated according to their nature, such as, provisions for employee benefits, decommissioning liabilities, or other items; and

(f) equity capital and reserves disaggregated into various classes, such as paid-in capital, share premium and reserves.

Notes

Structure

B112 Paragraph 114 requires an entity to present notes in a systematic manner, so far as is practicable. Examples of systematic ordering or grouping of the notes include:

(a) giving prominence to the areas of its activities that an entity considers to be most important to an understanding of its financial performance and financial position, such as grouping together information about particular business activities;

(b) grouping together information about items measured similarly such as assets measured at fair value; or

(c) following the order of the line items in the statement of profit and loss and the balance sheet, such as:

(i) statement of compliance with Ind ASs (see paragraph 6B of Ind AS 8);

(ii) material accounting policy information (see paragraph 27A of Ind AS 8);

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

(iv) other disclosures, including:

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

(2) non-financial disclosures—for example an entity's financial risk management objectives and policies (see Ind AS 107).

Management-defined performance measures

Identification of management-defined performance measures

B113 Paragraph 117 defines management-defined performance measures. An entity might have no management-defined performance measures, one management-defined performance measure or more than one. For example, an entity that publicly communicates its financial performance to users of financial statements using only totals and subtotals required to be presented or disclosed by Ind ASs does not have a management-defined performance measure.

B114 To meet the definition of a management-defined performance measure, the measure must communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole. For example, if a subtotal of income and expenses that relates to a reportable segment disclosed in accordance with Ind AS 108 does not provide information about an aspect of the financial performance of the entity as a whole, that subtotal cannot meet the definition of a management-defined performance measure.

B115 However, sometimes a subtotal of income and expenses that relates to a reportable segment could provide information about an aspect of the financial performance of the entity as a whole. For example, if a reportable segment contains a single main business activity of the entity and a subtotal of income and expenses relating to that segment is presented in the profit or loss, that would indicate that the subtotal provides information about an aspect of the financial performance of the entity as a whole. In such cases, a subtotal of income and expenses related to that reportable segment would meet the definition of a management-defined performance measure if it met the other parts of the definition of a management-defined performance measure.

Subtotals of income and expenses

B116 A management-defined performance measure is a subtotal of income and expenses. Examples of measures that are not management-defined performance measures because they are not subtotals of income and expenses include:

(a) subtotals of only income or only expenses (for example, a stand-alone measure of adjusted revenue that is not part of a subtotal that also includes expenses);

(b) assets, liabilities, equity or combinations of these elements;

(c) financial ratios (for example, return on assets) (see paragraph B117);

(d) measures of liquidity or cash flows (for example, free cash flow); or

(e) non-financial performance measures.

B117 A financial ratio is not a management-defined performance measure because it is not a subtotal of income and expenses. However, a subtotal that is the numerator or denominator in a financial ratio is a management-defined performance measure if the subtotal would meet the definition of a management-defined performance measure if it were not part of a ratio. Accordingly, an entity shall apply the disclosure requirements in paragraphs 121–125 to such a numerator or denominator.

B118 A subtotal of income and expenses that meets the definition of a management-defined performance measure in paragraph 117 is a management-defined performance measure whether or not it is presented in the profit or loss.

Public communications

B119 A subtotal meets the definition of a management-defined performance measure only if an entity uses it in public communications outside its financial statements. Public communications include management commentary, press releases and investor presentations. For the purpose of defining management-defined performance measures, public communications exclude oral communications, written transcripts of oral communications and social media posts.

B120 Management-defined performance measures relate to the same reporting period as the financial statements. Specifically, a subtotal:

(a) relating to interim financial statements but not to the annual financial statements can only be a management-defined performance measure in the interim financial statements; and

(b) relating to annual financial statements but not to interim financial statements can only be a management-defined performance measure in the annual financial statements.

B121 An entity shall consider only public communications related to the reporting period to identify management-defined performance measures for the reporting period, unless as part of its financial reporting process it routinely issues such public communications after the date of issue of its financial statements. If that is the case, an entity shall consider public communications related to the previous reporting period to identify management-defined performance measures for the current reporting period.

B122 However, a measure used in the public communications related to the previous reporting period is not required to be identified as a management-defined performance measure for the current reporting period if there is evidence that indicates it will not be included in the public communications to be issued relating to the current reporting period. If such a measure had been disclosed as a management-defined performance measure in the previous reporting period and is not identified as such for the current reporting period, that would be a change to, or a cessation of, a management-defined performance measure to which the disclosure requirements in paragraph 124 apply.

Subtotals similar to gross profit

B123 In accordance with paragraph 118(a), subtotals similar to gross profit are not management-defined performance measures. A subtotal is similar to gross profit when it depicts the difference between a type of revenue and directly related expenses incurred in generating that revenue. Examples include:

(a) net interest income;

(b) net fee and commission income;

(c) insurance service result;

(d) net financial result (investment income minus insurance finance income and expenses); and

(e) net rental income.

Presumption about communicating management's view

B124 Paragraph 119 states that a subtotal of income and expenses used in public communications outside its financial statements is presumed to communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole. Applying paragraph 120, an entity is permitted to rebut that presumption if it has reasonable and supportable information available that demonstrates that:

(a) the subtotal does not communicate to users of financial statements management's view of an aspect of the financial performance of the entity as a whole (see paragraphs B125–B128); and

(b) the entity has a reason for using the subtotal in its public communications other than communicating management's view of an aspect of the financial performance of the entity as a whole (see paragraph B129).

B125 Examples of reasonable and supportable information that demonstrate that a subtotal does not communicate to users of financial statements management's view of an aspect of the financial performance of an entity as a whole are:

(a) an entity communicating the subtotal without prominence (see paragraph B126); and

(b) management not using the subtotal internally to assess or monitor the entity's financial performance (see paragraphs B127–B128).

B126 Whether an entity communicates a subtotal without prominence is a matter of judgement based on a number of factors, for example:

(a) the extent of references to the subtotal—few references indicate a lack of prominence, numerous references indicate prominence; and

(b) the content of commentary or analysis about or relying on the subtotal, for example:

(i) a description of the subtotal as information that does not communicate management's view and that is provided only in response to frequent requests from some users of financial statements indicates a lack of prominence;

(ii) use of the subtotal to support management analysis and commentary on the entity's financial performance and to provide explanations of the reasons for changes in the subtotal from period to period indicates prominence; and

(iii) a comparison of the subtotal to competitors' subtotals or industry benchmarks indicates prominence.

B127 Management's use of a subtotal to assess or monitor an aspect of the financial performance of the entity as a whole demonstrates that the subtotal communicates management's view of an aspect of the financial performance of the entity as a whole. However, if management uses a subtotal internally but not in an entity's public communications, the subtotal does not meet the definition of a management-defined performance measure.

B128 An entity might adjust a subtotal communicated in its public communications for use internally by management to assess or monitor the entity's financial performance. In such cases, the entity shall use its judgement to assess whether the subtotal it uses internally is sufficiently similar to the subtotal it uses in its public communications so that paragraph B127 applies. The more similar the subtotals are, the more likely it is that the subtotal used in the entity's public communications communicates to users of financial statements management's view of an aspect of the financial performance of the entity as a whole.

B129 Examples of reasonable and supportable information that demonstrates an entity has a reason for using a subtotal in its public communications other than to communicate to users of its financial statements management's view of an aspect of the financial performance of the entity as a whole are that the subtotal:

(a) is required in a public communication by law or regulation;

(b) communicates performance related to financial statements prepared in accordance with an accounting framework other than Ind ASs;

(c) is used in a public communication to satisfy a request from an external party; or

(d) is used in a public communication for the purpose of communicating information other than financial performance.

B130 Paragraph 120 applies to a subtotal and not to individual items of income and expense that comprise the subtotal. Accordingly, an entity cannot assert that a subtotal does not communicate management's view of an aspect of the financial performance of the entity as a whole based on information that demonstrates that an individual item (or items) of income or expense within the subtotal does not represent such a view.

B131 An entity might change its use of a subtotal to communicate to users of its financial statements management's view of an aspect of the financial performance of the entity as a whole. As a result a subtotal might become, or cease to be, a management-defined performance measure. Judgement is required to identify whether a measure not originally identified as a management-defined performance measure has become one, or whether a measure previously identified as a management-defined performance measure has ceased to be one. For example, an entity might be required by a regulator to report a particular subtotal that, when first used, does not communicate management's view of an aspect of the financial performance of the entity as a whole. Over time the process of producing the subtotal might lead to management using the measure internally to assess and monitor the entity's financial performance or expanding the commentary and explanations in public communications beyond the regulatory requirements, with the result that the measure meets the definition of a management-defined performance measure.

Disclosure of management-defined performance measures

Single note for information about management-defined performance measures

B132 Paragraph 122 requires an entity to include in a single note all information about management-defined performance measures required by paragraphs 121–125. If an entity also discloses other information in that note, the information in the note shall be labelled in a way that clearly distinguishes the information required by paragraphs 121–125 from the other information.

B133 For example, if an entity applies Ind AS 108 and the reportable segment information includes a management-defined performance measure, the entity may disclose the required information about the management-defined performance measure in the same note as other reportable segment information, provided the entity either:

(a) includes in that note the information required by paragraphs 121–125 for all its management-defined performance measures and, to fulfil the requirements in paragraph B132, labels the information in the note in a way that clearly distinguishes the information required by paragraphs 121–125 from the information required by Ind AS 108; or

(b) provides a separate note that includes the information required for all its management-defined performance measures, including those for which the entity includes information in the reportable segment information.

A clear and understandable manner

B134 Paragraph 123 requires an entity to label and describe its management-defined performance measures in a clear and understandable manner that does not mislead users of financial statements. To provide such a description, an entity shall disclose information that enables a user of financial statements to understand the items of income or expense included and excluded from the subtotal. Therefore, an entity shall:

(a) label and describe the measure in a way that faithfully represents its characteristics in accordance with paragraph 43 (see paragraph B135); and

(b) provide information specific to management-defined performance measures—that is:

  (i) if the entity has calculated the measure other than by using the accounting policies it used for items in the statement of profit and loss, the entity shall state that fact and the calculations it has used for the measure; and

  (ii) if, in addition, the calculation of the measure differs from accounting policies required or permitted by Ind ASs, the entity shall state that additional fact and, if necessary, an explanation of the meaning of terms it uses (see paragraph B135(b)).

B135 To label and describe the measure in a way that faithfully represents its characteristics, an entity shall:

(a) label the measure in a way that represents the characteristics of the subtotal (for example, using the label 'operating profit before non-recurring expenses' only for a subtotal that excludes from operating profit all expenses identified by the entity as non-recurring); and

(b) explain the meaning of terms it uses in its descriptions that are necessary to understand the aspect of financial performance being communicated (for example, explaining how the entity defines 'non-recurring expenses').

Reconciliation to the most directly comparable total or subtotal

B136 Paragraph 123(c) requires an entity to reconcile each management-defined performance measure to the most directly comparable subtotal listed in paragraph 118 or total or subtotal specifically required to be presented or disclosed by Ind ASs. For example, an entity that discloses in the notes a management-defined performance measure of adjusted operating profit or loss shall reconcile that measure to operating profit or loss. In aggregating or disaggregating the reconciling items disclosed, an entity shall apply the requirements in paragraphs 41–43.

B137 For each reconciling item, an entity shall disclose:

(a) the amount(s) related to each line item in the statement of profit and loss; and

(b) a description of how the item is calculated and contributes to the management-defined performance measure providing useful information (see paragraphs B138–B140), if necessary to provide the information required by paragraphs 123(a) and 123(b).

B138 The description required in paragraph B137(b) is required if there is more than one reconciling item and each item is calculated using a different method or contributes to providing useful information in a different way. For example, an entity might exclude from a management-defined performance measure several items of expense, some because they were identified as outside management's control and others because they were identified as non-recurring. In such cases, disclosure of which items contributed to which type of adjustment would be required to explain how the management-defined performance measure provides useful information.

B139 A single explanation might apply to more than one item or might apply to all reconciling items collectively. For example, an entity might exclude several items of income or expense in calculating a management-defined performance measure based on an entity-specific application of 'non-recurring'. In such a case, a single explanation that includes the entity's definition of 'non-recurring' that applies to all reconciling items might satisfy the requirement in paragraph B137(b).

B140 Applying paragraph 123(c), an entity is permitted to reconcile a management-defined performance measure to a total or subtotal that is not presented in the statement of profit and loss. In such cases, an entity:

(a) shall reconcile that total or subtotal to the most directly comparable total or subtotal presented in the statement of profit and loss; and

(b) is not required to disclose the information required by paragraphs 123(d) and 123(e) for the reconciliation in (a).

Income tax effect for each item disclosed in the reconciliation

B141 An entity is required by paragraph 123(d) to disclose the income tax effect for each item disclosed in the reconciliation between a management-defined performance measure and the most directly comparable subtotal listed in paragraph 118 or total or subtotal specifically required to be presented or disclosed by Ind ASs. An entity shall determine the income tax effect required by paragraph 123(d) by calculating the income tax effects of the underlying transaction(s):

(a) at the statutory tax rate(s) applicable to the transaction(s) in the tax jurisdiction(s) concerned;

(b) based on a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned; or

(c) by using another method that achieves a more appropriate allocation in the circumstances.

B142 If, applying paragraph B141, an entity uses more than one method to calculate the income tax effects of reconciling items, it shall disclose how it determined the tax effects for each reconciling item.

Appendix C
Effective date and transition

This appendix is an integral part of the Ind AS.

Effective date

C1 An entity shall apply this Standard for annual reporting periods beginning on or after 1 April 2027.

Transition

C2 An entity shall apply this Standard retrospectively applying Ind AS 8. However, an entity is not required to present the quantitative information specified in paragraph 28(f) of Ind AS 8.

C3 In its annual financial statements an entity shall disclose, for the comparative period immediately preceding the period in which this Standard is first applied, a reconciliation for each line item in the profit or loss between:

(a) the restated amounts presented applying this Standard; and

(b) the amounts previously presented applying Ind AS 1, *Presentation of Financial Statements*.

C4 If an entity applies Ind AS 34 in preparing condensed interim financial statements in the first year of applying this Standard, the entity shall present in the condensed interim financial statements each heading it expects to use in applying the Standard and the subtotals required by paragraphs 69–74 of this Standard, despite the requirements in paragraph 10 of Ind AS 34. An entity shall not apply the requirements in paragraph 10 of Ind AS 34 for headings and subtotals in condensed interim financial statements until it has issued its first set of annual financial statements prepared in accordance with this Standard.

C5 If an entity applies Ind AS 34 in preparing interim financial statements in the first year of applying this Standard, the entity shall, as part of the information required by paragraph 16A(a) of Ind AS 34, disclose reconciliations for each line item presented in the profit or loss for the comparative periods immediately preceding the current and cumulative current periods. The reconciliations are required between:

(a) the restated amounts presented applying the accounting policies for the comparative period and the cumulative comparative period when the entity applies this Standard; and

(b) the amounts previously presented applying the accounting policies for the comparative period and cumulative comparative period when the entity applied Ind AS 1.

C6 An entity is permitted, but not required, to disclose the reconciliations described in paragraphs C3 and C5 for the current period or earlier comparative periods.

C7 At the date of initial application of this Standard, an entity eligible to apply paragraph 18 of Ind AS 28 is permitted to change its election for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss in accordance with Ind AS 109. If an entity makes such a change, the entity shall apply the change retrospectively applying Ind AS 8. An entity applying paragraph 11 of Ind AS 27 shall make the same change in its separate financial statements.

Withdrawal of Ind AS 1

C8 This Standard supersedes Ind AS 1.

Appendix D

References to matters contained in other Indian Accounting Standards

This Appendix is an integral part of the Ind AS.

This appendix lists the different appendices which are the part of other Indian Accounting Standards and make reference to Ind AS 118.

1 Appendix A, *Distributions of Non-cash Assets to Owners,* contained in *Ind AS 10, Events after the Reporting Period.*

2 Appendix A, *Changes in Existing Decommissioning, Restoration and Similar Liabilities,* contained in Ind AS 16, *Property, Plant and Equipment.*

3 Appendix B, *Stripping Costs in the Production Phase of a Surface Mine,* contained in Ind AS 16, *Property, Plant and Equipment.*

4 Appendix B, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction,* contained in Ind AS 19, *Employee Benefits.*

5 Appendix C, *Levies*, contained in Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

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

7 Appendix D, *Extinguishing Financial Liabilities with Equity Instruments* contained in *Ind AS 109, Financial Instruments.*

Appendix E

Amendments to other Indian Accounting Standards (Ind AS)

This appendix sets out the amendments to other Ind AS.

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

Paragraphs 5, 22, 32 and D30 are amended. Paragraphs 32(za) and 39AJ are added. New text is underlined and deleted text is struck through.

Scope

...

5 This Ind AS does not apply to changes in accounting policies made by an entity that already applies Ind ASs. Such changes are the subject of:

(a) requirements on changes in accounting policies in Ind AS 8, <u>*Basis of Preparation of Financial Statements*</u> ~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~; and

...

Presentation and disclosure

...

Comparative information

...

Non-Ind AS comparative information and historical summaries

22 Some entities present historical summaries of selected data for periods before the first period for which they present full comparative information in accordance with Ind ASs. This Ind AS does not require such summaries to comply with the recognition and measurement requirements of Ind ASs. Furthermore, some entities present comparative information in accordance with previous GAAP as well as the comparative information required by Ind AS ~~1~~<u>118, *Presentation and Disclosure in Financial Statements*</u>. In any financial statements containing historical summaries or comparative information in accordance with previous GAAP, an entity shall:

...

Explanation of transition to Ind ASs

...

Interim financial reports

32 To comply with paragraph 23, if an entity presents an interim financial report in accordance with Ind AS 34 for part of the period covered by its first Ind AS financial statements, the entity shall satisfy the

requirements of Ind AS 34, unless stated otherwise, as well as the following requirements ~~in addition to the requirements of Ind AS 34~~:

(za) An entity shall present each heading it expects to use in applying Ind AS 118 and the subtotals required by paragraphs 69–74 of that Standard, notwithstanding the requirements in paragraph 10 of Ind AS 34. An entity shall apply the requirements in paragraph 10 of Ind AS 34 for headings and subtotals in condensed financial statements after it has issued its first Ind AS financial statements prepared in accordance with Ind AS 118.

...

Effective date

...

39AJ Ind AS 118 amended paragraphs 5, 22, 32 and D30 and added paragraph 32(za). An entity shall apply those amendments when it applies Ind AS 118.

...

Appendix D
Exemptions from other Ind ASs

...

Severe hyperinflation

...

D30 When the functional currency normalisation date falls within a 12-month comparative period, the comparative period may be less than 12 months, provided that a complete set of financial statements (as required by paragraph 10 of Ind AS 118~~1~~) is provided for that shorter period.

Ind AS 102, *Share-based Payment*

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*' in paragraph 59B. New text is underlined.

* <u>With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements*, the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements*.</u>

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.' in paragraph 63E. New text is underlined.

* <u>With the issuance of Ind AS 118, the title of Ind AS 8 has been changed.</u>

Ind AS 103, *Business Combinations*

Paragraphs 50 and B64 are amended. Paragraph 64R is added. New text is underlined and deleted text is struck through.

The acquisition method

...

Measurement period

...

50 After the measurement period ends, the acquirer shall revise the accounting for a business combination only to correct an error in accordance with Ind AS 8, <u>*Basis of Preparation of Financial Statements*</u>~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~.

...

Effective date and transition

Effective date

...

<u>64R Ind AS 118, *Presentation and Disclosure in Financial Statements*, amended paragraphs 50 and B64. An entity shall apply those amendments when it applies Ind AS 118.</u>

...

Appendix B
Application guidance

...

Disclosures (application of paragraphs 59 and 61)

B64 To meet the objective in paragraph 59, the acquirer shall disclose the following information for each business combination that occurs during the reporting period:

...

(q) the following information:

...

If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This Ind AS uses the term 'impracticable' with the same meaning as in Ind AS 8, <u>*Basis of Preparation of Financial Statements*</u>~~Accounting Policies, Changes in Accounting Estimates and Errors~~.

Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*

Paragraphs 2, 3, 5A, 5B, 13, 17, 26A, 28, 33–36A, 38, 39 and 41, and the headings before paragraphs 31 and 38, are amended. Paragraph 31 is not amended but included for ease of reference. Paragraph 44N is added. New text is underlined and deleted text is struck through.

Scope

2 The classification, ~~and~~ presentation and disclosure requirements of this Ind AS apply to all recognised *non-current assets* and to *all disposal groups* of an entity. The measurement requirements of this Ind AS apply to all recognised non-current assets and disposal groups (as set out in paragraph 4), except for those assets listed in paragraph 5 which shall continue to be measured in accordance with the Standard noted.

3 Assets classified as non-current in accordance with Ind AS 118, *Presentation and Disclosure in Financial Statements*~~Ind AS 1, *Presentation of Financial Statements*~~, shall not be reclassified as *current assets* until they meet the criteria to be classified as held for sale in accordance with this Ind AS. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with this Ind AS.

...

5A The classification, presentation, ~~and~~ measurement and disclosure requirements in this Ind AS applicable to a non-current asset (or disposal group) that is classified as held for sale apply also to a non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners (held for distribution to owners).

5B This Ind AS specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other Ind ASs do not apply to such assets (or disposal groups) unless those Ind ASs require:

(a) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or

(b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of Ind AS 105 and such disclosures are not already provided in the other notes to the financial statements.

Additional disclosures about non-current assets (or disposal groups) classified as held for sale or discontinued operations may be necessary to comply with the ~~general~~ disclosure requirements of Ind AS 118 and the requirements of Ind AS 8, *Basis of Preparation of Financial Statements*~~Ind AS 1~~, in particular paragraphs 6A and 31A of Ind AS 8~~15 and 125 of that Standard~~.

Classification of non-current assets (or disposal groups) as held for sale or as held for distribution to owners

...

Non-current assets that are to be abandoned

13 An entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned meets the criteria in paragraph 32(a)–(c), the entity

shall present or disclose the results and cash flows of the disposal group as discontinued operations in accordance with paragraphs 33 and 34 at the date on which it ceases to be used. Non-current assets (or disposal groups) to be abandoned include non-current assets (or disposal groups) that are to be used to the end of their economic life and non-current assets (or disposal groups) that are to be closed rather than sold.

...

Measurement of non-current assets (or disposal groups) classified as held for sale

Measurement of a non-current asset (or disposal group)

...

17 When the sale is expected to occur beyond one year, the entity shall measure the costs to sell at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be classified ~~presented~~ in profit or loss applying the requirements of Ind AS 118 relating to income and expenses arising from the remeasurement of a non-current asset (or disposal group) classified as held for sale~~as a financing cost~~.

...

Changes to a plan of sale or to a plan of distribution to owners

...

26A If an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or directly from being held for distribution to owners to being held for sale, then the change in classification is considered a continuation of the original plan of disposal. The entity:

(a) shall not follow the guidance in paragraphs 27–29 to account for this change. The entity shall apply the classification, presentation, ~~and~~ measurement and disclosure requirements in this Ind AS that are applicable to the new method of disposal.

...

28 The entity shall include any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale or as held for distribution to owners in profit or loss from continuing operations in the period in which the criteria in paragraphs 7–9 or 12A, respectively, are no longer met. Financial statements for the periods since classification as held for sale or as held for distribution to owners shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale or as held for distribution to owners is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate. The entity shall present that adjustment in the same line item~~caption~~ in the statement of profit and loss used to present a gain or loss, if any, recognised in accordance with paragraph 37.

...

Presentation and disclosure

...

Discontinued ~~Presenting discontinued~~ operations

31 A *component of an entity* comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a

component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

...

33 An entity shall present or disclose:

...

(b) an analysis of the single amount in (a) into:

(i) the revenue, expenses and pre-tax profit or loss of discontinued operations;

(ii) the related income tax expense as required by paragraph 81(h) of Ind AS 12.

(iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; and

(iv) the related income tax expense as required by paragraph 81(h) of Ind AS 12.

The analysis may be presented in the in the statement of profit and loss or disclose in the notes ~~or in the statement of profit and loss~~. If it is presented in the statement of profit and loss it shall be classified ~~presented~~ in the ~~a section identified as relating to~~ discontinued operations category, ie separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).

(c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. This information~~These disclosures~~ may either be presented in the statement of cash flows or disclosed ~~either~~ in the notes ~~or in the financial statements~~. These disclosures are not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).

(d) the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. This information~~These disclosures~~ may either be presented ~~either in the notes or~~ in the statement of profit and loss or disclosed in the notes.

---

34 An entity shall re-present the presentation and disclosures in paragraph 33 for prior periods presented in the financial statements so that the presentation and disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

35 Adjustments in the current period to amounts previously classified ~~presented~~ in the discontinued operations category that are directly related to the disposal of a discontinued operation in a prior period shall also be classified separately in the discontinued operations category. The nature and amount of such adjustments shall be disclosed. Examples of circumstances in which these adjustments may arise include the following:

...

36 If an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously classified ~~presented~~ in the discontinued operations category in accordance with paragraphs 33–35 shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

36A An entity that is committed to a sale plan involving loss of control of a subsidiary shall present or disclose the information required in paragraphs 33–36 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 32.

...

Non-current~~Presentation of a non-current~~ asset or disposal group classified as held for sale

38 An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the balance sheet. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall either be presented separately ~~disclosed either~~ in the balance sheet or disclosed in the notes, except as permitted by paragraph 39. An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.

39 If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition (see paragraph 11), presentation or disclosure of the major classes of assets and liabilities is not required.

...

Additional disclosures

41 An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

...

(c) the gain or loss recognised in accordance with paragraphs 20–22 and, if not separately presented in the statement of profit and loss, the line item~~caption~~ in the statement of profit and loss that includes that gain or loss;

...

Effective date

44N Ind AS 118 amended paragraphs 2, 3, 5A, 5B, 13, 17, 26A, 28, 33–36A, 38, 39 and 41, and the headings before paragraphs 31 and 38. An entity shall apply those amendments when it applies Ind AS 118.

Ind AS 106, *Exploration for and Evaluation of Mineral Resources*

Paragraph 6 is amended. Paragraph 26B is added. New text is underlined and deleted text is struck through.

Recognition of exploration and evaluation assets

Temporary exemption from Ind AS 8 paragraphs 11 and 12

6 When developing its accounting policies, an entity recognising exploration and evaluation assets shall apply paragraph 10 of Ind AS 8, *Basis of Preparation of Financial Statements*~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~.

...

Effective date

...

26B Ind AS 118, *Presentation and Disclosure in Financial Statements,* ~~issued in April 2024~~ amended paragraph 6. An entity shall apply those amendments when it applies Ind AS 118.

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.' in paragraph 26A. New text is underlined.

* With the issuance of Ind AS 118 *Presentation and Disclosure in Financial Statements,* the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements*.

Ind AS 107, *Financial Instruments: Disclosures*

Paragraphs 3, 8, 20, 21, 24C, 24E, 24F, 24G, B5, B7 and B46 are amended. Paragraphs 19A–19B and their related subheading, and paragraph 44KK are added. New text is underlined and deleted text is struck through.

Scope

3 **This Ind AS shall be applied by all entities to all types of financial instruments, except:**

...

(f) **instruments that are required to be classified as equity instruments in accordance with paragraphs 16A and 16B or paragraphs 16C and 16D of Ind AS 32. However, the disclosures required by paragraphs 19A–19B are required for such instruments.**

...

Significance of financial instruments for financial position and performance

...

Balance sheet

Categories of financial assets and financial liabilities

8 The carrying amounts of each of the following categories, as specified in Ind AS 109, shall either be presented ~~disclosed either~~ in the balance sheet or disclosed in the notes:

...

Financial instruments classified as equity in accordance with paragraphs 16A–16B or paragraphs 16C–16D of Ind AS 32

19A For puttable financial instruments classified as equity instruments in accordance with paragraphs 16A–16B of Ind AS 32, an entity shall disclose (to the extent not disclosed elsewhere):

(a) summary quantitative data about the amount classified as equity;

(b) its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period;

(c) the expected cash outflow on redemption or repurchase of that class of financial instruments; and

(d) information about how the expected cash outflow on redemption or repurchase was determined.

19B If an entity has reclassified any of the following financial instruments between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification:

(a) a puttable financial instrument classified as an equity instrument applying paragraphs 16A–16B of Ind AS 32; or

(b) an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument applying paragraphs 16C–16D of Ind AS 32.

Statement of profit and loss

Items of income, expense, gains or losses

20 An entity shall either present, subject to the presentation requirements in Ind AS 118, *Presentation and Disclosures in Financial Statements*, ~~disclose~~ the following items of income, expense, gains or losses ~~either~~ in the statement of profit and loss or disclose them in the notes:

...

Other disclosures

Accounting policies

21 In accordance with paragraph 27A of Ind AS 8, *Basis of Preparation of Financial Statements*~~117 of Ind AS 1, *Presentation of Financial Statements*~~, an entity discloses material accounting policy information. Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information.

Hedge accounting

...

The effects of hedge accounting on financial position and performance

...

24C An entity shall disclose, in a tabular format, the following amounts separately by risk category for the types of hedges as follows:

...

(b) for cash flow hedges and hedges of a net investment in a foreign operation:

...

(iv) the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~) (differentiating between amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur, and amounts that have been transferred because the hedged item has affected profit or loss);

(v) the line item in the statement of profit and loss that includes the reclassification adjustment (see Ind AS 118~~Ind AS 1~~); and

...

24E An entity shall provide a reconciliation of each component of equity and an analysis of other comprehensive income in accordance with Ind AS 118~~Ind AS 1~~ that, taken together:

...

24F An entity shall provide~~disclose~~ the information required in paragraph 24E separately by risk category. This disaggregation by risk may be disclosed ~~provided~~ in the notes to the financial statements.

Option to designate a credit exposure as measured at fair value through profit or loss

24G If an entity designated a financial instrument, or a proportion of it, as measured at fair value through profit or loss because it uses a credit derivative to manage the credit risk of that financial instrument it shall disclose:

...

(c) on discontinuation of measuring a financial instrument, or a proportion of it, at fair value through profit or loss, that financial instrument's fair value that has become the new carrying amount in accordance with paragraph 6.7.4 of Ind AS 109 and the related nominal or principal amount (except for providing comparative information in accordance with Ind AS 118~~Ind AS 1~~, an entity does not need to continue this disclosure in subsequent periods).

...

Effective date and transition

...

44KK Ind AS 118 amended paragraphs 3, 8, 20, 21, 24C, 24E, 24F, 24G, B5, B7 and B46, and added paragraphs 19A–19B and a related subheading. An entity shall apply those amendments when it applies Ind AS 118.

...

Appendix B
Application guidance

Classes of financial instruments and level of disclosure (paragraph 6)

...

Other disclosure – accounting policies (paragraph 21)

B5 Paragraph 21 requires disclosure of material accounting policy information, which is expected to include information about the measurement basis (or bases) for financial instruments used in preparing the financial statements. For financial instruments, such disclosure may include:

...

Paragraph 27G of Ind AS 8, *Basis of Preparation of Financial Statements,*~~122 of Ind AS 1~~ also requires entities to disclose, along with material accounting policy information or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Nature and extent of risks arising from financial instruments (paragraphs 31–42)

...

Quantitative disclosures (paragraph 34)

B7 Paragraph 34(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and reliable information. Ind AS 8~~, Accounting Policies, Changes in Accounting Estimates and Errors,~~ discusses relevance and reliability.

...

Derecognition (paragraphs 42C–42H)

...

Offsetting financial assets and financial liabilities (paragraphs 13A–13F)

...

Disclosure of the net amounts presented in the balance sheet (paragraph 13C(c))

...

B46 The amounts required to be disclosed by paragraph 13C(c) must be reconciled to the individual line item amounts presented in the balance sheet. For example, if an entity applying the requirements of Ind AS 118 aggregates or disaggregates amounts presented in ~~determines that the aggregation or disaggregation of~~ individual financial statement line items ~~amounts~~ when the entity provides the amounts required by paragraph 13C(c)~~provides more relevant information~~, it must reconcile those ~~the~~ aggregated or disaggregated amounts ~~disclosed in paragraph 13C(c)~~ back to the individual line item amounts presented in the balance sheet.

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.' in paragraph 44FF. New text is underlined.

* With the issuance of Ind AS 118, the title of Ind AS 8 has been changed.

A footnote is added to the end of paragraph 44II. New text is underlined.

* With the issuance of Ind AS 118, the requirements to disclose material accounting policy information in Ind AS 1 have been carried over to Ind AS 8.

Ind AS 108, *Operating Segments*

Paragraph 23 is amended and paragraph 36D is added. New text is underlined and deleted text is struck through.

Disclosure

...

Information about profit or loss, assets and liabilities

23 An entity shall report a measure of profit or loss for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss:

...

(f) material items of income and expense disclosed in accordance with paragraph 42~~97~~ of Ind AS 118, *Presentation and Disclosure in Financial Statements*~~Ind AS 1, Presentation of Financial Statements~~;

...

Transition and effective date

35-36C [Refer Appendix 1]

36D Ind AS 118 amended paragraph 23. An entity shall apply those amendments when it applies Ind AS 118.

Appendix 1

Comparison with IFRS 8, *Operating Segments*

1. The transitional provisions given in IFRS 108 has not been given in Ind AS 108, 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.* Accordingly, paragraphs 35-36C of IFRS 8 related to transition and effective date have not been included. However, the paragraph numbers have been retained in Ind AS 108 to maintain consistency with paragraph numbers of IFRS 8.

Ind AS 109, *Financial Instruments*

Paragraphs 5.6.5, 5.6.7, 5.7.10, 6.5.11, 6.5.12, 6.5.14, 6.5.15, 6.7.2 and B4.1.2A are amended and paragraph 7.1.11 is added. New text is underlined and deleted text is struck through.

Chapter 5 Measurement

...

5.6 Reclassification of financial assets

...

5.6.5 If an entity reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment (see Ind AS 118, *Presentation and Disclosure in Financial Statements*~~Ind AS 1 *Presentation of Financial Statements*~~). The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification. (See paragraph B5.6.1.)

...

5.6.7 If an entity reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~) at the reclassification date.

5.7 Gains and losses

...

Assets measured at fair value through other comprehensive income

5.7.10 A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A shall be recognised in other comprehensive income, except for impairment gains or losses (see Section 5.5) and foreign exchange gains and losses (see paragraphs B5.7.2–B5.7.2A), until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~). If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the entity shall account for the cumulative gain or loss that was previously recognised in other comprehensive income in accordance with paragraphs 5.6.5 and 5.6.7. Interest calculated using the effective interest method is recognised in profit or loss.

...

Chapter 6 Hedge accounting

...

6.5 Accounting for qualifying hedging relationships

...

Cash flow hedges

6.5.11 As long as a cash flow hedge meets the qualifying criteria in paragraph 6.4.1, the hedging relationship shall be accounted for as follows:

...

(d) the amount that has been accumulated in the cash flow hedge reserve in accordance with (a) shall be accounted for as follows:

(i) if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment (see Ind AS 118~~Ind AS 1~~) and hence it does not affect other comprehensive income.

(ii) for cash flow hedges other than those covered by (i), that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~) in the same period or periods during which the hedged expected future cash flows affect profit or loss (for example, in the periods that interest income or interest expense is recognised or when a forecast sale occurs).

(iii) however, if that amount is a loss and an entity expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~).

6.5.12 When an entity discontinues hedge accounting for a cash flow hedge (see paragraphs 6.5.6 and 6.5.7(b)) it shall account for the amount that has been accumulated in the cash flow hedge reserve in accordance with paragraph 6.5.11(a) as follows:

...

(b) if the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~). A hedged future cash flow that is no longer highly probable to occur may still be expected to occur.

Hedges of a net investment in a foreign operation

...

6.5.14 The cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in the foreign currency translation reserve shall be reclassified from equity to profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~) in accordance with paragraphs 48–49 of Ind AS 21 on the disposal or partial disposal of the foreign operation.

Accounting for the time value of options

6.5.15 When an entity separates the intrinsic value and time value of an option contract and designates as the hedging instrument only the change in intrinsic value of the option (see paragraph 6.2.4(a)), it shall account for the time value of the option as follows (see paragraphs B6.5.29–B6.5.33):

...

(b) the change in fair value of the time value of an option that hedges a transaction related hedged item shall be recognised in other comprehensive income to the extent that it relates to the hedged item and shall be accumulated in a separate component of equity. The cumulative change in fair value arising from the time value of the option that has been accumulated in a separate component of equity (the 'amount') shall be accounted for as follows:

(i) if the hedged item subsequently results in the recognition of a non-financial asset or a non-financial liability, or a firm commitment for a non-financial asset or a non-financial liability for which fair value hedge accounting is applied, the entity shall remove the amount from the separate component of equity and include it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment (see Ind AS 118~~Ind AS 1~~) and hence does not affect other comprehensive income.

(ii) for hedging relationships other than those covered by (i), the amount shall be reclassified from the separate component of equity to profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~) in the same period or periods during which the hedged expected future cash flows affect profit or loss (for example, when a forecast sale occurs).

(iii) however, if all or a portion of that amount is not expected to be recovered in one or more future periods, the amount that is not expected to be recovered shall be immediately reclassified into profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~).

(c) the change in fair value of the time value of an option that hedges a time-period related hedged item shall be recognised in other comprehensive income to the extent that it relates to the hedged item and shall be accumulated in a separate component of equity. The time value at the date of designation of the option as a hedging instrument, to the extent that it relates to the hedged item, shall be amortised on a systematic and rational basis over the period during which the hedge adjustment for the option's intrinsic value could affect profit or loss (or other comprehensive income, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income in accordance with paragraph 5.7.5). Hence, in each reporting period, the amortisation amount shall be reclassified from the separate component of equity to profit or loss as a reclassification adjustment (see Ind AS ~~1~~118). However, if hedge accounting is discontinued for the hedging relationship that includes the change in intrinsic value of the option as the hedging instrument, the net amount (ie including cumulative amortisation) that has been accumulated in the separate component of equity shall be immediately reclassified into profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~).

...

6.7 Option to designate a credit exposure as measured at fair value through profit or loss

...

Accounting for credit exposures designated at fair value through profit or loss

6.7.2 If a financial instrument is designated in accordance with paragraph 6.7.1 as measured at fair value through profit or loss after its initial recognition, or was previously not recognised, the difference at the time of designation between the carrying amount, if any, and the fair value shall immediately be recognised in profit or loss. For financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A, the cumulative gain or loss previously recognised in other comprehensive income shall immediately be reclassified from equity to profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~).

...

Chapter 7 Effective date and transition

Effective date (Section 7.1)

...

7.1.11 Ind AS 118 amended paragraphs 5.6.5, 5.6.7, 5.7.10, 6.5.11, 6.5.12, 6.5.14, 6.5.15, 6.7.2 and B4.1.2A. An entity shall apply those amendments when it applies Ind AS 118.

...

Appendix B
Application guidance

...

Classification (Chapter 4)

Classification of financial assets (Section 4.1)

The entity's business model for managing financial assets

...

B4.1.2A An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Consequently, this assessment is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario would not affect the entity's assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur. If cash flows are realised in a way that is different from the entity's expectations at the date that the entity assessed the business model (for example, if the entity sells more or fewer financial assets than it expected when it classified the assets), that does not give rise to a prior period error in the entity's financial statements (see Ind AS 8, *Basis of Preparation of Financial Statements* ~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~) nor does it change the classification of the remaining financial assets held in that business model (ie those assets that the entity recognised in prior periods and still holds) as long as the entity considered all relevant information that was available at the time that it made the business model assessment. However, when an entity assesses the business model for newly originated or newly purchased financial assets, it must consider information about how cash flows were realised in the past, along with all other relevant information.

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*,' in paragraph 7.2.1. New text is underlined.

* With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements*, the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements*.

Appendix D

Extinguishing Financial Liabilities with Equity Instruments

Paragraph 11 is amended and paragraph 18 is added. New text is underlined and deleted text is struck through.

Accounting Principles

...

11 An entity shall present~~disclose~~ a gain or loss recognised in accordance with paragraphs 9 and 10 as a separate line item in profit or loss or disclose it in the notes.

Effective date and transition

12-17 [Refer Appendix 1].

18 Ind AS 118, *Presentation and Disclosure in Financial Statements*, amended paragraph 11 of this Appendix. An entity shall apply those amendments when it applies Ind AS 118.

Appendix 1

Comparison with IFRS 9, Financial Instruments, IFRIC 16 and IFRIC 19

...

2. Paragraphs 7.1.1 to 7.1.3 of IFRS 9 related to effective date have not been included in Ind AS 109 as these paragraphs are not relevant in Indian context. Paragraph 7.1.13 has not been included since it relates to early application of the amendments to the classification and measurement of financial instruments which is not permitted in India. Paragraphs 12-17 of IFRIC 19 related to effective date have not been included in Appendix D of Ind AS 109 as these paragraphs are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IFRS 9 and IFRIC 19, these paragraph numbers are retained in Ind AS 109.

Ind AS 112, *Disclosure of Interests in Other Entities*

Paragraph B14 is amended and paragraph C1E is added. New text is underlined and deleted text is struck through.

Appendix B
Application guidance

...

Summarised financial information for subsidiaries, joint ventures and associates (paragraphs 12 and 21)

...

B14 The summarised financial information <u>disclosed</u> ~~presented~~ in accordance with paragraphs B12 and B13 shall be the amounts included in the Ind AS financial statements of the joint venture or associate (and not the entity's share of those amounts). If the entity accounts for its interest in the joint venture or associate using the equity method:

(a) the amounts included in the Ind AS financial statements of the joint venture or associate shall be adjusted to reflect adjustments made by the entity when using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

(b) the entity shall provide a reconciliation of the summarised financial information <u>disclosed</u> ~~presented~~ to the carrying amount of its interest in the joint venture or associate.

...

Appendix C
Effective date and transition

Effective date and transition

...

<u>C1E Ind AS 118, *Presentation and Disclosure in Financial Statements*, amended paragraph B14. An entity shall apply those amendments when it applies Ind AS 118.</u>

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*' in paragraph C1D. New text is underlined.

<u>* With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements*, the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements*.</u>

Ind AS 113, *Fair Value Measurement*

Paragraph 51 is amended and paragraph C7 is added. New text is underlined and deleted text is struck through.

Measurement

...

Application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk

...

51 An entity shall make an accounting policy decision in accordance with Ind AS 8, *Basis of Preparation of Financial Statements*~~Accounting Policies, Changes in Accounting Estimates and Errors~~, to use the exception in paragraph 48. An entity that uses the exception shall apply that accounting policy, including its policy for allocating bid-ask adjustments (see paragraphs 53-55) and credit adjustments (see paragraph 56), if applicable, consistently from period to period for a particular portfolio.

...

Appendix C
Effective date and transition

...

C7 Ind AS 118, *Presentation and Disclosure in Financial Statements*, amended paragraph 51. An entity shall apply those amendments when it applies Ind AS 118.

Ind AS 114, *Regulatory Deferral Accounts*

Paragraphs 19, B13 and B14 are amended and paragraph C2 is added. The subheading before paragraph 9 is also amended. Paragraph 9 is not amended but is included for ease of reference. New text is underlined and deleted text is struck through.

Recognition, measurement, impairment and derecognition

Temporary exemption from paragraph 11 of Ind AS 8 *Basis of Preparation of Financial Statements*~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~

9 **An entity that has rate-regulated activities and that is within the scope of, and elects to apply, this Standard shall apply paragraphs 10 and 12 of Ind AS 8 when developing its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances.**

...

Presentation

Changes in presentation

...

19 Notwithstanding the requirements in Ind AS 118, *Presentation and Disclosure in Financial Statements*~~In addition to the items that are required to be presented in the balance sheet and in the statement of profit and loss in accordance with Ind AS 1 *Presentation of Financial Statements*~~, an entity applying this Standard shall present all regulatory deferral account balances and the movements in those balances in accordance with paragraphs 20–26.

...

Appendix B
Application Guidance

...

Applicability of other Standards

...

Application of Ind AS 33 *Earnings per Share*

B13 Paragraph 66 of Ind AS 33 requires some entities to present, in the statement of profit and loss, basic and diluted earnings per share both for profit or loss from continuing operations and profit or loss that is attributable to the ordinary equity holders of the parent entity. In addition, paragraph 68 of Ind AS 33 requires an entity that reports a discontinued operation to either present in the statement of profit and loss or disclose in the notes ~~disclose~~ the basic and diluted amounts per share for the discontinued operation~~, either in the statement of profit or loss and other comprehensive income or in the notes~~.

B14 For each earnings per share amount presented in accordance with Ind AS 33, an entity applying this Standard shall present additional basic and diluted earnings per share amounts that are calculated in the same way, except that those amounts shall exclude the net movement in the regulatory deferral account balances. Notwithstanding the requirements in paragraph 73C(c) of Ind AS 33~~Consistent with the requirement in paragraph 73 of Ind AS 33~~, an entity shall present the earnings per share required by paragraph 26 of this Standard with equal prominence to the earnings per share required by Ind AS 33 for all periods presented.

...

Appendix C
Effective date and transition

Effective date and transition

Effective date

C1 [Refer Appendix 1]

C2 Ind AS 118 amended paragraphs 19, B13 and B14 and the subheading before paragraph 9. An entity shall apply those amendments when it applies Ind AS 118.

Appendix 1
Comparison with IFRS 14, Regulatory Deferral Accounts

...

4. Paragraph C1 of Appendix C of IFRS 14, has not been included as it relates to effective date that is not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IFRS 14, the paragraph number is retained in Ind AS 114.

Ind AS 115, *Revenue from Contracts with Customers*

Paragraph 43 is amended and paragraph C1D is added. New text is underlined and deleted text is struck through.

Recognition

...

Satisfaction of performance obligations

...

Measuring progress towards complete satisfaction of a performance obligation

...

Methods for measuring progress

...

43 As circumstances change over time, an entity shall update its measure of progress to reflect any changes in the outcome of the performance obligation. Such changes to an entity's measure of progress shall be accounted for as a change in accounting estimate in accordance with Ind AS 8, *Basis of Preparation of Financial Statements*~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~.

...

Appendix C
Effective date and transition

Effective date

...

C1D Ind AS 118 *Presentation and Disclosure in Financial Statements* amended paragraph 43. An entity shall apply those amendments when it applies Ind AS 118.

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*,' in paragraph C3(a). New text is underlined.

* With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements*, the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements*.

Ind AS 116, *Leases*

Paragraph 49 is amended and paragraph C1E is added. New text is underlined and deleted text is struck through.

Lessee

...

Presentation

...

49 In the statement of profit and loss, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Paragraph 61 of Ind AS 118, *Presentation and Disclosure in Financial Statements*, requires an entity to classify in the financing category of the profit or loss interest ~~Interest~~ expense on the lease liability, identified by the entity applying paragraph 36(a) ~~is a component of finance costs, which paragraph 82(b) of Ind AS 1, *Presentation of Financial Statements*, requires to be presented separately in the statement of profit and loss~~.

...

Appendix C
Effective date and transition

Effective date

...

C1E Ind AS 118 amended paragraph 49. An entity shall apply those amendments when it applies Ind AS 118.

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;' in paragraph C5(a). New text is underlined.

* With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements*, the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements*.

Ind AS 117, *Insurance Contracts*

Paragraphs 80, 91, 93, 96, 98, 103 and B129 are amended and paragraph C2B is added. New text is underlined and deleted text is struck through.

Recognition and presentation in the statement~~(s)~~ of profit and loss (paragraphs B120–B136)

80. Applying paragraphs 41 and 42, an entity shall disaggregate the amounts recognised in the statement~~(s)~~ of profit and loss into:

...

Insurance finance income or expenses (see paragraphs B128–B136)

...

91 If an entity transfers a group of insurance contracts or derecognises an insurance contract applying paragraph 77:

(a) it shall reclassify to profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~, *Presentation and Disclosures in Financial Statements* ~~*Presentation of Financial Statements*~~) any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income because the entity chose the accounting policy set out in paragraph 88(b).

(b) it shall not reclassify to profit or loss as a reclassification adjustment (see Ind AS 118~~Ind AS 1~~) any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income because the entity chose the accounting policy set out in paragraph 89(b).

...

Disclosure

...

93. The objective of the disclosure requirements is for an entity to disclose information in the notes that, together with the information provided in the balance sheet, statement~~(s)~~ of profit and loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that contracts within the scope of Ind AS 117 have on the entity's financial position, financial performance and cash flows. To achieve that objective, an entity shall disclose qualitative and quantitative information about:

…

96 Paragraphs 41-43 of Ind AS 118~~Paragraphs 29–31 of Ind AS 1~~ set out requirements relating to ~~materiality and~~ aggregation and disaggregation of information. Examples of characteristics~~aggregation bases~~ that might be appropriate as a basis to disaggregate~~for~~ information disclosed about insurance contracts are:

(a) type of contract (for example, major product lines);

(b) geographical area (for example, country or region); or

(c) reportable segment, as defined in Ind AS 108, *Operating Segments*.

Explanation of recognised amounts

...

98. An entity shall disclose reconciliations that show how the net carrying amounts of contracts within the scope of Ind AS 117 changed during the period because of cash flows and income and expenses recognised in the statement~~(s)~~ of profit and loss. Separate reconciliations shall be disclosed for insurance contracts issued and reinsurance contracts held. An entity shall adapt the requirements of paragraphs 100–109 to reflect the features of reinsurance contracts held that differ from insurance contracts issued; for example, the generation of expenses or reduction in expenses rather than revenue.

…

103 An entity shall separately disclose in the reconciliations required in paragraph 100 each of the following amounts related to services, if applicable:

...

(c) investment components excluded from insurance revenue and insurance service expenses (combined with refunds of premiums unless refunds of premiums are disclosed~~presented~~ as part of the cash flows in the period described in paragraph 105(a)(i)).

...

Appendix B
Application guidance

...

Insurance finance income or expenses (paragraphs 87–92)

...

B129 Paragraphs 88–89 require an entity to make an accounting policy choice as to whether to disaggregate insurance finance income or expenses for the period between profit or loss and other comprehensive income. An entity shall apply its choice of accounting policy to portfolios of insurance contracts. In assessing the appropriate accounting policy for a portfolio of insurance contracts, applying paragraph 13 of Ind AS 8, *Basis of Preparation of Financial Statements*~~Accounting Policies, Changes in Accounting Estimates and Errors~~, the entity shall consider for each portfolio the assets that the entity holds and how it accounts for those assets.

...

Appendix C
Effective date and transition

Effective date

...

C2B Ind AS 118, *Presentation and Disclosure in Financial Statements*, amended paragraphs 80, 91, 93, 96, 98, 103 and B129. An entity shall apply those amendments when it applies Ind AS 118.

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;' in paragraph C3(a). New text is underlined.

* With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements,* the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements*.

Ind AS 2, *Inventories*

Paragraph 39 has been amended. Paragraphs 38 and 40H have been added. New text is underlined and deleted text is struck through.

Disclosure

...

38 ~~[Refer Appendix 1]~~The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has now been sold and unallocated production overheads and abnormal amounts of production costs of inventories. The circumstances of the entity may also warrant the inclusion of other amounts, such as distribution costs.

39 Some~~An~~ entit<u>ies</u>~~y~~ classify expenses by nature in the operating category of the ~~adopts a format for~~ profit or loss in a way that results in amounts being presented~~disclosed~~ other than the cost of inventories recognised as an expense during the period. ~~Under this format, the entity presents an analysis of expenses using a classification based on the nature of expenses.~~ In this case, the entity presents~~discloses~~ the costs recognised as an expense for raw materials and consumables, employee benefits~~labour costs~~ and other costs together with the amount of the net change in inventories for the period.

Effective date

...

40H Ind AS 118, *Presentation and Disclosure in Financial Statements*, amended paragraph 39 and added paragraph 38. An entity shall apply those amendments when it applies Ind AS 118.

Appendix 1

Comparison with IAS 2, Inventories

~~1~~ ~~Paragraph 38 of IAS 2 dealing with recognition of inventories as an expense based on function-wise classification, has been deleted keeping in view the fact that option provided in IAS 1 to present an analysis of expenses recognised in profit or loss using a classification based on their function within the entity has been removed and Ind AS 1 requires only nature-wise classification of expenses. However, in order to maintain consistency with paragraph numbers of IAS 2, the paragraph number is retained in Ind AS 2.~~

Ind AS 7, *Statement of Cash Flows*

Paragraphs 6, 10, 12, 14, 16–18, 20, 31, 32, 35, 46 and 47 are amended. Paragraphs 33A, 34A–34D, and 64 are added. Paragraphs 33 and 34 are deleted. New text is underlined and deleted text is struck through.

Definitions

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

...

Investing activities **are the acquisition and disposal of long-term assets and other investments not included in cash equivalents and the receipt of interest and dividends as described in paragraphs 34A–34D.**

...

Presentation of a statement of cash flows

10 **The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities. In preparing the statement of cash flows, an entity shall apply this Standard and also apply the general requirements for financial statements in paragraphs 9–43 and 113–114 of Ind AS 118, *Presentation and Disclosure in Financial Statements*.**

...

12 A single transaction may include cash flows that are classified differently. ~~For example, when the instalment paid in respect of an item of Property, Plant and Equipment acquired on deferred payment basis includes interest, the interest element is classified under financing activities and the loan element is classified under investing activities.~~

Operating activities

...

14 Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of profit or loss. Examples of cash flows from operating activities are:

(a) cash receipts from the sale of goods and the rendering of services;

(b) cash receipts from royalties, fees, commissions and other revenue;

(c) cash payments to suppliers for goods and services;

(d) cash payments to and on behalf of employees;

(e) [Refer Appendix 1];

(f) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities; ~~and~~

(g) cash receipts and payments from contracts held for dealing or trading purposes~~.~~; and

(h) cash receipts of dividends and cash receipts and payments of interest as described in paragraphs 34B–34D.

Some transactions, such as the sale of an item of plant, may give rise to a gain or loss that is included in recognised profit or loss. The cash flows relating to such transactions are cash flows from investing activities. However, cash payments to manufacture or acquire assets held for rental to others and subsequently held for sale as described in paragraph 68A of Ind AS 16, *Property, Plant and*

Equipment, are cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also cash flows from operating activities.

...

Investing activities

16 The separate presentation~~disclosure~~ of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognized asset in the balance sheet are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

(a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed property, plant and equipment.~~;~~

(b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets.~~;~~

(c) cash payments to acquire equity or debt instruments of other entities including ~~and~~ interests in associates and joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes).~~;~~

(d) cash receipts from sales of equity or debt instruments of other entities including~~and~~ interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes).~~;~~

(e) cash advances and loans made to other parties (other than advances and loans made by a financial institution).~~;~~

(f) cash receipts from the repayment of advances and loans made to other parties (other than advances and loans of a financial institution).~~;~~

(g) cash payments for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments are classified as financing activities.~~; and~~

(h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the receipts are classified as financing activities.

(i) cash receipts of interest and dividends as described in paragraphs 34A-34D.

When a contract is accounted for as a hedge of an identifiable position the cash flows of the contract are classified in the same manner as the cash flows of the position being hedged.

Financing activities

17 The separate presentation~~disclosure~~ of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

(a) cash proceeds from issuing shares or other equity instruments;

(b) cash payments to owners to acquire or redeem the entity's shares;

(c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;

(d) cash repayments of amounts borrowed; ~~and~~

(e) cash payments by a lessee for the reduction of the outstanding liability relating to a lease~~.~~;

(f) cash payments of dividends as described in paragraph 33A; and

(g) cash payments of interest as described in paragraph 34A-34D.

Reporting cash flows from operating activities

18 **An entity shall report cash flows from operating activities using either:**

- **(a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or**
- **(b) the indirect method, whereby operating profit or loss is adjusted for:**
  - **(i) the effects of transactions of a non-cash nature~~,~~;**
  - **(ii) any deferrals or accruals of past or future operating cash receipts or payments~~,~~;**
  - **(iii) income or expenses classified in the operating category in the profit or loss for which the associated cash flows are classified as cash flows from either investing or financing activities; and**
  - **(iv) cash flows from operating activities for which the associated income or expenses are not classified in the operating category of the profit or loss~~and items of income or expense associated with investing or financing cash flows~~.**

...

20 Under the indirect method, the net cash flow from operating activities is determined by adjusting operating profit or loss for the effects of:

- (a) changes during the period in inventories and operating receivables and payables;
- (b) non-cash items such as depreciation, provisions and~~, deferred taxes,~~ unrealised foreign currency gains and losses classified in the operating category~~, and undistributed profits of associates~~; ~~and~~
- (c) income and expenses classified in the operating category in the profit or loss ~~all other items~~ for which the cash effects are investing or financing cash flows~~.~~; and
- (d) operating cash flows, such as income tax (in accordance with paragraph 35), for which the corresponding income or expenses are not classified in the operating category in the profit or loss.

Alternatively, the net cash flow from operating activities may be presented under the indirect method by showing the revenues and expenses classified in the operating category in the profit or loss, ~~disclosed in the statement of profit and loss~~ ~~and~~ the changes during the period in inventories and operating receivables and payables and any other operating cash flows for which the corresponding income or expenses are not classified in the operating category.

...

Interest and dividends

31 **Cash flows from interest and dividends received and paid shall each be presented ~~disclosed~~ separately. Each shall be classified in a consistent manner from period to period applying paragraphs 32, 33A and 34A-34D.~~Cash flows arising from interest paid and interest and dividends received in the case of a financial institution should be classified as cash flows arising from operating activities~~ ~~In the case of other entities, cash flows arising from interest paid should be classified as cash flows from financing activities while interest and dividends received should be classified as cash flows from investing activities. Dividends paid should be classified as cash flows from financing activities.~~**

32 The total amount of interest paid during a period is included ~~disclosed~~ in the statement of cash flows whether it has been recognised as an expense in profit or loss or capitalised in accordance with Ind AS 23, *Borrowing Costs*.

33 [Refer Appendix 1]~~Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Some argue that interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of profit or loss. However, it is more appropriate that interest paid and interest and dividends received are classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.~~

33A An entity shall classify dividends paid as cash flows from financing activities.

34 [Refer Appendix 1]~~Some argue that dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows. However, it is considered more appropriate that dividends paid should be classified as cash flows from financing activities because they are cost of obtaining financial resources.~~

34A An entity, other than those entities described in paragraph 34B, shall classify:

(a) interest paid (as described in paragraph 32) as cash flows from financing activities.

(b) interest and dividends received as cash flows from investing activities.

34B An entity that invests in assets or provides financing to customers as a main business activity (as determined applying paragraphs B30–B41 of Ind AS 118) shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how—applying Ind AS 118—it classifies dividend income, interest income and interest expenses in the profit or loss. An entity shall classify the total of each of these cash flows in a single category in the statement of cash flows (that is, either as operating, investing or financing activities).

34C In applying paragraph 34B, if an entity classifies the total of each of dividend income, interest income and interest expenses in a single category of the profit or loss, the entity shall classify the total of each of dividends received, interest received and interest paid as cash flows arising from the associated activity in the statement of cash flows. For example, if an entity classifies all its interest expenses in the financing category of the profit or loss, the entity would classify all its interest paid as cash flows from financing activities.

34D In applying Ind AS 118, an entity may be required to classify each of dividend income, interest income and interest expenses in more than one category of the profit or loss. In such a case, in applying paragraph 34B the entity shall make an accounting policy choice to classify the related cash flows in one of the associated activities in the statement of cash flows. For example, if an entity classifies interest expenses in the operating category and the financing category of the profit or loss, the entity would classify all its interest paid in accordance with its accounting policy as either cash flows from operating activities or cash flows from financing activities.

Taxes on income

35 **Cash flows arising from taxes on income shall be separately presented~~disclosed~~ and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.**

...

Components of cash and cash equivalents

...

46 In view of the variety of cash management practices and banking arrangements around the world and in order to comply with Ind AS 8, *Basis of Preparation of Financial Statements*~~Ind AS 1, *Presentation of Financial Statements*~~, an entity discloses the policy which it adopts in determining the composition of cash and cash equivalents.

47 The effect of any change in the policy for determining components of cash and cash equivalents, for example, a change in the classification of financial instruments previously considered to be part of an entity's investment portfolio, is reported in accordance with Ind AS 8~~, *Accounting Policies, Changes in Accounting Estimates and Errors*~~.

...

Effective date

...

64 Ind AS 118 amended paragraphs 6, 10, 12, 14, 16–18, 20, 31, 32, 35, 46 and 47, added paragraphs 33A and 34A–34D, and deleted paragraphs 33 and 34. An entity shall apply those amendments when it applies Ind AS 118.

Appendix 1

Comparison with IAS 7, *Statement of Cash Flows*

~~1. In case of other than financial entities, IAS 7 gives an option to classify the interest paid and interest and dividends received as item of operating cash flows. Ind AS 7 does not provide such an option and requires these item to be classified as item of financing activity and investing activity, respectively (refer to the paragraph 33).~~

~~2. IAS 7 gives an option to classify the dividend paid as an item of operating activity. However, Ind AS 7 requires it to be classified as a part of financing activity only (refer paragraph 34).~~

~~3~~1. Different terminology is used in this standard, eg, 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'.

2~~4~~. Paragraph 2 of IAS 7 which states that IAS 7 supersedes the earlier version IAS 7 is deleted in Ind AS 7 as this is not relevant in Ind AS 7. However, paragraph number 2 is retained in Ind AS 7 to maintain consistency with paragraph numbers of IAS 7.

~~5~~3. The following paragraph numbers appear as 'Deleted' in IAS 7. In order to maintain consistency with paragraph numbers of IAS 7, the paragraph numbers are retained in Ind AS 7:

(i) paragraph 29

(ii) paragraph 30

(iii) paragraph 33

(iv) paragraph 34

(v~~iii~~) paragraph 50(b)

4~~6~~. Paragraphs 53-58 of IAS 7 have not been included in Ind AS 7 as these paragraphs relate to Effective Date. However, in order to maintain consistency with paragraph numbers of IAS 7, these paragraph numbers are retained in Ind AS 7.

Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

The title of Ind AS 8 is amended. New text is underlined and deleted text is struck through.

Ind AS 8, *Basis of Preparation of Financial Statements~~Accounting Policies, Changes in Accounting Estimates and Errors~~*

Paragraphs 1, 3, 5, 11 and 32 are amended and paragraph 2 is deleted. Paragraph 3A, paragraphs 6A–6J, 6K–6L, 6M–6N, 27A–27I and 31A–31I, each with a related heading or subheading, and paragraph 54J are added. A subheading is also added before paragraph 28. Paragraph 28 has not been amended but included for ease of reference. New text is underlined and deleted text is struck through.

Objective

1 The objective of this Standard is to ~~prescribe~~ enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with financial statements of other entities, by prescribing the basis of preparation of financial statements which includes:

(a) general matters;

(b) the criteria for selecting, ~~and~~ changing and disclosing accounting policies; and~~,~~

(c) ~~together with~~ the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

~~The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.~~

2 [Refer Appendix 1]~~Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in Ind AS 1, Presentation of Financial Statements.~~

Scope

3 This Standard shall be applied in determining the basis of preparation of financial statements, including selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors.

3A Ind AS 34, *Interim Financial Reporting*, sets out the requirements for the presentation and disclosure of condensed interim financial statements. Paragraphs 6A–6N of this Standard also apply to such interim financial statements.

...

Definitions

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

...

~~*The term "*~~***Material*** *information* is defined in Appendix A of Ind AS 118, *Presentation and Disclosure in Financial Statements*~~*,*~~. Material is **used in this Standard** with ~~shall have~~ **the same meaning** ~~*as assigned to it in paragraph 7 of Ind AS 1*~~*.*

...

Basis of preparation—general matters

Presentation of True and Fair View and compliance with Indian Accounting Standards

6A Financial statements shall present a true and fair view of the financial position, financial performance and cash flows of an entity. Presentation of true and fair view requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India (ICAI). The application of Ind ASs, with additional disclosure when necessary, is presumed to result in financial statements that present a true and fair view.

6B An entity whose financial statements comply with Ind ASs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with Ind ASs unless they comply with all the requirements of Ind ASs.

6C In virtually all circumstances, presentation of a true and fair view is achieved by compliance with applicable Ind ASs. Presentation of a true and fair view also requires an entity:

(a) to select and apply accounting policies in accordance with this Standard. This Standard sets out a hierarchy of authoritative guidance that management considers in the absence of an Ind AS that specifically applies to an item.

(b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.

(c) to provide additional disclosures when compliance with the specific requirements in Ind ASs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

6D An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.

6E In the extremely rare circumstances in which management concludes that compliance with a requirement in an Ind AS would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, the entity shall depart from that requirement in the manner set out in paragraph 6F if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.

6F When an entity departs from a requirement of an Ind AS in accordance with paragraph 6E, it shall disclose:

(a) that management has concluded that the financial statements present a true and fair view of the entity's financial position, financial performance and cash flows;

(b) that it has complied with applicable Ind ASs, except that it has departed from a particular requirement to present a true and fair view;

(c) **the title of the Ind AS from which the entity has departed, the nature of the departure, including the treatment that the Ind AS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, and the treatment adopted; and**

(d) **for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.**

6G When an entity has departed from a requirement of an Ind AS in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraphs 6F(c)-6F(d).

6H Paragraph 6G applies, for example, when an entity departed in a prior period from a requirement in an Ind AS for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.

6I In the extremely rare circumstances in which management concludes that compliance with a requirement in an Ind AS would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:

(a) **the title of the Ind AS in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Conceptual Framework*; and**

(b) **for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to present a true and fair view.**

6J For the purpose of paragraphs 6E-6I, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an Ind AS would be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*, management considers:

(a) why the objective of financial statements is not achieved in the particular circumstances; and

(b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the *Conceptual Framework*.

Going concern

6K When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a

going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

6L In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Accrual basis of accounting

6M An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.

6N When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the *Conceptual Framework*.

Accounting policies

Selection and application of accounting policies

...

11 In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

...

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the *Conceptual Framework* ~~for Financial Reporting under Indian Accounting Standards (Conceptual Framework)* issued by the Institute of Chartered Accountants of India~~.

...

Disclosure

Disclosure of selection and application of accounting policies

27A An entity shall disclose material accounting policy information (see paragraph 5). Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

27B Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

27C Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:

(a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

(b) the entity chose the accounting policy from one or more options permitted by Ind ASs;

(c) the accounting policy was developed in accordance with this Standard in the absence of an Ind AS that specifically applies;

(d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 27G and 31A; or

(e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions—such a situation could arise if an entity applies more than one Ind AS to a class of material transactions.

27D Accounting policy information that focuses on how an entity has applied the requirements in the Ind ASs to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the Ind ASs.

27E If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

27F An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other Ind ASs.

27G An entity shall disclose, along with its material accounting policy information or other notes, the judgements, apart from those involving estimations (see paragraph 31A), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

27H In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. For example, management makes judgements in determining:

(a) when substantially all the significant risks and rewards of ownership of financial assets and, for lessors, assets subject to leases are transferred to other entities;

(b) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and

(c) whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

27I Some of the disclosures made in accordance with paragraph 27G are required by other Ind ASs. For example, Ind AS 112, *Disclosure of Interests in Other Entities*, requires an entity to disclose the judgements it has made in determining whether it controls another entity. Ind AS 40, *Investment Property*, requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult.

Disclosure of changes in accounting policies

28 **When initial application of an Ind AS has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:**

...

Disclosure of sources of estimation uncertainty

31A **An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:**

(a) their nature; and

(b) their carrying amount as at the end of the reporting period.

31B Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. For example, in the absence of recently observed market prices, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.

31C The assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph 31A relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.

31D The disclosures in paragraph 31A are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on a quoted price in an active market for an identical asset or liability. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.

31E An entity provides the disclosures in paragraph 31A in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are:

(a) the nature of the assumption or other estimation uncertainty;

(b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;

(c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and

(d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.

31F This Standard does not require an entity to disclose budget information or forecasts in making the disclosures in paragraph 31A.

31G Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, the entity discloses that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

31H The disclosures in paragraph 27G of particular judgements that management made in the process of applying the entity's accounting policies do not relate to the disclosures of sources of estimation uncertainty in paragraph 31A.

31I Other Ind ASs require the disclosure of some of the assumptions that would otherwise be required in accordance with paragraph 31A. For example, Ind AS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. Ind AS 113, *Fair Value Measurement*, requires disclosure of significant assumptions (including the valuation technique(s) and inputs) the entity uses when measuring the fair values of assets and liabilities that are carried at fair value.

Accounting estimates

32 An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty—that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. Examples of accounting estimates include:

...

(c) the fair value of an asset or liability, applying Ind AS 113 ~~*Fair Value Measurement*~~;

...

(e) a provision for warranty obligations, applying Ind AS 37 ~~*Provisions, Contingent Liabilities and Contingent Assets*~~.

...

Effective date and transition

...

54J Ind AS 118 amended paragraphs 1, 3, 5, 11 and 32, added paragraphs 3A, 6A–6N, 27A–27I and 31A–31I and related headings and subheadings, added a subheading above paragraph 28 and deleted paragraph 2. An entity shall apply those amendments when it applies Ind AS 118.

A footnote is added to the end of paragraph 54H. New text is underlined.

* With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements*, the definition of 'material' in Ind AS 1 *Presentation of Financial Statements* has been carried over to Ind AS 118.

Appendix A

References to matters contained in other Indian Accounting Standards

This Appendix is an integral part of the Ind AS.

…

3. Appendix C, *Uncertainty over Income Tax Treatments,* contained in Ind AS 12, *Income Taxes,* makes reference to Ind AS 8.

Appendix 1

Comparison with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*

1 Different terminology is used in this standard, eg, 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'. The words 'approval of the financial statements for issue, have been used instead of 'authorisation of the financial statements for issue ' in the context of financial statements considered for the purpose of events after the reporting period. The words 'true and fair view' have been used instead of 'fair presentation'.

Ind AS 10, *Events after the Reporting Period*

Paragraphs 13 and 16 are amended and paragraph 23D is added. New text is underlined and deleted text is struck through.

Recognition and measurement

...

Dividends

...

13 If dividends are declared after the reporting period but before the financial statements are approved for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time. Such dividends are disclosed in the notes in accordance with <u>Ind AS 118, *Presentation and Disclosure in Financial Statements*</u>~~Ind AS 1, *Presentation of Financial Statements*~~.

Going concern

...

16 <u>Ind AS 8, *Basis of Preparation of Financial Statements*</u> ~~Ind AS 1~~ specifies required disclosures if:

(a) the financial statements are not prepared on a going concern basis; or

(b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the reporting period.

...

Effective date

...

<u>23D Ind AS 118 amended paragraphs 13 and 16. An entity shall apply those amendments when it applies Ind AS 118.</u>

A footnote is added to 'definition of material in paragraph 7 of Ind AS 1' in paragraph 23C. New text is underlined.

<u>* With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements*, the definition of 'material' in Ind AS 1, *Presentation of Financial Statements* has been carried over to Ind AS 118, *Presentation and Disclosure in Financial Statements*.</u>

Appendix A

Distributions of Non-cash Assets to Owners

Paragraph 2 is amended and paragraph 21 is added. New text is underlined and deleted text is struck through.

Background

...

2 Indian Accounting Standards (Ind ASs) do not provide guidance on how an entity should measure distributions to its owners (commonly referred to as dividends). Ind AS 118, *Presentation and Disclosure in Financial Statements*, ~~Ind AS 1~~ requires an entity to present details of dividends recognised as distributions to owners ~~either~~ in the statement of changes in equity or to disclose them in the notes ~~to the financial statements~~.

...

Effective date

...

21 Ind AS 118 amended paragraph 2 of this Appendix. An entity shall apply those amendments when it applies Ind AS 118.

The footnote to 'owners' in paragraph 1 is deleted. Deleted text is struck through.

~~4 Paragraph 7 of Ind AS 1 defines owners as holders of instruments classified as equity.~~

Ind AS 12, *Income Taxes*

Paragraphs 62A, 77 (and its related subheading) and 78 (and its related subheading) and paragraph 81 are amended. Paragraph 98N is added. New text is underlined and deleted text is struck through.

Recognition of current and deferred tax

...

Items recognised outside profit or loss

...

62A Indian Accounting Standards require or permit particular items to be credited or charged directly to equity. Examples of such items are:

(a) an adjustment to the opening balance of retained earnings resulting from either a change in accounting policy that is applied retrospectively or the correction of an error (see Ind AS 8, *Basis of Preparation of Financial Statements*~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~); and

(b) amounts arising on initial recognition of the equity component of a compound financial instrument (see paragraph 23).

...

Presentation

...

Tax expense

Tax expense (income) related to items recognised in profit or loss ~~from ordinary activities~~

77 The tax expense (income) related to items recognised in profit or loss from continuing operations ~~ordinary activities~~ shall be presented in the income tax category in~~as part of profit or loss in the statement of~~ the profit ~~and~~ or loss.

...

Exchange differences on foreign currency denominated assets and liabilities arising from income taxes~~deferred foreign tax liabilities or assets~~

78 ~~Ind AS 21 requires certain exchange differences to be recognised as income or expense but does not specify where such differences should be presented in the statement of profit and loss. Accordingly,~~ If ~~where~~ exchange differences on foreign currency denominated assets and liabilities arising from income taxes ~~deferred foreign tax liabilities or assets~~ are recognised in the profit or loss in accordance with Ind AS 21 ~~the statement of profit and loss~~, such differences shall~~may~~ be classified applying the requirements in paragraph 67 of Ind AS 118, *Presentation and Disclosure in Financial Statements*~~as deferred tax expense (income) if that presentation is considered to be the most useful to financial statement users~~.

...

Disclosure

...

81 The following shall also be disclosed separately:

...

(ab) the amount of income tax relating to each component of other comprehensive income (see paragraph 62 and paragraph 93 of Ind AS 118~~IndAS 1~~);

...

(h) in respect of discontinued operations, the tax expense relating to:

(i) the gain or loss on discontinuance; and

(ii) the profit or loss of ~~from the ordinary activities of~~ the discontinued operation for the period, together with the corresponding amounts for each prior period presented;

...

Effective date

...

98N Ind AS 118 amended paragraphs 62A, 77 (and its related subheading) and 78 (and its related subheading) and paragraph 81. An entity shall apply those amendments when it applies Ind AS 118.

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.' in paragraph 98H. New text is underlined.

* With the issuance of Ind AS 118, the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements.*

Appendix C, *Uncertainty over Income Tax Treatments*

Paragraphs 14 and A4 are amended and paragraph B1A is added. New text is underlined and deleted text is struck through.

…

Changes in facts and circumstances

14. An entity shall reflect the effect of a change in facts and circumstances or of new information as a change in accounting estimate applying Ind AS 8, *Basis of Preparation of Financial Statements*~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~. An entity shall apply Ind AS 10, *Events after the Reporting Period*, to determine whether a change that occurs after the reporting period is an adjusting or non-adjusting event.

Application Guidance

Disclosure

A4 When there is uncertainty over income tax treatments, an entity shall determine whether to disclose:

(a) judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 27G of Ind AS 8~~122 of Ind AS 1, *Presentation of Financial Statements*~~; and

(b) information about the assumptions and estimates made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraphs 31A-31E of Ind AS 8~~125–129 of Ind AS 1~~.

Effective date and transition

Effective date

…

B1A Ind AS 118, *Presentation and Disclosure in Financial Statements,* amended paragraphs 14 and A4. An entity shall apply those amendments when it applies Ind AS 118.

Ind AS 16, *Property, Plant and Equipment*

Paragraph 51 is amended. Paragraph 81O is added. New text is underlined and deleted text is struck through.

Measurement after recognition

...

Depreciation

...

Depreciable amount and depreciation period

...

51 The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Basis of Preparation of Financial Statements~~Accounting Policies, Changes in Accounting Estimates and Errors~~*.

...

Effective date

...

81M [Refer Appendix 1].

81N [Refer Appendix 1].

81O Ind AS 118, *Presentation and Disclosure in Financial Statements*, amended paragraph 51. An entity shall apply those amendments when it applies Ind AS 118.

Appendix A

Changes in Existing Decommissioning, Restoration and Similar Liabilities

Paragraphs 6 and 8 are amended and paragraph 9C is added. New text is underlined and deleted text is struck through.

Accounting Principles

...

6 If the related asset is measured using the revaluation model:

…

(d) Ind AS 118~~Ind AS 1~~ requires items of other comprehensive income to be presented as line items in the statement of profit and loss~~disclosure in the statement of profit and loss of each component of other comprehensive income or expense~~. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability shall be separately identified and presented~~disclosed~~ as such.

...

8 The periodic unwinding of the discount shall be recognised in profit or loss as interest expense from liabilities other than those that arise from transactions that involve only the raising of finance~~a finance cost~~ as it occurs and classified—applying paragraph 61 of Ind AS 118—in the financing category of the profit or loss. Capitalisation under Ind AS 23 is not permitted.

Effective date

9A-9B [Refer Appendix 1]

9C Ind AS 118 amended paragraphs 6 and 8 of this Appendix. An entity shall apply those amendments when it applies Ind AS 118.

Appendix 1

Comparison with IAS 16, Property, Plant and Equipment, IFRIC 1 and IFRIC 20

…

7. Paragraphs 80 to 80C of IAS 16 which deals with the transitional provisions have not been included in Ind AS 16 as all transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*. Paragraphs 81 to 81I and 81K related to effective date have not been included in Ind AS 16 as these are not relevant in Indian context. Paragraph 81M has not been included as it refers to amendments to IAS 16 due to issuance of IFRS 17, *Insurance Contracts*, for which corresponding amendments to Ind AS 16 alongwith amendments to Ind AS 40, *Investment Property* are under consideration. Further, paragraphs 9A-9B related to effective date of IFRIC 1 have not been included in Appendix A as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 16 and IFRIC 1, these paragraph numbers are retained in Ind AS 16.

Ind AS 19, *Employee Benefits*

Paragraphs 25, 134, 158 and 171 are amended. Paragraph 180 is added. New text is underlined and deleted text is struck through.

Short-term employee benefits

...

Disclosure

25 Although this Standard does not require specific disclosures about short-term employee benefits, other Ind ASs may require disclosures. For example, Ind AS 24 requires disclosures about employee benefits for key management personnel. Ind AS 118, *Presentation and Disclosure in Financial Statements*~~Ind AS 1, Presentation of Financial Statements~~, requires disclosure of employee benefits expense.

...

Post-employment benefits: defined benefit plans

...

Presentation

...

Components of defined benefit cost

134 Paragraph 120 requires an entity to recognise service cost and net interest on the net defined benefit liability (asset) in profit or loss. This Standard does not specify how an entity should present service cost and net interest on the net defined benefit liability (asset). An entity presents those components in accordance with Ind AS 118~~Ind AS 1~~.

...

Other long-term employee benefits

...

Disclosure

158 Although this Standard does not require specific disclosures about other long-term employee benefits, other Ind ASs may require disclosures. For example, Ind AS 24 requires disclosures about employee benefits for key management personnel. Ind AS 118~~Ind AS 1~~ requires disclosure of employee benefits expense.

Termination benefits

...

Disclosure

171 Although this Standard does not require specific disclosures about termination benefits, other Ind ASs may require disclosures. For example, Ind AS 24 requires disclosures about employee benefits for key management personnel. Ind AS 118~~Ind AS 1~~ requires disclosure of employee benefits expense.

Transition and effective date

...

180 Ind AS 118 amended paragraphs 25, 134, 158 and 171. An entity shall apply those amendments when it applies Ind AS 118.

Appendix B

Ind AS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Paragraph 10 is amended and paragraph 27D is added. New text is underlined and deleted text is struck through.

Principles

Availability of a refund or reduction in future contributions

...

10 In accordance with Ind AS 8~~Ind AS 1~~, the entity shall disclose information about the key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of the net asset or liability recognised in the balance sheet. This might include disclosure of any restrictions on the current realisability of the surplus or disclosure of the basis used to determine the amount of the economic benefit available.

...

Effective date

27-27C [Refer Appendix 1]

27D Ind AS 118 amended paragraph 10. An entity shall apply those amendments when it applies Ind AS 118.

Appendix 1

Comparison with IAS 19, *Employee Benefits*, and IFRIC 14

…

6 Paragraphs 172 to 177 of IAS 19 have not been included as these paragraphs relate to transition and effective date that are not relevant in Indian context. Paragraph 178 has not been included as it refers to amendments due to issuance of IFRS 17, *Insurance Contracts*, for which corresponding Ind AS is under formulation. Further paragraphs 27-27C of IFRIC 14 related to effective date have not been included in Appendix B as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 19 and IFRIC 14, the paragraph numbers are retained in Ind AS 19.

Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance*

Paragraphs 16, 29 and 32 are amended and paragraph 49 is added. New text is underlined and deleted text is struck through.

Government grants

...

16 It is fundamental to the income approach that government grants should be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate. Recognition of government grants in profit or loss on a receipts basis is not in accordance with the accrual accounting assumption (see Ind AS 8, *Basis of Preparation of Financial Statements*~~Ind AS 1, *Presentation of Financial Statements*~~) and would be acceptable only if no basis existed for allocating a grant to periods other than the one in which it was received.

...

Presentation of grants related to income

29 Grants related to income are classified and presented in the profit or loss in accordance with the requirements in Ind AS 118, *Presentation and Disclosure in Financial Statements*.~~as part of profit or loss,~~. They are included in profit or loss, either as income or as a deduction ~~separately or under a general heading such as 'Other income'; alternatively, they are deducted~~ in reporting the related expense.

...

Repayment of government grants

32 A Government grant that becomes repayable shall be accounted for as a change in accounting estimate (see Ind AS 8~~, *Accounting Policies, Changes in Accounting Estimates and Errors*~~). Repayment of a grant related to income shall be applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss. Repayment of a grant related to an asset shall be recognised by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant shall be recognised immediately in profit or loss.

...

Effective date

...

49 Ind AS 118 amended paragraphs 16, 29 and 32. An entity shall apply those amendments when it applies Ind AS 118.

Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*

Paragraph 48 is amended and paragraph 60N is added. New text is underlined and deleted text is struck through.

Use of a presentation currency other than the functional currency

...

Disposal or partial disposal of a foreign operation

48 **On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised (see Ind AS 118, *Presentation and Disclosure in Financial Statements*~~Ind AS 1, *Presentation of Financial Statements*~~).**

...

Effective date and transition

...

60N Ind AS 118 amended paragraph 48. An entity shall apply those amendments when it applies Ind AS 118.

Appendix B

Foreign Currency Transactions and Advance Consideration

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;' in paragraph A2. New text is underlined.

* With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements*, the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements*.

Ind AS 24, *Related Party Disclosures*

Paragraph 20 is amended and paragraph 28D is added. New text is underlined and deleted text is struck through.

Disclosures

All entities

...

20 The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph 19 is an extension of the disclosure requirement in <u>Ind AS 118, *Presentation and Disclosure in Financial Statements*</u>~~Ind AS 1, *Presentation of Financial Statements*~~, for information to be <u>either</u> presented ~~either~~ in the balance sheet or <u>disclosed</u> in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.

...

<u>Effective date and transition</u>

<u>28-28C [Refer Appendix 1]</u>

<u>28D Ind AS 118 amended paragraph 20. An entity shall apply those amendments when it applies Ind AS 118.</u>

Appendix 1

Comparison with IAS 24, Related Party Disclosures

…

<u>7. Paragraphs 28-28C of IAS 24 related to effective date have not been included as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 24, these paragraph numbers are retained in Ind AS 24.</u>

Ind AS 28, *Investments in Associates and Joint Ventures*

Paragraph 10 is amended and paragraph 45L is added. New text is underlined and deleted text is struck through.

Equity method

10 Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in the investor's other comprehensive income (see <u>Ind AS 118, *Presentation and Disclosure in Financial Statements*</u>~~Ind AS 1, *Presentation of Financial Statements*~~).

...

Effective date and transition

...

<u>45L Ind AS 118 amended paragraph 10. An entity shall apply those amendments when it applies Ind AS 118.</u>

Ind AS 29, *Financial Reporting in Hyperinflationary Economies*

Paragraphs 8 and 25 are amended and paragraph 42 is added. New text is underlined and deleted text is struck through.

The restatement of financial statements

...

8 **The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy, whether they are based on a historical cost approach or a current cost approach, shall be stated in terms of the measuring unit current at the end of the reporting period. The corresponding figures for the previous period required by Ind AS 118, *Presentation and Disclosure in Financial Statements*~~Ind AS 1, *Presentation of Financial Statements*~~, and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period. For the purpose of presenting comparative amounts in a different presentation currency, paragraphs 42(b) and 43 of Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*, apply.**

...

Historical cost financial statements

Balance sheet

...

25 At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. The movements for the period in owners' equity are disclosed in accordance with Ind AS 118~~Ind AS 1~~.

...

Effective date

41 [Refer Appendix 1].

42 Ind AS 118 amended paragraphs 8 and 25. An entity shall apply those amendments when it applies Ind AS 118.

Appendix 1

Comparison with IAS 29, *Financial Reporting in Hyperinflationary Economies and IFRIC 7*

...

4. Paragraph 41 of IAS 29 related to effective date has not been included in Ind AS 29 as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 29, these paragraph numbers are retained in Ind AS 29.

Ind AS 32, *Financial Instruments: Presentation*

Paragraphs 34, 39–41 and AG29 are amended and paragraph 97U is added. New text is underlined and deleted text is struck through.

Presentation

...

Treasury shares (see also paragraph AG36)

...

34 The amount of treasury shares held is either presented ~~disclosed~~ separately ~~either~~ in the balance sheet or the statement of changes in equity or disclosed in the notes, in accordance with Ind AS 118, *Presentation and Disclosure in Financial Statements*~~Ind AS 1, *Presentation of Financial Statements*~~. An entity provides disclosure in accordance with Ind AS 24, *Related Party Disclosures*, if the entity reacquires its own equity instruments from related parties.

Interest, dividends, losses and gains (see also paragraph AG37)

...

39 The amount of transaction costs accounted for as a deduction from equity in the period is presented in the statement of changes in equity or disclosed ~~separately~~ in the notes in accordance with Ind AS 118~~Ind AS 1~~.

40 Dividends classified as an expense may be presented in the statement of profit and loss or disclosed in the notes either with interest on other liabilities or as a separate item. In addition to the requirements of this Standard, presentation and disclosure of interest and dividends is subject to the requirements of Ind AS 118~~Ind AS 1~~ and Ind AS 107. In some circumstances, because of the differences between interest and dividends with respect to matters such as tax deductibility, an entity may determine that it will present interest expenses separately from dividend expenses in the statement of profit and loss~~it is desirable to disclose them separately in the statement of profit and loss~~. Disclosures of the tax effects are made in accordance with Ind AS 12.

41 Gains and losses related to changes in the carrying amount of a financial liability are recognised as income or expense in profit or loss even when they relate to an instrument that includes a right to the residual interest in the assets of the entity in exchange for cash or another financial asset (see paragraph 18(b)). Under Ind AS 118~~Ind AS 1~~ the entity presents any gain or loss arising from remeasurement of such an instrument separately in the statement of profit and loss if such presentation is necessary to provide useful structured summary of the entity's income and expenses~~when it is relevant in explaining the entity's performance~~.

...

Effective date and transition

...

97U Ind AS 118 amended paragraphs 34, 39–41 and AG29. An entity shall apply those amendments when it applies Ind AS 118.

...

Appendix
Application Guidance
Ind AS 32 *Financial Instruments: Presentation*

...

Presentation

Liabilities and equity (paragraphs 15–27)

...

Treatment in consolidated financial statements

AG29 In consolidated financial statements, an entity presents non-controlling interests—ie the interests of other parties in the equity and income of its subsidiaries—in accordance with Ind AS 118~~Ind AS 1~~ and Ind AS 110. When classifying a financial instrument (or a component of it) in consolidated financial statements, an entity considers all terms and conditions agreed between members of the group and the holders of the instrument in determining whether the group as a whole has an obligation to deliver cash or another financial asset in respect of the instrument or to settle it in a manner that results in liability classification. When a subsidiary in a group issues a financial instrument and a parent or other group entity agrees additional terms directly with the holders of the instrument (eg a guarantee), the group may not have discretion over distributions or redemption. Although the subsidiary may appropriately classify the instrument without regard to these additional terms in its individual financial statements, the effect of other agreements between members of the group and the holders of the instrument is considered in order to ensure that consolidated financial statements reflect the contracts and transactions entered into by the group as a whole. To the extent that there is such an obligation or settlement provision, the instrument (or the component of it that is subject to the obligation) is classified as a financial liability in consolidated financial statements.

Ind AS 33, *Earnings per Share*

Paragraphs 13 and 68 are amended, paragraph 73 is deleted and paragraphs 73B–73C and 74F are added. New text is underlined and deleted text is struck through.

Measurement

Basic earnings per share

...

Earnings

...

13 All items of income and expense attributable to ordinary equity holders of the parent entity that are recognised in a period, including tax expense and dividends on preference shares classified as liabilities are included in the determination of profit or loss for the period attributable to ordinary equity holders of the parent entity (see Ind AS 118~~Ind AS 1~~).

...

Presentation

...

68 An entity that reports a discontinued operation shall either present ~~disclose~~ the basic and diluted amounts per share for the discontinued operation ~~either~~ in the statement of profit and loss or disclose that information in the notes.

...

Disclosure

...

73 [Refer Appendix 1]~~If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the statement of profit and loss other than one required by this Standard, such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with this Standard. Basic and diluted amounts per share relating to such a component shall be disclosed with equal prominence and presented in the notes. An entity shall indicate the basis on which the numerator(s) is (are) determined, including whether amounts per share are before tax or after tax. If a component of the statement of profit and loss is used that is not reported as a line item in the statement of profit and loss, a reconciliation shall be provided between the component used and a line item that is reported in the statement of profit and loss.~~

73B **In addition to presenting basic and diluted earnings per share required by this Standard, an entity is permitted to disclose in the notes additional amounts per share using a measure of performance as a numerator different from that required by paragraphs 12–18 and 33–35. However, such numerator(s) shall be the amount(s) attributable to ordinary equity holders of the parent entity of:**

(a) a total or subtotal in paragraphs 69, 86 and 118 of Ind AS 118; or

(b) **a management-defined performance measure as defined in paragraph 117 of Ind AS 118.**

73C If, applying paragraph 73B, an entity discloses an additional amount per share, the entity shall:

(a) disclose the additional basic and diluted amounts per share with equal prominence.

(b) calculate the additional amount per share using the weighted average number of ordinary shares determined in accordance with this Standard.

(c) disclose the additional amount per share in the notes. That information cannot be presented in the primary financial statements.

(d) disclose the information required by paragraphs 121–125 of Ind AS 118 for the numerators that are management-defined performance measures.

Effective date

74-74E [Refer Appendix 1]

74F Ind AS 118 amended paragraphs ~~4A,~~ 13 and 68, added paragraphs 73B–73C and deleted paragraph 73. An entity shall apply those amendments when it applies Ind AS 118.

Appendix 1

Comparison with IAS 33, *Earnings per Share*

…

7 Requirements regarding disclosure of amounts per share using a reported component, basic and diluted earnings per share and basic and diluted earnings per share for discontinued operations in the separate income statement, where separate income statement is presented under following paragraphs of IAS 33 have been deleted:

(i) paragraph 4A

(ii) paragraph 67A

(iii) paragraph 68A

~~(iv) paragraph 73A~~

This change is consequential to the removal of option regarding the two statement approach in Ind AS 1. Ind AS 1 only requires that the components of profit or loss and components of other comprehensive income shall be presented as a part of the statement of profit and loss. However, paragraph numbers have been retained in Ind AS 33 to maintain consistency with paragraph numbers of IAS 33.

8 Paragraph numbers 25, 73 and 73A appear~~s~~ as 'Deleted' in IAS 33. In order to maintain consistency with paragraph numbers of IAS 33, the paragraph number is retained in Ind AS 33.

9 Paragraphs 74-74E of IAS 33 related to effective date have not been included in Ind AS 33 as these are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IAS 33, these paragraph numbers are retained in Ind AS 33.

Ind AS 34, *Interim Financial Reporting*

Paragraphs 4- 5, 7–8, 9-10)and 24 are amended and paragraphs 16A(m) and 61 are added. New text is underlined and deleted text is struck through.

Definitions

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

...

Interim financial report **means a financial report containing either a complete set of financial statements (as described in *Ind AS 118, Presentation and Disclosure in Financial Statements)*~~*Ind AS 1, Presentation of Financial Statements,*~~ or a set of condensed financial statements (as described in this Standard) for an interim period.**

Content of an interim financial report

5 Ind AS 118~~Ind AS 1~~ defines a complete set of financial statements as including the following components:

(a) a statement of profit and loss for the reporting period~~balance sheet as at the end of the period~~;

(b) a balance sheet as at the end of the reporting~~statement of profit and loss for the~~ period;

(c) a statement of changes in equity for the reporting period~~;~~;

(d) a statement of cash flows for the reporting period;

(e) notes for the reporting period~~, comprising material accounting policy information and other explanatory information~~;

(ea) comparative information in respect of the preceding period as specified in paragraphs 31-32~~38 and 38A~~ of Ind AS 118~~Ind AS 1~~; and

(f) a balance sheet as at the beginning of the preceding period if required by paragraph 37 of Ind AS 118~~when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D of Ind AS 1~~.

...

7 Nothing in this Standard is intended to prohibit or discourage an entity from publishing a complete set of financial statements (as described in Ind AS 118~~Ind AS 1~~) in its interim financial report, rather than condensed financial statements and selected explanatory notes. Nor does this Standard prohibit or discourage an entity from including in condensed interim financial statements more than the minimum line items or selected explanatory notes as set out in this Standard. The recognition and measurement guidance in this Standard applies also to complete financial statements for an interim period, and such statements would include all of the disclosures required by this Standard (particularly the selected note disclosures in paragraph 16A) as well as those required by other Ind ASs.

Minimum components of an interim financial report

8 **An interim financial report shall include, at a minimum, the following components:**

(a) a condensed statement of profit and loss~~balance sheet~~;

(b) a condensed balance sheet~~statement of profit and loss~~;

(c) a condensed statement of changes in equity;

(d) a condensed statement of cash flows; and

(e) selected explanatory notes.

Form and content of interim financial statements

9 **If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of Ind AS 118~~Ind AS 1~~ for a complete set of financial statements.**

10 **If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial statements and the selected explanatory notes as required by this Standard. In preparing condensed financial statements, an entity shall apply this Standard and also the requirements in paragraphs 41–45 of Ind AS 118 and in paragraphs 6A–6N of Ind AS 8, *Basis of Preparation of Financial Statements*. Additional line items or notes shall be included if their omission would make the condensed interim financial statements misleading.**

...

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, or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.**

...

(m) the disclosures about management-defined performance measures required by paragraphs 121–125 of Ind AS 118.

...

Materiality

...

24 Ind AS 118~~Ind AS 1~~ defines material information and requires separate disclosure of material items, including (for example) discontinued operations, and Ind AS 8~~, *Accounting Policies, Changes in Accounting Estimates and Errors*~~ requires disclosure of changes in accounting estimates, errors, and changes in accounting policies. The two Standards do not contain quantified guidance as to materiality.

...

Effective date and transition

...

61 Ind AS 118 amended paragraphs 4-5, 7–8, 9-10 and 24 and added paragraph 16A(m). An entity shall apply those amendments when it applies Ind AS 118. In interim financial statements in the first year of applying Ind AS 118, an entity shall apply paragraphs C4–C6 of Appendix C of Ind AS 118.

A footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*' in paragraphs 58. New text is underlined.

* With the issuance of Ind AS 118, the title of Ind AS 8 has been changed.

A footnote is added to the end of paragraph 59. New text is underlined.

* With the issuance of Ind AS 118, the definition of 'Material' in Ind AS 1 has been carried over to Ind AS 118.

A footnote is added to the end of paragraph 60. New text is underlined.

* With the issuance of Ind AS 118, the requirements to disclose material accounting policy information in Ind AS 1 have been carried over to Ind AS 8.

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

A footnote is added to the end of paragraph 104. New text is underlined.

* With the issuance of Ind AS 118, *Presentation and Disclosure in Financial Statements*, the definition of 'material' in Ind AS 1 *Presentation of Financial Statements*, has been carried over to Ind AS 118.

Ind AS 38, *Intangible Assets*

Paragraph 102 is amended and paragraph 130N is added. New text is underlined and deleted text is struck through.

Intangible assets with finite useful lives

...

Residual value

...

102 An estimate of an asset's residual value is based on the amount recoverable from disposal using prices prevailing at the date of the estimate for the sale of a similar asset that has reached the end of its useful life and has operated under conditions similar to those in which the asset will be used. The residual value is reviewed at least at each financial year-end. A change in the asset's residual value is accounted for as a change in an accounting estimate in accordance with Ind AS 8, *Basis of Preparation of Financial Statements*~~*Accounting Policies, Changes in Accounting Estimates and Errors*~~.

...

Transitional provisions and effective date

...

130N Ind AS 118, *Presentation and Disclosure in Financial Statements,* amended paragraph 102. An entity shall apply those amendments when it applies Ind AS 118.

Appendix A

Intangible Assets—Web Site Costs

Paragraph 5 is amended. An unnumbered paragraph is added after the last paragraph under the heading 'Effective date'. New text is underlined and deleted text is struck through.

Issue

...

5 This Appendix does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and Internet connections) of a web site. Such expenditure is accounted for under Ind AS 16. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity's web site, the expenditure is recognised as an expense under paragraph 46 of Ind AS 118~~paragraph 88 of Ind AS 1~~ and the *Conceptual Framework for Financial Reporting under Indian Accounting Standards* issued by The Institute of Chartered Accountants of India when the services are received.

...

Effective date

...

Amendments to References to the Conceptual Framework in Ind AS issued in 2021, amended paragraph 5. An entity shall apply that amendment for annual periods beginning on or after 1 April 2021. An entity shall apply the amendment to Appendix A retrospectively in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to Appendix A by reference to paragraphs 23–28, 50–53 and 54F of Ind AS 8.

Ind AS 118, *Presentation and Disclosure in Financial Statements* amended paragraph 5. An entity shall apply those amendments when it applies Ind AS 118.

Under the heading 'Effective date', a footnote is added to 'Ind AS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.' in the first paragraph. New text is underlined.

* With the issuance of Ind AS 118, the title of Ind AS 8 has been changed to *Basis of Preparation of Financial Statements.*

Ind AS 41, *Agriculture*

Paragraphs 50 and 53 are amended and paragraph 66 is added. New text is underlined and deleted text is struck through.

Disclosure

General

...

50 **An entity shall <u>disclose</u>~~present~~ a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:**

...

53 Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with <u>Ind AS 118, *Presentation and Disclosure in Financial Statements*</u>~~Ind AS 1 *Presentation of Financial Statements*~~. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.

...

Effective date and transition

...

<u>66 Ind AS 118 amended paragraphs 50 and 53. An entity shall apply those amendments when it applies Ind AS 118.</u>

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 major differences, if any, between Indian Accounting Standard (Ind AS) 118 and the corresponding International Financial Reporting Standard (IFRS) 18, Presentation and Disclosure in Financial Statements, issued by the International Accounting Standards Board.

Comparison with IFRS 18, *Presentation and Disclosure in Financial Statements*

1. With regard to preparation of Statement of profit and loss, IFRS 18 provides an option either to follow the single statement approach or to follow the two statement approach. Paragraph 12 of IFRS 18 provides that an entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections or an entity may present the profit or loss section in a separate statement of profit or loss which shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss. Ind AS 118 allows only the single statement approach. Accordingly paragraph 12 has been modified and paragraph 13, paragraph 22(b) have been deleted. However, paragraph numbers have been retained to maintain consistency with paragraph numbers of IFRS 18.

2. Different terminology is used in Ind AS 118 eg, the term 'balance sheet' is used instead of 'Statement of financial position', 'Statement of Profit and Loss' is used instead of 'Statement of financial performance' or 'Statement of profit or loss and other comprehensive income', 'Other comprehensive income' is used instead of 'Statement presenting comprehensive income' and 'profit or loss' or 'profit or loss section' are used instead of 'statement of profit or loss'. The words 'approval of the financial statements for issue' have been used instead of 'authorisation of the financial statements for issue' in the context of financial statements considered for the purpose of events after the reporting period.

3. Paragraph 11 of IFRS 18 gives the option to individual entities to follow different terminology for the titles of financial statements. Paragraph 11 of Ind AS 118 is changed to remove alternatives since one terminology for the titles of financial statements is to be used by all entities. However, the requirements with regard to using other terms to label the totals, subtotals and line items required by this Standard as long as they are labelled in a way that faithfully represents the characteristics of the items have been retained.

4. Paragraph 29 of IFRS 18 permits the periodicity, for example, of 52 weeks for preparation of financial statements. As Ind AS 118 does not permit it, the same is deleted. However, paragraph number has been retained in Ind AS 118 to maintain consistency with paragraph numbers of IFRS 18.

5. Ind AS 103 requires bargain purchase gain arising on business combination to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve. In this context, the following paragraphs have been added or modified suitably in Ind AS 118:

   (i) Paragraph 107(c)(iv)
   (ii) Paragraph B87(l)
   (iii) Paragraph 112
   (iv) Paragraph B49(f)

6. Clause (a) of paragraph B44 has been deleted from Ind AS 118 as equity method of accounting is not permitted under Ind AS 27. Changes have been made in paragraph 55(a) and B43(a) of Ind AS 118. However, paragraph numbers have been retained to maintain consistency with paragraph numbers of IFRS 18.