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IFRSs and Indian GAAP

A comparison



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IFRSs and Indian GAAP

The path to convergence

Convergence with International Accounting Standards (IASs)/International Financial Reporting Standards (collectively referred to as IFRSs), issued by the International Accounting Standards Board (IASB) has gained momentum in recent years all over the world. The reason for this is obvious - as the capital markets become increasingly global in nature, more and more investors see the need for a common set of international accounting standards. About 109 countries presently require or permit use of IFRSs in preparation of financial statements in their countries. By 2011, the number is expected to reach 150.

As stated in the Institute of Chartered Accountants of India's (ICAI) "Concept Paper on Convergence with IFRSs in India" (the Concept Paper), in general terms, 'convergence' means to achieve harmony with IFRSs; in precise terms convergence can be considered *"to design and maintain national accounting standards in a way that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRSs"*. IAS 1, Presentation of Financial Statements, states that *"financial statements shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs"*. That would not imply that financial statements prepared in accordance with national accounting standards draw an unreserved statement of compliance with IFRSs only when IFRSs are adopted word by word. The IASB accepts in its *'Statement of Best Practice: Working Relationships between the IASB and other Accounting Standards-Setters'* that *"adding disclosure requirements or removing optional treatment does not create non compliance with IFRSs. Indeed, the IASB aims to remove optional treatments from IFRSs."*

In India, in view of the benefits of convergence with IFRSs to the Indian economy, its investors, industry and accounting profession, the above mentioned Concept Paper was developed with the objective of exploring:

- (i) the approach for achieving convergence with IFRSs, and
- (ii) laying down a road map for achieving convergence with IFRSs with a view to make India IFRS-compliant.

Presently, the Accounting Standards Board (ASB) of the ICAI formulates Accounting Standards (ASs) based on the IFRSs keeping in view the local conditions including legal and economic environment. Accordingly, the ASs depart from the corresponding IFRSs to maintain consistency with legal, regulatory and economic environment, and keeping in view the level of preparedness of the industry and the accounting professionals. In some cases, departures are made on account of conceptual differences with the treatment prescribed in the IFRSs.

Summary of Convergence Strategy

Will all entities be required to follow IFRSs?

Keeping in view the complex nature of IFRSs, the ICAI in its Concept Paper has expressed the view that IFRSs should be adopted for the public interest entities such as listed entities, banks and insurance entities and large-sized entities from the accounting periods beginning on or after 1 April 2011. The countries which have adopted IFRSs have done so for similar types of entities.

With a view to determine which entities should be considered as public interest entities for the purpose of application of IFRSs, the criteria for Level I enterprises as laid down by the ICAI and the definition of 'small and medium sized company' as per Clause 2(f) of the Companies (Accounting Standards) Rules, 2006, as notified by the Ministry of Company Affairs (now Ministry of Corporate Affairs) in the Official Gazette dated 7 December 2006, were considered. However the ICAI has expressed that the criteria for Level I enterprises, as far as the size is concerned, need to be revised as these were set about 4 years ago.

The path to convergence

Accounting Standards for Small and Medium Sized Entities

In respect of Small and Medium Sized Entities (SMEs), the ICAI has indicated that a separate standard may be formulated based on the IFRS for SMEs (the Exposure Draft of which has been issued recently) when finally issued by the IASB after making any modifications considered necessary. In order to be an IFRS-compliant country, it is not necessary to adopt the IFRS for SMEs to be issued by IASB.

Format of converged Accounting Standards

The ICAI, in its Concept Paper, has expressed the view that the format of standards to be adopted for public interest entities should be the same as that of IFRSs, including their numbers. The numbers of the existing ASs may be given in brackets for the purpose of easier identification. India-specific regulatory or legal aspects may be included in a separate section, where appropriate.

Date of Adoption of IFRSs for Public Interest Entities: whether stage-wise or all at once from a specified future date?

The ICAI, in its Concept Paper, has expressed the view that it would be more appropriate to adopt all IFRSs from a specified future date as has been done in many other countries rather than doing so stage-wise. After considering the current economic environment, expected time to reach the satisfactory level of technical preparedness and the expected time to resolve the conceptual differences with the IASB, the ICAI has decided that IFRSs should be adopted for public interest entities *from the accounting periods commencing on or after 1 April 2011*. This should give enough time to all the participants in the financial reporting process to help in building the environment supporting the adoption of IFRSs.

Use of IFRSs around the world

Use of IFRSs for domestic reporting by listed companies as of March 2008. Information about the use of IFRSs by unlisted companies can be found at www.iasplus.com/country/useias.htm

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Abu Dhabi (UAE)		X		
Albania	No stock exchange. Companies use Albania GAAP			
American Samoa	No stock exchange. Companies may use IFRSs.			
Argentina	X			
Armenia				X
Aruba		X		
Austria				X (a)
Australia				X (b)
Azerbaijan	X			
Bahamas				X
Bahrain				X
Barbados				X
Bangladesh	X			
Belgium				X (a)
Belarus			Banks from 2008	
Belize	No stock exchange. Companies may use IFRSs.			
Benin	X			
Bermuda		X		
Bhutan	X			
Bolivia		X		
Bosnia and Herzegovina				All large and medium-sized
Botswana				X
Brazil	X			From 2010
Brunei Darussalam	No stock exchange. Companies may use IFRSs.			
Bulgaria				X
Burkina Faso	X			
Cambodia	No stock exchange. Companies may use IFRSs.			
Cayman Is.		X		
Canada	X			From 2011
Chile	X			From 2009
China	X			

Use of IFRSs around the world

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Cote D'Ivoire	X			
Colombia	X			
Costa Rica				X
Croatia				X
Cuba	X			
Cyprus				X (a)
Czech Republic				X (a)
Denmark				X (a)
Dominica		X		
Dominican Republic				X
Dubai (UAE)			Banks	
Ecuador				X
Egypt				X
El Salvador		X		
Estonia				X (a)
Finland				X (a)
Fiji				X
France				X (a)
Germany				X (a)
Georgia				X
Ghana				X
Gibraltar		X		
Greece				X (a)
Greenland	No stock exchange. Companies may use IFRSs.			
Guam	No stock exchange. Companies use US GAAP.			
Guatemala			X	
Guyana				X
Haiti				X
Honduras				X
Hong Kong				X (c)
Hungary				X (a)
Iceland				X (a)
India	X			
Indonesia	X			
Iran	X			
Ireland				X (a)
Israel		X		
Italy				X (a)

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Jamaica				X
Japan	X			
Jordan				X
Kazakhstan				X
Kenya				X
Korea (South)	Korean equivalents of IFRSs permitted for listed companies other than banks from 2009. Required from 2011.			
Kuwait				X
Kyrgyzstan				X
Laos		X		
Latvia				X (a)
Lebanon				X
Liechtenstein				X (a)
Lesotho		X		
Lithuania				X (a)
Luxembourg				X (a)
Macau	No stock exchange. Companies may use IFRSs.			
Macedonia				X
Malawi				X
Maldives		X		
Malaysia	X			
Mali	X			
Malta				X (a)
Mauritania	No stock exchange. IFRSs not permitted			
Mauritius				X
Mexico	X			
Moldova	X			
Montenegro				X
Morocco		Non-banks	Banks	
Mozambique		Non-banks	Banks	
Myanmar		X		
Namibia				X
Netherlands				X (a)
NL Antilles		X		
Nepal				X
New Zealand				X (b)
Nicaragua				X
Niger	X			

Use of IFRSs around the world

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Norway				X (a)
Oman				X
Pakistan	X			
Panama				X
Papua New Guinea				X
Paraguay		X		
Peru				X
Philippines	X (d)			
Poland				X (a)
Portugal				X (a)
Qatar				X
Reunion	No stock exchange. Companies may use IFRSs.			
Romania				X (a)
Russian Federation		Non-banks	Banks	
Samoa	No stock exchange. Companies may use IFRSs.			
Saudi Arabia	X			
Serbia				X
Sierra Leone	No stock exchange (one is being developed). IFRSs required for all.			
Singapore	X (d)			
Slovenia				X (a)
Slovak Republic				X (a)
South Africa				X
Spain				X (a)
Sri Lanka		X		
Suriname		X		
Sweden				X (a)
Syria	X			
Swaziland		X		
Switzerland		X		
Taiwan	X			
Tajikistan				X
Tanzania				X
Thailand	X			
Togo	X			
Trinidad and Tobago				X
Tunisia	X			
Turkey				X (e)
Uganda		X		

Location	IFRSs not permitted	IFRSs permitted	Required for some domestic listed companies	Required for all domestic listed companies
Ukraine				X
United Kingdom				X (a)
United States	X			
Uruguay	X (f)			
Uzbekistan	X			
Vanuatu	No stock exchange. Companies may use IFRSs.			
Venezuela				X
Vietnam	X			
Virgin Islands (British)		X		
Virgin Islands (US)	No stock exchange. Companies use US GAAP.			
Yemen	No stock exchange. Companies may use IFRSs			
Zambia		X		
Zimbabwe		X		

(a) Audit report and basis of presentation refer to IFRSs as adopted by the EU.

(b) Compliance with IFRSs is stated in a note and audit report.

(c) Local standards identical to IFRSs, but some effective dates and transition provisions differ.

(d) Most IFRSs adopted, but some significant modifications were made.

(e) Turkish companies may follow English version of IFRSs, or Turkish translation. If the latter, because of the translation delay, audit report and basis of presentation refer to 'IFRSs as adopted for use in Turkey'.

(f) By law, all companies must follow IFRSs existing at 19 May 2004. The auditor's report refers to conformity with Uruguayan GAAP.

Comparison of IFRSs and Indian GAAP

The table on the following pages sets out some of the key differences between IFRSs and Indian GAAP in issue as at 31 March 2008.

IFRSs are Standards and Interpretations adopted by the International Accounting Standards Board. They comprise the International Financial Reporting Standards, International Accounting Standards, and Interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. References to "Indian GAAP" are to the standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006 (applicable to all companies) vide notification G.S.R 739 (E) dated 7 December 2006 and to the relevant requirements of the Companies Act, 1956.

The summary does not attempt to capture all of the differences that exist or that may be material to a particular entity's financial statements. Our focus is on differences that are commonly found in practice. Accordingly, we recommend that readers seek appropriate professional advice regarding any specific issues that they encounter. This publication should not be relied on as a substitute for such advice.

The significance of these differences - and others not included in this list - will vary with respect to individual entities depending on such factors as the nature of the entity's operations, the industry in which it operates, and the accounting policy choices it has made. Reference to the underlying accounting standards and any relevant national regulations is essential in understanding the specific differences.

The rate of progress being achieved by the IASB in its convergence agenda means that a comparison between standards can only reflect the position at a particular point in time. You can keep up to date on later developments in IFRS via the IAS Plus website.

While all reasonable attempts have been made to ensure that the information contained herein is accurate, we accept no responsibility for any errors or omissions it might contain, whether caused by negligence or otherwise, or for any losses, however caused to or sustained by, any person that relies upon it.

Abbreviations used in this publication are as follows:

AS	Indian Accounting Standard(s)
EPS	Earnings per share
IAS	International Accounting Standards
ICAI	Institute of Chartered Accountants of India
IFRIC	International Financial Reporting Interpretations Committee
Schedule VI	Schedule VI to the Companies Act, 1956
SIC	Standing Interpretation Committee of the International Accounting Standards Committee and the interpretations issued by that committee
SEBI	Securities and Exchange Board of India
SPE	Special Purpose Entity

Topic	IFRS	Indian GAAP
Presentation of Financial Statements - Primary Literature	IAS 1 (2007) - Presentation of Financial Statements (effective 1 January 2009)	AS 1 - Disclosure of Accounting Policies/ Schedule VI to Companies Act, 1956 AS 5 - Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
IAS 1, Presentation of Financial Statements - components of financial statements	<p>A complete set of financial statements under IFRS comprises</p> <p>(a) a statement of financial position; (b) a statement of comprehensive income/a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income; (c) a statement of cash flows; (d) a statement of changes in equity; and (e) notes including summary of accounting policies and explanatory notes.</p> <p>Comparative figures are presented for one year. When a change in accounting policy has been applied retrospectively or items of financial statements have been restated, a statement of financial position is required as at the beginning of the earliest period presented.</p>	<p>The requirements for the presentation of financial statements are set out in Schedule VI to the Companies Act, 1956, Schedule III to the Banking Regulation Act, 1949 (for banks), the regulations issued by the Insurance Regulatory and Development Authority (for Insurance companies) and the SEBI guidelines for Mutual Funds together with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006.</p> <p>The components of financial statements are (a) balance sheet; (b) statement of profit and loss; (c) cash flow statement (not mandatory for Small and Medium Sized Companies); (d) explanatory notes including summary of accounting policies.</p> <p>Single entity financial statements are required to be presented by all entities. Public listed companies are required to present consolidated financial statements in addition to separate financial statements of the parent in terms of the Listing Agreement with the Stock Exchanges and the SEBI Guidelines.</p>
IAS 1, Presentation of Financial Statements - definition of "material"	Omissions or misstatements are material if individually or collectively they could influence the economic decisions of users taken on the basis of financial statements.	Financial statements should disclose all "material" items, i.e. items, the knowledge of which might influence the decisions of the user of the financial statements.
IAS 1, Presentation of Financial Statements - fair presentation	<p>Fair presentation requires faithful representation of the effects of the transactions, other events and conditions in accordance with the definitions of and recognition criteria for assets, liabilities, income and expenses set out in the Framework.</p> <p>In extremely rare circumstances in which management concludes that compliance with requirements of a Standard or Interpretation is so misleading, it may depart from the Standard or the Interpretation. Reasons for departure and why application of the Standard or the Interpretation would have been misleading and the financial impact of applying the standard are required to be disclosed.</p>	<p>Fair presentation requires compliance with the applicable requirements of the Companies Act, 1956 and the other regulatory requirements and the application of the qualitative characteristics of the Accounting Standards Framework.</p> <p>Departures from Accounting Standards or Companies Act, 1956 are prohibited unless permitted by other regulatory framework for example, the Insurance Regulatory and Development Authority.</p>

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
IAS 1, Presentation of Financial Statements - balance sheet	An entity is required to present current and non-current assets, and current and non-current liabilities, as separate classifications in the statement of financial position except when a presentation based on liquidity provides information that is more reliable and is more relevant.	The Companies Act, 1956 or other relevant statutes prescribe the form and content of the balance sheet. These statutes specify the order in which the items are presented and the related disclosures. The balance sheet is neither classified into current and non-current nor is it in order of liquidity.
IAS 1, Presentation of Financial Statements - classification of financial liabilities under refinancing arrangements	Non-current if the agreement to refinance or reschedule payments on a long-term basis is completed before the end of the reporting period.	There is no guidance under Indian GAAP. Generally, not disclosed as payable within twelve months after the balance sheet date if the agreement to refinance or reschedule payments is completed after the balance sheet date and before the date of approval of financial statements.
IAS 1, Presentation of Financial Statements - classification of financial liabilities upon violation of covenants	Non-current if the lender has agreed before the end of the reporting period to provide a period of grace of minimum twelve months after the reporting period within which the breach can be rectified and the lender cannot demand immediate repayment.	There is no guidance under Indian GAAP. Generally, not disclosed as payable within twelve months of the balance sheet date if the lender has agreed after the balance sheet date and before the approval of the financial statements not to demand immediate repayment.
IAS 1, Presentation of Financial Statements - presentation of income statement/statement of comprehensive income	<p>An analysis of expenses is presented using a classification based on either the nature of expenses or their function whichever provides information that is reliable and more relevant. If presented by function, specific disclosures by nature are provided in the notes.</p> <p>Profit or loss attributable to minority interest (non-controlling interest) and equity holders of the parent are disclosed in the statement of comprehensive income/income statement (if presented separately) as allocations of profit or loss for the period.</p>	<p>Schedule VI requires an analysis of expense by nature.</p> <p>Profit or loss attributable to minority interests is disclosed as deduction from the profit or loss for the period as an item of income or expense.</p>
IAS 1, Presentation of Financial Statements - statement of comprehensive income	<p>Includes all items of income and expense (non-owner changes in equity) including (a) components of profit or loss and (b) other comprehensive income recognised directly in equity for example revaluation reserve.</p> <p>Items are presented either :</p> <p>(a) in a single statement of comprehensive income with a sub-total for profit or loss; or</p> <p>(b) in a separate income statement displaying components of profit or loss and a separate statement of comprehensive income beginning with profit or loss and displaying components of other comprehensive income.</p>	A statement of comprehensive income is not required to be prepared.

Topic	IFRS	Indian GAAP
IAS 1, Presentation of Financial Statements - statement of changes in equity	A statement of changes in equity is presented showing (a) the total comprehensive income for the period (b) effects of retrospective application or restatement on each component of equity (c) transactions with owners and (d) for each component of equity, a reconciliation between opening and closing balances, separately disclosing each change.	A statement of changes in equity is not required. Movements in share capital, retained earnings and other reserves are presented in schedules to financial statements.
IAS 1, Presentation of Financial Statements - extraordinary items	Presentation of any items of income or expense as extraordinary is prohibited.	Extraordinary items are disclosed separately in the statement of profit and loss and are included in the determination of net profit or loss for the period. Items of income or expense to be disclosed as extraordinary should be distinct from the ordinary activities and are determined by the nature of the event or transaction in relation to the business ordinarily carried out by an entity.
IAS 1, Presentation of Financial Statements - reclassification	When comparative amounts are reclassified, nature, amount and reason for reclassification are disclosed.	A disclosure is made in financial statements that comparative amounts have been reclassified to conform to presentation in the current period without additional disclosures for the nature, amount and reason for reclassification.
IAS 1, Presentation of Financial Statements - critical judgement	Requires disclosure of critical judgements made by management in applying accounting policies.	No such requirement.
IAS 1, Presentation of Financial Statements - estimation uncertainty	Requires disclosure of 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 amounts of assets and liabilities within the next financial year. The nature of the uncertainty and the carrying amounts of such assets and liabilities at the end of the reporting period are required to be disclosed.	No such requirement.
IAS 1, Presentation of Financial Statements - capital	Requires disclosure of information to enable users of financial statements to evaluate the entity's objectives, policies and processes of managing capital.	No such requirement.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
Inventories - Primary Literature	IAS 2 - Inventories	AS 2 - Valuation of Inventories
IAS 2, Inventories - scope	IAS 2 does not apply to inventories held by commodity broker-traders who measure their inventories at fair value less costs to sell. Changes in fair value less costs to sell are recognised in profit or loss in the period of the change.	There is no scope exemption in AS 2 for any inventories held by commodity traders. Work in progress arising in the ordinary course of business of service providers has been scoped out of AS 2.
IAS 2, Inventories - deferred settlement terms	Difference between the purchase price of inventories for normal credit terms and the amount paid for deferred settlement terms is recognised as interest expense.	Inventories purchased on deferred settlement terms are not explicitly dealt with in the accounting standard on inventories. The cost of inventories generally will be the purchase price for deferred credit terms unless the contract states interest payable for deferred terms.
IAS 2, Inventories - net realisable value	A new assessment of net realisable value is required to be made in each subsequent period. Write-down of inventory is reversed if circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in the net realisable value because of changes in economic circumstances.	No specific guidance in AS 2. However reversals may be permitted as AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies requires this to be disclosed as a separate line item in the statement of profit and loss.
Statement of Cash Flows - Primary Literature	IAS 7 - Statement of Cash Flows	AS 3 - Cash Flow Statements
IAS 7, Statement of Cash Flows - bank overdrafts	Included as cash and cash equivalents if they form an integral part of an entity's cash management.	Bank overdrafts are considered as financing activities.
IAS 7, Statement of Cash Flows - cash flows from extraordinary items	As presentation of items as extraordinary is not permitted, the cash flow statement does not reflect any items of cash flow as extraordinary.	Cash flows from items disclosed as extraordinary are classified as arising from operating, investing or financing activities and separately disclosed.
IAS 7, Statement of Cash Flows - interest and dividend	May be classified as operating, investing or financing activities in a manner consistent from period to period. However in deciding the classification, an entity is required to apply IAS 8 and elect a classification that reflects the economic transaction.	For Financial enterprises: Interest paid and interest received are to be classified as operating activities. Dividend paid is to be classified as financing activity. For other enterprises: Interest and dividends received are required to be classified as investing activities. Interest and dividends paid are required to be classified as financing activities.

Topic	IFRS	Indian GAAP
Accounting Policies, Changes in Accounting Estimates and Errors - Primary Literature	IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	AS 5 - Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - changes in accounting policies	Requires retrospective application of changes in accounting policies by adjusting the opening balance of the affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy had always been applied.	Changes in accounting policies should be made only if it is required by statute, for compliance with an Accounting Standard or for a more appropriate presentation of the financial statements on a prospective basis together with a disclosure of the impact of the same, if material. Also, if a change in the accounting policy has no material effect on the financial statements for the current period, but which is expected to have a material effect in the later periods the same should be appropriately disclosed.
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - changes in accounting estimates	Applied prospectively by including in the profit or loss in the period of change and if it affects future periods, in the profit or loss of those periods.	Similar to IFRS.
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - errors	Material prior period errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening statement of financial position.	Prior period errors are included in determination of profit or loss of the period in which the error is discovered and are separately disclosed in the statement of profit and loss in a manner that the impact on current profit or loss can be perceived.
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - new accounting pronouncements	New accounting pronouncements that have been issued but are not yet effective as at the end of the reporting period are disclosed. Known or reasonably estimable information relevant to assessing the possible impact of the new accounting pronouncements on the financial statements on initial application is disclosed.	Not required.
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - absence of standard or interpretation that specifically applies to a transaction	Permits considering recent pronouncements by other standard-setting bodies that have a conceptual framework similar to IFRS to the extent these pronouncements do not conflict with IFRS.	No specific guidance.

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Topic	IFRS	Indian GAAP
Events after the Reporting Period - Primary Literature	IAS 10 - Events After the Reporting Period	AS 4 - Contingencies and Events Occurring after the Balance Sheet Date
IAS 10, Events after the Reporting Period - dividends	Liability for dividends declared to holders of equity instruments are recognised in the period when declared. It is a non-adjusting event.	Dividends are recognised as an appropriation from profits and recorded as a liability at the balance sheet date, if proposed or declared subsequent to the reporting period but before approval of the financial statements.
Income Taxes - Primary Literature	IAS 12 - Income Taxes SIC 21 - Income Taxes - Recovery of Revalued Non-Depreciable Assets SIC 25 - Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	AS 22 - Accounting for Taxes on Income Guidance Note on Accounting for Fringe Benefits Tax
IAS 12, Income Taxes - deferred income taxes	Deferred taxes are computed for temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.	Deferred taxes are computed for timing differences in respect of recognition of items of profit or loss for the purposes of financial reporting and for income taxes.
IAS 12, Income Taxes - recognition of deferred tax assets and liabilities	Deferred income taxes are recognised for all temporary differences between accounting and tax base of assets and liabilities except to the extent which arise from (a) initial recognition of goodwill or (b) asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither the accounting nor the tax profit.	Deferred taxes are generally recognised for all timing differences.
IAS 12, Income Taxes - recognition of taxes on items recognised in other comprehensive income or directly in equity	Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised in the same or a different period, outside profit or loss. Therefore the tax on items recognised in other comprehensive income or directly in equity, is also recorded in other comprehensive income or in equity, as appropriate.	No specific guidance in AS 22. However, an announcement made by the ICAI requires any expense charged directly to reserves and/or securities premium account to be net of tax benefits expected to arise from the admissibility of such expenses for tax purposes. Similarly, any income credited directly to a reserve account or a similar account should be net of its tax effect.
IAS 12, Income Taxes - recognition of deferred tax assets	Deferred tax asset is recognised for carry forward unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised.	Deferred tax asset for unused tax losses and unabsorbed depreciation is recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax asset for all other unused credits is recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Topic	IFRS	Indian GAAP
IAS 12, Income Taxes - investments in subsidiaries, branches and associates, and interests in joint ventures	Deferred tax liability for all taxable temporary differences are recognised except to the extent (a) the parent, the investor or the venturer is able to control timing of the reversal of the temporary difference, and (b) it is probable that the temporary difference will not reverse in the foreseeable future.	Not required.
IAS 12, Income Taxes - deferred tax business combinations	If the potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets did not satisfy the criteria in IFRS 3 for separate recognition when the business combination was initially accounted but if such benefit is subsequently recognised, goodwill is reduced to record pre-acquisition deferred tax assets which are recognised within 12 months of the acquisition date as result of new information on facts and circumstances that existed on the acquisition date. If the carrying amount of goodwill is zero, any remaining deferred tax benefit is recognised in profit or loss. All other deferred tax benefits are recognised in profit or loss (or if IAS 12 so requires, outside profit or loss).	No specific guidance.
IAS 12, Income Taxes - deferred tax on unrealised intra-group profits	Deferred tax on unrealised intra-group profits is recognised at the buyer's rate.	Deferred tax is not recognised as deferred tax expense is an aggregation from separate financial statements of each group entity and no adjustment is made on consolidation.
IAS 12, Income Taxes - classification	Always classified as non-current, if current and non-current classification is presented.	Deferred tax assets are to be disclosed on the face of the balance sheet separately after the head 'Investments'. Deferred tax liabilities are to be disclosed after the head 'Unsecured Loans'.
IAS 12, Income Taxes - disclosure	<ul style="list-style-type: none"> Reconciliation is presented between the income tax expense (income) reported and the product of accounting profit multiplied by the applicable tax rate. Either a numerical reconciliation or tax rate reconciliation is required to be presented. Details of tax holidays and expiry. Unrecognised deferred tax liability on undistributed earnings of subsidiaries, branches, associates and joint ventures. 	<p>No such requirement.</p> <p>No such requirement.</p> <p>Not applicable.</p>
IAS 12, Income Taxes - fringe benefit tax	Does not meet definition of income taxes and is reported as part of the underlying expense.	Fringe benefit tax is to be disclosed as a separate item after determining profit before tax for the period in which the related fringe benefits are recognised.

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Topic	IFRS	Indian GAAP
IAS 12, Income taxes - tax benefits related to share-based payments	Deferred tax benefit is calculated based on tax deduction for the share-based payment under the applicable tax law (for example intrinsic value).	No specific guidance.
SIC 21, Recovery of Revalued Non-Depreciable Assets	Measurement of deferred tax liability or asset arising from revaluation is based on the tax consequences from the sale of asset rather than through use.	No specific guidance.
SIC 25, Changes in Tax Status of an Entity or its Shareholders	Current and deferred tax consequences are included in the profit or loss of the period of change unless the consequences relate to transactions or events recognised outside profit or loss either in other comprehensive income or directly in equity in the same or a different period.	No specific guidance.
Property, Plant and Equipment - Primary Literature	IAS 16 - Property, Plant and Equipment	AS 6 - Depreciation Accounting AS 10 - Accounting for Fixed Assets The Council of the ICAI has approved an exposure draft of revised AS 10. The revision was made to align the standard with IAS 16. However there has been no announcement as regards the effective date of that standard and therefore all the differences discussed below are based on AS 10 (issued 1985).
IAS 16, Property, Plant and Equipment - replacement costs	Replacement cost of an item of property, plant and equipment is capitalised if replacement meets the recognition criteria. Carrying amount of items replaced is derecognised.	Replacement cost of an item of property, plant and equipment is generally expensed when incurred.
IAS 16, Property, Plant and Equipment - cost of major inspection	Cost of major inspections and overhauls are recognised in the carrying amount of property, plant and equipment.	Costs of major inspection are expensed when incurred.
IAS 16, Property, Plant and Equipment - revaluation	If an entity adopts the revaluation model, revaluations are required to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.	No specific requirement on frequency of revaluation.
IAS 16, Property, Plant and Equipment - depreciation	Property, plant and equipment are componentised and are depreciated separately.	Fixed assets are not required to be componentised and depreciated separately, although AS 10 states that such an approach may improve the accounting for an item of fixed asset. The proposed revised standard also permits, but does not require a component approach. Schedule XIV to the Companies Act, 1956 specifies the minimum depreciation rates to be used for different categories of assets.

Topic	IFRS	Indian GAAP
IAS 16, Property, Plant and Equipment - compensation for impairment	Compensation from third parties for impairment or loss of items of property, plant and equipment are included in profit or loss when the compensation becomes receivable.	No specific requirement. In practice compensation is offset against replaced items of property, plant and equipment.
IAS 16, Property, Plant and Equipment - transfers from revaluation reserve	Transfers from revaluation to retained earnings are made directly and not through profit or loss.	Transfers may be done through the statement of profit and loss.
IAS 16, Property, Plant and Equipment - residual value	Estimates of residual value needs to be reviewed at least at each year end.	Estimates of residual value are not updated.
IAS 16, Property, Plant and Equipment - reassessment of useful life and depreciation method	Requires annual reassessment of useful life.	Not currently required.
IAS 16, Property, Plant and Equipment - change in method of depreciation	Changes in useful life and depreciation method are considered as change in accounting estimate and applied prospectively.	Requires retrospective re-computation of depreciation and any excess or deficit on such re-computation is required to be adjusted in the period in which such change is effected. Such a change is treated as a change in accounting policy and its effect is quantified and disclosed.
Leases - Primary Literature	IAS 17 - Leases IFRIC 4 - Determining Whether an Arrangement Contains a Lease SIC 15 - Operating Leases - Incentives SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease IFRIC 12 - Service Concession Arrangements	AS 19 - Leases
IAS 17, Leases - interest in leasehold land	Recognised as operating lease (i.e. prepayment) unless the leasehold interest is accounted for as investment property and the fair value model is adopted.	Leasehold land is recorded and classified as fixed assets.
IAS 17, Leases - initial direct costs of lessors for assets under a finance lease	For finance leases other than those involving manufacturer or dealer lessors, initial direct costs are included in the measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Initial lease costs incurred by manufacturer or dealer lessors are recognised as expense when selling profit is recognised.	Initial direct costs are either recognised immediately in the statement of profit and loss or allocated against the finance income over the lease term. Initial lease costs incurred by manufacturer or dealer lessors are recognised as expense at the inception of the lease.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
IAS 17, Leases - initial direct costs of lessors for assets under operating leases	Initial direct costs incurred by lessors are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as lease income.	Initial direct costs incurred by lessors are either deferred and allocated to income over the lease term in proportion to the recognition of rent income, or are recognised as an expense in the statement of profit and loss in the period in which they are incurred.
IFRIC 4 - Determining whether an arrangement contains a lease	Arrangements that do not take the legal form of a lease but fulfilment of which is dependent on the use of specific assets and which convey the right to use the assets are accounted for as lease.	There is no such guidance. Payments under such arrangements are recognised in accordance with the nature of expense incurred.
SIC 15 - Lease incentives	Lease incentives (such as rent-free period) are recognised by both the lessor and the lessee as a reduction of rental income and expense, respectively, over the lease term.	No specific guidance.
SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease	If a series of transactions involves the legal form of a lease and can only be understood with reference to the series as a whole, then the series is accounted for as a single transaction.	No specific guidance.
IFRIC 12, Service Concession Arrangements - scope	Prescribes accounting by private sector operators involved in provision of public sector infrastructure assets and services. Under service concession arrangements, the grantor specifies the services to be provided to the public, controls the infrastructure and the price to be charged to the public by the operator.	No specific guidance.
IFRIC 12, Service Concession Arrangements - recognition	Depending on the terms of the arrangement: (a) a financial asset is recognised where an operator has the unconditional right to receive cash or other financial asset from the grantor over the life of the arrangement; or (b) an intangible asset is recognised where the operator receives cash directly from the public and where future cash flows vary depending on the usage of the infrastructure; or (c) both a financial asset and an intangible asset are recognised where the operator's return is provided partially by a financial asset and partially by an intangible asset.	No specific guidance.

Topic	IFRS	Indian GAAP						
Revenue - Primary Literature	IAS 18 - Revenue SIC 31 - Revenue - Barter Transactions Involving Advertising Services IFRIC 13 - Customer Loyalty Programmes	AS 9 - Revenue Recognition Guidance Note on Accounting for Dot-com Companies						
IAS 18, Revenue - definition	Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Amounts collected on behalf of third parties such as sales and service taxes and value added taxes are excluded from revenues.	Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends. Revenue is measured by the charges made to customers for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them. Revenue is presented as under: <table style="margin-left: auto; margin-right: auto;"> <tr> <td>Turnover</td> <td style="text-align: right;">Rs. 100</td> </tr> <tr> <td>Less: Excise duty</td> <td style="text-align: right;">Rs. 15</td> </tr> <tr> <td>Turnover (net)</td> <td style="text-align: right;">Rs. 85</td> </tr> </table>	Turnover	Rs. 100	Less: Excise duty	Rs. 15	Turnover (net)	Rs. 85
Turnover	Rs. 100							
Less: Excise duty	Rs. 15							
Turnover (net)	Rs. 85							
IAS 18, Revenue - measurement	Fair value of revenue from sale of goods and services when the inflow of cash and cash equivalents is deferred is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of consideration is recognised as interest income using the effective interest method.	Revenue is recognised at the nominal amount of consideration receivable.						
IAS 18, Revenue - exchange transactions	The accounting treatment depends on whether the exchange transaction involves goods and services of similar nature and value (for example, exchange of commodities like oil or milk). Exchanges of similar assets: <ul style="list-style-type: none"> • Carrying amount of the asset received = Carrying amount of the asset surrendered + cash or cash equivalent transferred • No gains or losses are recognised Exchanges of dissimilar assets: <ul style="list-style-type: none"> • Carrying amount of the asset received = Fair value of the asset received +/- cash or cash equivalent transferred • Gain or loss to be recognised = Fair value of the asset received +/- cash or cash equivalent transferred - carrying amount of the asset surrendered 	No specific guidance.						

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
IAS 18, Revenues - financial service fees	<p>Fees that are an integral part of the effective interest rate of a financial instrument, for example, loan origination and arrangement fees are deferred and recognised as an adjustment to the effective interest rate. However, when the financial instrument is measured at fair value with changes in fair value recognised in profit or loss, the fees are recognised as revenue when the instrument is initially recognised.</p> <p>Fees earned as services are provided are recognised as services are provided. For example, fees charged for servicing a loan is recognised over the period of the loan.</p> <p>Fees that are earned on the execution of a significant act are recognised when the significant act is completed. For example, placement fees for arranging a loan between a borrower and an investor are recognised when the loan has been arranged.</p>	<p>Financial service fee is recognised as revenue depending on whether the service has been provided "once for all" or is on a continuing basis.</p> <p>Loan origination and arrangement fees are recognised as revenues when the loan has been originated.</p> <p>Fees earned as services are provided or on execution of a significant act are recognised as revenues in a manner similar to IFRS.</p> <p><i>Note: After AS 30, Financial Instruments: Recognition and Measurement becomes effective, there will be no difference between the two standards.</i></p>
IAS 18, Revenue - interest	Interest income is recognised using the effective interest method.	<p>Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.</p> <p><i>Note: After AS 30, Financial Instruments: Recognition and Measurement becomes effective, interest will be recognised using the effective interest method.</i></p>
IAS 18, Revenue - services rendered	Requires recognition using percentage of completion method. Revenues from installation fees and production commission are recognised with reference to stages of completion, unless the installation is incidental to sale.	<p>Completed service contract method or proportionate completion method permitted.</p> <p>Revenues from installation fees and production commission are recognised when installation and production is completed, unless the installation is incidental to sale.</p>
SIC 31, Barter transactions involving advertising services	Fair value of services provided is measured with reference to non-barter similar transactions that occur frequently, represent a substantial number of the transactions, consideration involves cash or other securities that has a reliable measure of fair value and do not involve transaction with the same counterparty to the barter transaction.	No specific guidance in AS 9. However the guidance note on Accounting for Dot-com companies provides similar guidance for advertising barter transactions.
IFRIC 13, Customer Loyalty Programs	Award credits are accounted for as a separate identifiable component of a sales transaction, with the consideration allocated between the awards credit and the other components of sale.	No specific guidance.

Topic	IFRS	Indian GAAP
Employee Benefits - Primary Literature	IAS 19 - Employee Benefits IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	AS 15 (Revised 2005) - Employee Benefits
IAS 19, Employee benefits - qualifying insurance policy	A policy is a qualifying insurance policy if the proceeds (a) can be utilised to pay or fund employee benefits under a defined benefit plan; and (b) cannot be paid to the reporting entity and is not available to its creditors unless the proceeds represent surplus assets that are not needed for the policy to meet all the related employee obligations or the proceeds are returned to reimburse employee benefits already paid.	Similar to IFRS.
IAS 19, Employee benefits - actuarial valuation	Detailed actuarial valuation to determine the present value of defined benefit obligation and the fair value of plan assets is performed with sufficient regularity so that the amounts recognised in the financial statements do not differ materially from the amounts that would have been determined at the end of the reporting period. IAS 19 does not specify sufficient regularity.	Similar to IFRS, except that detailed actuarial valuation to determine present value of the benefit obligation is carried out at least once every three years and fair value of plan assets are determined at each balance sheet date.
IAS 19, Employee benefits - actuarial gains and losses	Actuarial gains and losses may be: <ul style="list-style-type: none"> • recognised immediately in profit or loss; • recognised immediately in other comprehensive income; or • deferred upto a maximum with any excess of 10% of the greater of the defined benefit obligation or the fair value of the plan assets at the end of the previous reporting period being recognised over the expected average remaining working lives of the participating employees or other accelerated basis. 	Actuarial gains and losses should be recognised immediately in the statement of profit and loss as an income or expense.
IAS 19, Employee benefits - discount rate	Market yields at the end of the reporting period on high quality corporate bonds are used as discount rates. In countries where there are no deep markets for such bonds, market yields on government bonds are used.	Market yields at the balance sheet date on government bonds are used as discount rates.
IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Addresses when refunds or reductions are regarded as available for recognition of an asset; how funding requirements in future may effect the availability of reductions in future contributions and when minimum funding requirement may give rise to a liability.	No specific guidance.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
Government Grants - Primary Literature	IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance SIC 10 - No Specific Relation to Operating Activities	AS 12 - Accounting for Government Grants
IAS 20, Government Grants - recognition	<p>Government grants are recognised as income to match them with related costs which they are intended to compensate on a systematic basis. Government grants are not directly credited to shareholders' interests.</p> <p>Government grants related to assets are presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.</p>	<p>Two broad approaches may be followed - the capital approach or the income approach.</p> <p>Government grants in the nature of promoters' contribution i.e. they are given with reference to the total investment in an undertaking or by way of contribution towards its total capital outlay and no repayment is ordinarily expected, are credited directly to shareholders' funds. Grants related to revenue are recognised in the statement of profit and loss on a systematic and rational basis over the periods necessary to match them with the related costs.</p> <p>Grants relating to non-depreciable assets are credited to capital reserve. If such grants require fulfilment of some obligation, such grants should be credited to income over the period over which the cost of meeting the obligation is charged to income. Grants related to depreciable assets are either treated as deferred income and transferred to the statement of profit and loss in proportion to depreciation, or deducted from the cost of the asset.</p>
IAS 20, Government Grants - non-monetary government grants	The asset and the grant may be accounted at fair value. Alternatively, these can be accounted at nominal value.	If the asset is given by the Government at a discounted price, the asset and the grant is accounted at the discounted purchase price. Non-monetary grants free of cost are accounted for at nominal values.
IAS 20, Government Grants - repayment	<p>If repayment of government grant relating to an asset is recorded by increasing the carrying amount of the asset, the cumulative additional depreciation that would have been recognised in absence of the grant is immediately recognised as an expense.</p> <p>Prohibited to be classified as an extraordinary item.</p>	<p>If repayment of government grant relating to an asset is recorded by increasing the carrying amount of the asset, the cumulative additional depreciation that would have been recognised in absence of the grant is recognised over the remaining useful life of the asset.</p> <p>Classified as an extraordinary item.</p>

Topic	IFRS	Indian GAAP
Foreign Exchange - Primary Literature	IAS 21 - The Effects of Changes in Foreign Exchange Rates	AS 11 - The Effects of Changes in Foreign Exchange Rates
IAS 21, Effects of Changes in Foreign Exchange Rates - functional and presentation currency	<p>Functional currency is the currency of the primary economic environment in which the entity operates. Foreign currency is a currency other than the functional currency.</p> <p>Presentation currency is the currency in which the financial statements are presented.</p>	Foreign currency is a currency other than the reporting currency which is the currency in which financial statements are presented. There is no concept of functional currency.
IAS 21, Effects of Changes in Foreign Exchange Rates - exchange differences	<p>Exchange differences arising on translation or settlement of foreign currency monetary items are recognised in profit or loss in the period in which they arise.</p> <p>Exchange differences on monetary items, that in substance, form part of net investment in a foreign operation, are recognised in profit or loss in the period in which they arise in the separate financial statements and in other comprehensive income in the consolidated financial statements.</p>	<p>Similar to IFRS, except that exchange differences on translation of monetary foreign currency liabilities incurred upto the end of the accounting periods commencing on or before 31 March 2004 towards acquisition of fixed assets are capitalised in the carrying amount of these assets.</p> <p>Exchange differences on monetary items, that in substance, form part of net investment in a foreign operation, are recognised in Foreign Currency Translation Reserve both in the separate and consolidated financial statements.</p>
IAS 21, Effects of Changes in Foreign Exchange Rates - change in functional currency	Change in functional currency is applied prospectively.	Change in reporting currency is not dealt with in AS 11, though reason for change is required to be disclosed.
IAS 21, Effects of Changes in Foreign Exchange Rates - translation in the consolidated financial statements	Assets and liabilities should be translated from functional currency to presentation currency at the closing rate at the date of the statement of financial position; income and expenses at actual/average rates for the period; exchange differences are recognised in other comprehensive income and recycled to profit or loss on disposal of the operation.	<p>Translation of financial statements to the reporting currency of the parent/investee depends on the classification of that operation as integral or non integral.</p> <p>In the case of an integral operation, monetary assets are translated at closing rate; non-monetary items are translated at historical rate if they are valued at cost and at closing rate if they are valued on other valuation basis and income and expense items are translated at historical/average rate. Exchange differences are taken to the statement of profit and loss.</p> <p>For non-integral operations, closing rate method should be followed (i.e. all assets and liabilities are to be translated at closing rate while profit and loss account items are translated at actual/average rates). The resulting exchange difference is taken to reserve and is recycled to profit and loss on the disposal of the non-integral foreign operation.</p>

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
IAS 21, Effects of Changes in Foreign Exchange Rates - forward contracts	Accounted for as a derivative.	<ul style="list-style-type: none"> Forward contracts not intended for trading or speculation purposes: <ol style="list-style-type: none"> Any premium or discount arising at the inception of a forward exchange contract is amortised as expense or income over the life of the contract. Exchange differences on such a contract are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Exchange difference on a forward exchange contract is the difference between (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date. Forward exchange contract intended for trading or speculation purposes: The premium or discount on the contract is ignored and at each balance sheet date, the value of the contract is marked to its current market value and the gain or loss on the contract is recognised.
Borrowing cost - Primary Literature	IAS 23 - Borrowing Costs	AS 16 - Borrowing Costs
IAS 23, Borrowing cost - recognition	<p>Borrowing costs are expensed as incurred (not permitted for qualifying assets for which the capitalisation date falls in annual periods beginning on or after 1 January 2009); or</p> <p>capitalised if these costs are attributable to the acquisition, construction or production of a qualifying asset.</p>	Borrowing costs are required to be capitalised if these costs are attributable to the acquisition, construction or production of a qualifying asset. Recognising these as an expense when incurred is not permitted.
Related Party Disclosures - Primary Literature	IAS 24 - Related Party Disclosures	AS 18 - Related Party Disclosures
IAS 24, Related Party Disclosures - identification	Related party includes post employment benefit plans for the benefit of employees of the reporting entity or any entity that is a related party of the reporting entity.	Post employment benefit plans are not included as related parties.

Topic	IFRS	Indian GAAP
IAS 24, Related Party Disclosures - key management personnel	Compensation of key management personnel is disclosed in total and separately for (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; (d) termination benefits; and (e) share-based payments.	Compensation of key management personnel is disclosed in total as an aggregate of all items of compensation except when a separate disclosure is necessary for the understanding of the effects of related party transactions on the financial statements.
Accounting and Reporting by Retirement Benefit Plan - Primary Literature	IAS 26 - Accounting and Reporting by Retirement Benefit Plan	There is no equivalent standard.
IAS 26, Accounting and Reporting by Retirement Benefit Plan	Sets out the reporting requirements by defined contribution and benefit plans, including a statement of net assets available for benefits and disclosure of the actuarial present value of promised benefits; Specifies the need for actuarial valuation of the defined benefits and the use of fair values for plan investments.	There is no equivalent standard.
Consolidated Financial Statements - Primary Literature	IAS 27 (2008) - Consolidated and Separate Financial Statements SIC 12 Consolidation - Special Purpose Entities	AS 21 - Consolidated Financial Statements
IAS 27, Consolidated and Separate Financial Statements - scope	A parent is required to prepare consolidated financial statements to consolidate all its subsidiaries. A subsidiary is an entity that is controlled by another entity (known as the parent). A parent need not prepare consolidated financial statements only if all the following conditions are met: <ul style="list-style-type: none"> the entity is itself a wholly owned subsidiary or a partially owned subsidiary and its other owners have not objected the entity not presenting consolidated financial statements; the entity's debt or equity instruments are not traded in a public market; the entity is not in a process of filing its financial statements for the purposes of issuing any class of instruments in a public market; and the ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with IFRSs. 	Indian GAAP does not specify entities that are required to present consolidated financial statements. The accounting standard is required to be followed if consolidated financial statements are presented. The Securities and Exchange Board of India requires entities listed and to be listed to present consolidated financial statements.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
IAS 27, Consolidated and Separate Financial Statements - definition of control	Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.	Control is: (a) the ownership, directly or indirectly through subsidiary(ies), of more than one-half of the voting power of an enterprise; or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise so as to obtain economic benefits from its activities. Therefore a mere ownership of more than 50% of equity shares is sufficient to constitute control under Indian GAAP, whereas this is not necessarily so under IFRS.
IAS 27, Consolidated and Separate Financial Statements - dual control	Only one entity can have control (as distinct from joint control) over another entity. Therefore, when two or more entities each hold significant voting rights, certain factors are reassessed to determine which party has control.	In a rare situation, when an enterprise is controlled by two enterprises one which controls by virtue of ownership of majority of the voting power and the other which controls, by virtue of an agreement or otherwise, the composition of the board of directors, the first mentioned enterprise will be considered as subsidiary of both the controlling enterprises and therefore, both the enterprises will need to consolidate the financial statements of that enterprise.
IAS 27, Consolidated and Separate Financial Statements - potential voting rights	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing control.	Potential voting rights are not considered in assessing control.
IAS 27, Consolidated and Separate Financial Statements - exclusion of subsidiaries, associates and joint ventures	If on acquisition a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5, it is included in the consolidation but is accounted for under that standard.	Excluded from consolidation, equity accounting or proportionate consolidation if the subsidiary was acquired with intent to dispose of within twelve months or if it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.
IAS 27, Consolidated and Separate Financial Statements - reporting dates	The difference between the reporting date of the subsidiary and that of the parent shall be no more than three months.	The difference between the reporting date of the subsidiary and that of the parent shall be no more than six months.

Topic	IFRS	Indian GAAP
IAS 27, Consolidated and Separate Financial Statements - disposals	<p>Partial disposal of subsidiary where control is retained is accounted for as an equity transaction, and gain or loss is not recognised.</p> <p>Partial disposal of subsidiary resulting in loss of control triggers remeasurement of the residual holding to fair value. Any difference between the fair value and the carrying value is recognised as gain or loss in profit or loss.</p>	No specific guidance.
IAS 27, Consolidated and Separate Financial Statements - accounting for investments in subsidiaries in separate financial statements of the parent	Accounted either at cost less impairment loss or as available for sale with changes in fair value recognised in other comprehensive income.	<p>Accounted at cost less impairment loss.</p> <p><i>After AS 30, Financial Instruments: Recognition and Measurement becomes effective and the consequent limited revision to AS 21, there will be no difference between the two standards.</i></p>
IAS 27, Consolidated and Separate Financial Statements - Special purpose entities(SPEs)	SPEs, for example employee share option plans, are consolidated where the substance of the relationship indicates that an entity controls the SPE.	There is no specific guidance on SPEs. SPEs such as employee share option plans are not consolidated.
Investments in Associates - Primary Literature	IAS 28 - Investments in Associates	AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements
IAS 28, Investments in Associates - significant influence	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing significant influence.	Potential voting rights are not considered in assessing significant influence.
IAS 28, Investments in Associates - scope	Investments by venture capital organisations, mutual funds, unit trusts and similar entities including investment-linked insurance funds are exempted from applying equity method, if an election is made to measure such investments at fair value through profit or loss under IAS 39.	<p>Currently there is no exemption for investments made by venture capital organisations, mutual funds, unit trusts and similar entities from applying equity method.</p> <p><i>After AS 30, Financial Instruments: Recognition and Measurement becomes effective and the consequent limited revision to AS 23, there will be no difference between the two standards.</i></p>
IAS 28, Investments in Associates - share of losses	Losses recognised under the equity method in excess of the investor's investment in ordinary shares are applied to other components of the investor's interest such as long-term loans.	Loss in excess of the carrying amount of investment is not recognised.
IAS 28, Investment in Associates - disposals	On disposal resulting in loss of significant influence, the remaining investment is remeasured at fair value, with gain or loss recognised in profit or loss.	No specific guidance.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
IAS 28, Investments in Associates - accounting in the consolidated financial statements	Equity method If the reporting entity does not prepare consolidated financial statements because it has no subsidiaries, its associates should be equity accounted.	Equity method If the reporting entity does not have subsidiaries but has an associate, it would not be required to prepare consolidated financial statements.
IAS 28, Investments in Associates - capital reserve/negative goodwill	Negative goodwill is excluded from the carrying amount of investment and is included as income in determination of the investor's share of associate's profit or loss.	Capital reserve arising on the acquisition of an associate by an investor should be included in the carrying amount of investment in the associate but should be disclosed separately.
Investments in Associates - reporting date	The difference between the reporting date of the associate and that of the parent shall be no more than three months.	The maximum difference between the reporting date of the associate and that of the parent is not specified.
IAS 28, Investments in Associates - separate financial statement of the investor	Either at cost or at fair value as available for sale with changes in fair value recognised in other comprehensive income.	At cost less impairment loss. <i>Note that after AS 30, Financial Instruments: Recognition and Measurement becomes effective and the consequent limited revision to AS 23, there will be no difference between the two standards.</i>
Reporting in Hyperinflationary Economies - Primary Literature	IAS 29 - Financial Reporting in Hyperinflationary Economies IFRIC 7 - Applying the Restatement Approach under IAS 29	There is no equivalent standard.
IAS 29, Financial Reporting in Hyperinflationary Economies - hyperinflationary	Generally an economy is hyperinflationary when the cumulative inflation rate over 3 years is approaching or exceeds 100%.	There is no equivalent standard.
IAS 29, Financial Reporting in Hyperinflationary Economies - basic principle	Financial statements should be stated in terms of the measuring unit current at the end of the reporting period. Comparative figures for prior period(s) should be restated into the same current measuring unit.	There is no equivalent standard.
IAS 29, Financial Reporting in Hyperinflationary Economies - restatements	Restatements are made by applying a general price index. Items such as monetary items that are already stated at the measuring unit at the end of the reporting period are not restated. Other items are restated based on the change in the general price index between the date those items were acquired or incurred and the end of the reporting period. A gain or loss on the net monetary position is included in net income. It should be disclosed separately.	There is no equivalent standard.

Topic	IFRS	Indian GAAP
IFRIC 7, Applying the Restatement Approach under IAS 29	When the economy of an entity's functional currency becomes hyperinflationary, IAS 29 is applied as if the economy was always hyperinflationary.	There is no equivalent standard.
Interests in Joint Ventures - Primary Literature	IAS 31 - Interests in Joint Ventures SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers	AS 27 - Financial Reporting of Interests in Joint Ventures
IAS 31, Interests in Joint Ventures - separate financial statement of the venturer	Either at cost or at fair value as available for sale investment with changes in fair value recognised as a component of comprehensive income.	At cost less impairment loss. <i>Note that after AS 30, Financial Instruments: Recognition and Measurement becomes effective and the consequent limited revision to AS 27, there will be no difference between the two standards.</i>
IAS 31, Interests in Joint Ventures - consolidated financial statements	If the reporting entity does not prepare consolidated financial statements because it has no subsidiaries, its jointly controlled entities should be either proportionately consolidated or equity accounted.	At cost less impairment if consolidated financial statements are not prepared.
IAS 31, Interests in Joint Ventures - alternative accounting methods	Investments in jointly controlled entities can be proportionately consolidated or equity accounted by the venturer.	Equity method accounting is not permitted.
IAS 31, Interests in Joint Ventures - other arrangements	IAS 31 is not applicable for investments made by venture capital organisations, mutual funds, unit trusts and similar entities including investment-linked insurance funds that upon initial recognition are classified as at fair value through profit or loss under IAS 39.	There is no such exemption. <i>Note that after AS 30, Financial Instruments: Recognition and Measurement becomes effective and the consequent limited revision to AS 27, there will be no difference between the two standards.</i>
SIC 13 - Non-Monetary Contributions by Venturers	Recognition of proportionate share of gains or losses on contributions of non-monetary assets in exchange for an equity interest is generally appropriate.	No specific guidance.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
Financial Instruments - Primary Literature	IAS 32 - Financial Instruments: Presentation	AS 31 - Financial Instruments: Presentation (Mandatory for certain enterprises for accounting periods commencing on or after 1 April 2011. Early adoption is encouraged). (Note that this standard has not been notified under the Companies (Accounting Standards) Rules, 2006) Since the above mentioned standard is not yet mandatory, the differences discussed below are based on the existing Indian Standards and generally accepted accounting practices. <i>Once AS 31 becomes effective there will be no material difference between IAS 32 and AS 31.</i>
IAS 32, Financial Instruments: Presentation - classification of financial liabilities	Capital instruments are classified as liability or equity depending on the issuer's contractual obligation to deliver cash or other financial asset, for example redeemable preference shares will be classified as financial liability. Dividends on capital instruments classified as financial liability is recognised as an interest expense in the statement of comprehensive income/income statement (if presented separately).	Capital instruments are classified based on legal form - redeemable preference shares will be classified as equity. Preference dividends are always recognised as an appropriation from retained earnings.
IAS 32, Financial Instruments: Presentation - Treasury shares	If an entity reacquires its own shares (treasury shares), these are shown as deduction from equity.	Acquiring own shares is permitted only in limited circumstances. Shares repurchased should be cancelled immediately and cannot be held as treasury shares.
IAS 32, Financial Instruments: Presentation - offsetting	Financial asset and financial liability can only be offset if the entity has a legally enforceable right to set off the recognised amounts and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.	There are no offset rules However, in practice the rules under IFRS are applied.
IAS 32, Financial Instruments: Presentation - classification of convertible debts	Split the instrument in liability and equity component at issuance.	Currently, the entire instrument is classified as debt based on its legal form and any interest expense is recognised based on the coupon rate. Premium on redemption of the debt is recognised in securities premium.

Topic	IFRS	Indian GAAP
Earnings per share - Primary Literature	IAS 33 - Earnings per share	AS 20 - Earnings per share
IAS 33, Earnings per share - disclosure in separate financial statements	IAS 33 permits that such disclosure be made only in the consolidated financial statements of the parent i.e. an entity being a parent who presents consolidated financial statements may elect not to make these disclosures in its separate financial statements.	AS 20 requires disclosure of basic and diluted EPS information both in the separate and consolidated financial statements of the parent.
IAS 33, Earnings per share - disclosure	IAS 33 requires additional disclosures for EPS from continuing and discontinued operations. Disclosure is also required for instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.	AS 20 does not require these disclosures.
IAS 33, Earnings Per Share - Extraordinary items	The control number for determining dilution is net profit or loss from continuing activities since no item can be presented as extraordinary item.	The control number for determining dilution is net profit or loss from continuing ordinary activities. EPS with and without extraordinary items is to be presented.
Interim Financial Reporting - Primary Literature	IAS 34 - Interim Financial Reporting	AS 25 - Interim Financial Reporting AS 25 is similar to IAS 34 and there are no material differences between the two standards
IAS 34, Interim Financial Reporting - Accounting policies	Same accounting policies as used in annual financial statements are used in the preparation of interim financial statements. If there is a change in accounting policy in the interim period, previously reported interim periods are restated.	Similar to IFRS
Impairment of assets - Primary Literature	IAS 36 - Impairment of Assets IFRIC 10 - Interim Reporting and Impairment	AS 28 - Impairment of Assets AS 26 - Intangible Assets
IAS 36, Impairment of Assets - goodwill	Allocated to cash generating units that are expected to benefit from the synergies of business combination. Allocated to the lowest level at which goodwill is internally monitored by management which should be larger than an operating segment.	AS 28 requires goodwill to be tested for impairment using the "bottom-up/top-down" approach under which the goodwill is, in effect, tested for impairment by allocating its carrying amount to each cash-generating unit or smallest group of cash-generating units to which a portion of that carrying amount can be allocated on a reasonable and consistent basis.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
IAS 36, Impairment of Assets - annual impairment test for goodwill and intangibles	Goodwill and indefinite life intangible assets are required to be tested for impairment at least on an annual basis or earlier if there is an impairment indication.	Goodwill and other intangibles are tested for impairment only when there is an indication that they may be impaired. AS 26, Intangible Assets requires intangible assets that are not available for use and intangible assets that are amortised over a period exceeding ten years to be assessed for impairment at least at each financial year end even if there is no indication that the asset is impaired.
IAS 36, Impairment of Assets - reversal of impairment loss for goodwill	Impairment loss recognised for goodwill is prohibited from reversal in a subsequent period. Goodwill impaired in an interim period is not subsequently reversed in subsequent interim or annual financial statements.	Impairment loss for goodwill is reversed if the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.
IFRIC 10, Interim Reporting and Impairment	Where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment is not reversed in subsequent interim financial statements nor in annual financial statements.	There is no corresponding pronouncement to IFRIC 10. However, AS 28 does permit the reversal of goodwill in certain circumstances. This would be equally applicable to the interim financial statements.
Provisions, Contingent Assets and Contingent Liabilities - Primary Literature	IAS 37 - Provisions, Contingent Liabilities and Contingent Assets IFRIC 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities IFRIC 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Funds IFRIC 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	AS 29 - Provisions, Contingent Liabilities and Contingent Assets
IAS 37, Provisions, Contingent Liabilities and Contingent Assets - Recognition of provisions	A provision is recognised when an entity has a present obligation (legal or constructive) as a result of a past event.	Provisions are not recognised based on constructive obligations though some provisions may be needed in respect of obligations arising from normal practice, custom and a desire to maintain good business relations or to act in an equitable manner.

Topic	IFRS	Indian GAAP
IAS 37, Provisions, Contingent Liabilities and Contingent Assets - discounting	Where the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and risks specific to the liability. The discount rate does not reflect risk for which future cash flow estimates have been adjusted.	Discounting of liabilities is not permitted and provisions are carried at their full values.
IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	Provisions are adjusted for changes in the amount or timing of future costs and for changes in market-based discount rates.	No specific guidance.
IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Funds	Deals with the accounting in the financial statements of the contributor for interests in decommissioning, restoration and environmental rehabilitation funds established to fund some or all of the costs of decommissioning assets or to undertake environmental rehabilitation.	No specific guidance.
IFRIC 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Provides guidance for liabilities for waste management costs and requires recognition of an obligation to contribute to the costs of disposing of waste equipment based on the entity's share of market in the measurement period. The liability for such obligation arises when an entity participates in the market during the measurement period.	No specific guidance.
IAS 37, Provisions, Contingent Liabilities and Contingent Assets - contingent assets	Contingent assets are disclosed in the financial statements where an inflow of economic benefits is probable.	Contingent assets are not disclosed in the financial statements. They are usually disclosed as part of the report of the approving authority (e.g. Board of Directors report).
IAS 37, Provisions, Contingent Liabilities and Contingent Assets - restructuring cost	IAS 37 requires provisions on the basis of constructive obligations. A constructive obligation to restructure arises only when an entity has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.	Requires recognition based on general recognition criteria for provisions i.e. when the entity has a present obligation as a result of past event and the liability is considered probable and can be reliably estimated.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
Intangible Assets - Primary Literature	IAS 38 - Intangible Assets SIC 32 - Intangible Assets - Web Site Costs	AS 26 - Intangible Assets
IAS 38, Intangible assets - measurement	Intangible assets can be measured at either cost or revalued amounts.	Measured only at cost.
IAS 38, Intangible assets - useful life	Useful life may be finite or indefinite.	The useful life may not be indefinite. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.
IAS 38, Intangible assets - goodwill	Not amortised but subject to annual impairment test or more frequently whenever there is an impairment indication.	Goodwill arising on amalgamation in the nature of purchase is amortised over five years. Goodwill arising on acquisitions is not amortised but is tested for impairment.
IAS 38, Intangible assets - residual values	An estimate of residual value is made if (a) there is a commitment by a third party to purchase the asset at the end of its useful life; or (b) there is an active market for the asset and (i) the residual value can be determined by reference to that market (ii) it is probable that such a market will exist at the end of the assets useful life.	Similar to IFRS.
IAS 38, Intangible assets - useful lives	Useful lives required to be reviewed at least at each financial year end.	Similar to IFRS.
SIC 32, Web Site costs	Costs incurred in application, infrastructure development and graphic design may be capitalised.	Similar to IFRS.

Topic	IFRS	Indian GAAP
Financial instruments - Primary Literature	<p>IAS 39 - Financial Instruments: Recognition and Measurement</p> <p>IFRIC 9 - Reassessment of Embedded Derivatives</p>	<p>AS 13 - Accounting for Investments.</p> <p>AS 11 - The Effects of Changes in Foreign Exchange Rates.</p> <p>AS 30 - Financial Instruments: Recognition and Measurement (mandatory for certain enterprises for accounting periods commencing on or after 1 April 2011. Early adoption is encouraged. Note that this standard has not been notified under the Companies (Accounting Standards) Rules, 2006).</p> <p>Guidance Note on Accounting for Securitisation.</p> <p><i>The differences discussed below are based on AS 13. Once AS 30, becomes effective there will be no material difference between the two standards.</i></p>
IAS 39, Financial Instruments: Recognition and Measurement - general recognition principle	<p>All financial assets, financial liabilities and derivatives are recognised in the statement of financial position when these meet the definition and recognition criteria of a financial instrument.</p> <p>A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity in another entity.</p>	<p>There is no definition of financial instrument. Currently, derivatives are not required to be recognised in the balance sheet except for certain forward exchange contracts within the scope of AS 11.</p>

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
<p>IAS 39, Financial Instruments: Recognition and Measurement - investments, and loans and receivables</p>	<p>Financial instruments are classified as fair value through profit or loss, held to maturity, loans and receivables or available for sale. Financial instruments are classified as at fair value through profit or loss if it is held for trading or has been designated as at fair value through profit or loss upon initial recognition. Financial instruments are classified as held for trading if these are acquired or incurred principally for the purpose of selling or repurchase in the near future, is part of a portfolio that is managed together and for which there is evidence of recent actual pattern of short-term profit taking or derivative that is not a financial guarantee contract or is not designated as an effective hedging instrument. Financial instruments can be designated at fair value through profit or loss only if it eliminates or reduces measurement or recognition inconsistency or a group of financial instruments are managed and its performance evaluated on a fair value basis in accordance with a documented risk management strategy and information about this group of instruments are provided to key management personnel.</p> <p>Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has positive intent and ability to hold to maturity. Held to maturity investments are measured at amortised cost using effective interest method.</p> <p>Loans and receivables have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method.</p> <p>Available-for-sale investments are those that do not qualify or are not classified as at fair value through profit or loss, held-to-maturity investments or loans and receivables. Gain or loss in changes in fair value of available-for-sale investments are recognised in other comprehensive income.</p>	<p>Per AS 13, investments are classified as long-term or current.</p> <p>Long-term investments are carried at cost less provision for diminution in value, which is other than temporary.</p> <p>Current investments are carried at lower of cost and fair value.</p> <p>Loans and receivables are measured at cost less valuation allowance.</p>

Topic	IFRS	Indian GAAP
IAS 39, Financial Instruments: Recognition and Measurement - investment in convertible bonds	<p>The holder may:</p> <ul style="list-style-type: none"> designate the hybrid instrument as at fair value through profit or loss subject to certain conditions, or designate the debt element as available for sale with changes in fair value recognised in equity and the conversion option as a derivative with changes in fair value recognised in profit or loss, or recognise the debt element as loans and receivables and measure at amortised cost and the conversion option as a derivative with changes in fair value recognised in profit or loss. 	<p>The entire instrument is accounted for as debt investment.</p>
IAS 39, Financial Instruments: Recognition and Measurement - impairment of financial assets	<p>Impairment is recognised if, and only if,</p> <ul style="list-style-type: none"> there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (referred to as “loss event”), and the loss event(s) has an impact on the estimated cash flows that can be reliably estimated. <p>Impairment losses recognised in profit or loss for equity investment cannot be reversed through profit or loss.</p>	<p>An enterprise should assess the provision for doubtful debts at each period end based on relevant information such as:</p> <ul style="list-style-type: none"> past experience, actual financial position and cash flows of the debtors. <p>Different methods may be used for making provisions for bad debts, including:</p> <ul style="list-style-type: none"> the ageing analysis, an individual assessment of recoverability. <p>Impairment losses recognised in profit or loss for equity investments are reversed through profit or loss.</p> <p>For banks and financial service entities, the Reserve Bank of India has laid down specific provisioning norms based on the age of the outstandings.</p>
IAS 39, Financial Instruments: Recognition and Measurement - derivatives and embedded derivatives	<p>Measured at fair value.</p>	<p>Currently there is no equivalent standard on derivatives except for certain forward exchange contracts within the scope of AS 11 (though early adoption of AS 30, Financial Instruments: Recognition and Measurement is encouraged).</p>

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
IAS 39, Financial Instruments: Recognition and Measurement - derivatives and hedge accounting	<p>Hedge accounting (recognising the offsetting effects of fair value changes of both the hedging instrument and the hedged item in the same period's profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly defined, measurable, and actually effective.</p> <p>IAS 39 provides for three types of hedges:</p> <ul style="list-style-type: none"> • fair value hedge: if an entity hedges a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item are recognised in profit or loss when they occur; • cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction, then the change in fair value of the hedging instrument is recognised in other comprehensive income until such time as those future cash flows occur. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss in the period of such change; and • hedge of a net investment in a foreign entity: this is treated as a cash flow hedge. <p>A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.</p>	<p>Currently there is no equivalent standard on derivatives (though early adoption of AS 30, is encouraged).</p> <p>Forward contracts (including those intended for speculative/trading purposes) are covered by AS 11.</p> <p>An announcement made by the ICAI on 29 March 2008 and applicable to financial statements for the period ending 31 March 2008 or thereafter requires an entity to provide for losses in respect of all outstanding derivative contracts not covered by AS 11 by marking them to market at the balance sheet date.</p>
IAS 39, Financial Instruments: Recognition and Measurement - Derecognition of financial assets and securitisation	<p>Derecognition of financial assets is based on whether all risks and rewards inherent in the assets have been transferred to the transferee. If risks and rewards have neither been substantially transferred nor retained, an assessment is made whether control has been retained by the transferor in which case the assets continue to be recognised.</p>	<p>The guidance note on Accounting for Securitisation requires derecognition of a securitised asset based on loss of control.</p>

Topic	IFRS	Indian GAAP
IAS 39, Financial Instruments: Recognition and Measurement - Derecognition of financial liabilities	Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or has expired.	There is no specific guidance on derecognition of financial liabilities but in practice principle under IFRS is applied. However, unclaimed liabilities are written back after a specified period based on historical analysis even though the right to claim may not have legally expired.
IAS 39, Financial Instruments: Recognition and Measurement - financial guarantee contracts	Financial guarantee contracts are initially measured at fair value and subsequently at the higher of (i) the unamortised fair value in accordance with IAS 18, Revenues and (ii) if probable, the best estimate of the amount to be settled in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.	Financial guarantee contracts are disclosed as contingent liabilities and recognised only when the payment under the contract becomes probable and is measured as the best estimate of the amount to be settled.
Investment Property - Primary Literature	IAS 40 - Investment Property	There is no equivalent standard on investment property. At present, covered by AS 13 - Accounting for Investments.
IAS 40, Investment Property - measurement	Investment properties can be measured using the cost or the fair value model, with changes in fair value recognised in the profit or loss.	Classified as long-term investments and measured at cost less impairment.
Agriculture - Primary Literature	IAS 41 - Agriculture	There is no equivalent standard.
IAS 41, Agriculture - measurement	Measured at fair value less estimated point of sale costs.	There is no equivalent standard.
Share-based payment - Primary literature	IFRS 2 - Share-based Payment (covers share-based payments both for employees and non-employees and transactions involving receipt of goods and services) IFRIC 8 - Scope of IFRS 2 IFRIC 11 - Group and Treasury Share Transactions	There is no equivalent standard. However ICAI has issued a guidance note on Accounting for Employee Share-based Payments. This guidance note deals only with employee share-based payments. The SEBI has also issued the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
IFRS 2, Share-based payment - recognition	Recognise as an expense over the vesting period. Goods and services in a share-based payment transaction are recognised when goods are received or as services are rendered. A corresponding increase in equity is recognised if goods and services were received in an equity-settled share-based payment transaction or a liability if these were acquired in a cash-settled share-based payment transaction.	Similar to IFRS.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
IFRS 2, Share-based payment - measurement	<p>For equity settled share-based transactions, goods and services received and the corresponding increase in equity is measured at the fair value of the goods and services received. If the fair value of the goods and services cannot be estimated reliably, then the value is measured with reference to the fair value of the equity instruments granted.</p> <p>Different valuation techniques may be applied.</p>	<p>Both the guidance note and the SEBI guidelines permit the use of either the intrinsic value method or the fair value method for determining the costs of benefits arising from employee share-based compensation plans. The guidance note recommends the use of the fair value method.</p> <p>Under the intrinsic value method, the cost is the difference between the market price of the underlying share on the grant date and the exercise price of the option. The fair value method is based on the fair value of the option at the date of grant. The fair value is estimated using an option-pricing model (for example, the Black-Scholes or a binomial model) that takes into account as of the grant date the exercise price and expected life of the option, the current price in the market of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate for the expected term of the option. Where an enterprise uses the intrinsic value method, it should also disclose the impact on the net results and EPS - both basic and diluted - for the accounting period, had the fair value method been used.</p>
Business combinations - Primary literature	IFRS 3 (2008) - Business Combinations	AS 14 - Accounting for Amalgamations
IFRS 3, Business Combinations - the pooling of interests and purchase method	<p>All business combinations, other than those between entities under common control, are accounted using the purchase method. An acquirer is identified for all business combinations, which is the entity that obtains control of the other combining entity.</p> <p>Pooling of interest to record business combinations within the scope of IFRS 3 is prohibited.</p>	<p>Amalgamations in the nature of purchase are accounted for by recording the identifiable assets and liabilities of the acquiree at either the fair values or at book values.</p> <p>Under the pooling of interests method, the assets, liabilities and reserves of the transferor company are recorded by the transferee company at their existing carrying amounts (after making the adjustments required for conflicting accounting policies).</p> <p>Identifiable assets and liabilities of subsidiaries acquired by purchase of shares which are not amalgamations are recorded in the consolidated financial statements at the carrying amounts stated in the acquired subsidiary's financial statements on the date of acquisition.</p>

Topic	IFRS	Indian GAAP
IFRS 3, Business Combinations - non-controlling interest	At the time of acquisition, an entity may elect to measure, on a transaction by transaction basis, the non-controlling interest at (a) fair value or (b) the non-controlling interest's proportionate share of the fair value of the identifiable net assets of the acquiree.	At the time of acquisition, minority interests in the net assets consist of the amount of equity attributable to minorities at the date on which investment in the acquiree is made. This is determined on the basis of information contained in the financial statements of the acquiree as on the date of investment.
IFRS 3, Business Combinations - goodwill measurement	<p>Measured as the difference between:</p> <ul style="list-style-type: none"> the aggregate of (a) the acquisition-date fair value of the consideration transferred; (b) the amount of any non-controlling interest and (c) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed. <p>If the above difference is negative, the resulting gain is recognised as a bargain purchase in profit or loss.</p>	Any excess of the amount of the consideration over the value of the net assets of the transferor company acquired by the transferee company is recognised in the transferee company's financial statements as goodwill arising on amalgamation. If the amount of the consideration is lower than the value of the net assets acquired, the difference is recognised as Capital Reserve, a component of shareholders' equity.
IFRS 3, Business Combinations - subsequent measurement of goodwill	Goodwill is not amortised but tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate impairment.	<p>Goodwill arising on amalgamations in the nature of purchase is amortised over a period not exceeding five years.</p> <p>There is no specific guidance on goodwill arising on acquisition of subsidiary or assets and liabilities of a business. In practice such goodwill is not amortised but tested for impairment.</p>
IFRS 3, Business Combinations - contingent considerations	Consideration for the acquisition includes the acquisition-date fair value of contingent consideration. Changes to contingent consideration resulting from events after the end of the reporting period are recognised in profit or loss.	No specific guidance.
IFRS 3, Business Combinations - acquisition related costs	Acquisition related costs such as finder's fee, due diligence costs, etc. are accounted for as expenses in the period in which the costs are incurred and the services are received.	No specific guidance.

Comparison of IFRSs and Indian GAAP

Topic	IFRS	Indian GAAP
Insurance contracts - Primary literature	IFRS 4 - Insurance contracts	No equivalent standard.
IFRS 4, Insurance contracts - general	<p>Applicable to insurance and reinsurance contracts and to discretionary participation features in insurance contracts.</p> <p>The insurer is required at the end of each reporting period to make a liability adequacy test to assess whether its recognised insurance liabilities are adequate. If test shows carrying amount of its liabilities are inadequate, the deficiency is recognised in profit or loss.</p>	No equivalent standard.
Non-current assets held for sale and discontinued operations - Primary literature	IFRS 5 - Non-current assets held for sale and discontinued operations	AS 24 - Discontinuing Operations AS 10 - Accounting for Fixed Assets
IFRS 5, Non-current assets held for sale and discontinued operations - recognition	<p>Non-current assets to be disposed of are classified as held for sale when the asset is available for immediate sale and the sale is highly probable.</p> <p>Depreciation ceases on the date when the assets are classified as held for sale.</p> <p>Non-current assets classified as held for sale are measured at the lower of its carrying value and fair value less costs to sell.</p>	There is no standard dealing with non-current assets held for sale though AS 10 deals with assets held for disposal. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realisable value and are shown separately in the financial statements. Any expected loss is recognised immediately in the statement of profit and loss.
IFRS 5, Non-current assets held for sale and discontinued operations - classification	An operation is classified as discontinued when it has either been disposed of or is classified as held for sale.	An operation is classified as discontinuing at the earlier of (a) binding sale agreement for sale of the operation and (b) on approval by the board of directors of a detailed formal plan and announcement of the plan.
Exploration for and evaluation of mineral resources - Primary literature	IFRS 6 - Exploration for and Evaluation of Mineral resources	No equivalent standard. However there is a Guidance Note on Accounting for Oil and Gas Producing Activities.
IFRS 6, Exploration for and evaluation of mineral resources - general	Exploration and evaluation assets are measured at cost or revaluation less accumulated amortisation and impairment loss. An entity determines the policy specifying which expenditure is recognised as exploration and evaluation assets.	<p>As per the guidance note, there are two alternative methods for accounting for acquisition, exploration and development costs, viz. the Successful Efforts Method or the Full Cost Method. The guidance note recommends the Successful Efforts Method.</p> <p>AS 28, Impairment of Assets is applicable irrespective of the method of accounting used.</p>

Topic	IFRS	Indian GAAP
Financial Instruments: Disclosures - Primary literature	IFRS 7 - Financial Instruments : Disclosures	AS 32 - Financial Instruments: Disclosures Mandatory for certain enterprises for accounting periods commencing on or after 1 April 2011. Early adoption is encouraged). (Note that this standard has not been notified under the Companies (Accounting Standards) Rules, 2006)
IFRS 7, Financial Instruments: Disclosures - general	The standard prescribes the disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.	There are no material differences between AS 32 and IFRS 7.
Segments - Primary Literature	IFRS 8 - Operating Segments (effective 1 January 2009 and replaces IAS 14, Segment Reporting)	AS 17 - Segment Reporting
IFRS 8, Operating Segments - determination of segments	Operating segments are identified based on the financial information that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.	AS 17 requires an enterprise to identify two sets of segments (business and geographical), using a risks and rewards approach, with the enterprise's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.
IFRS 8, Operating Segments - measurement	Segment profit or loss is reported on the same measurement basis as that used by the chief operating decision maker. There is no definition of segment revenue, segment expense, segment result, and segment asset or segment liability. Requires reconciliation of segment performance measures, and segment assets and liabilities with the corresponding amounts reported in the financial statements.	Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole. Segment revenue, segment expense, segment result, segment asset and segment liability have been defined. A reconciliation is presented between the information disclosed for reportable segments and the aggregated information in the enterprise's financial statements.
IFRS 8, Operating Segments - entity wide disclosures	Requires disclosure of (a) external revenues from each product or service; (b) revenues from customers in the country of domicile and from foreign countries; (c) geographical information on non-current assets located in the country of domicile and foreign countries. Information on major customer including total revenues from each major customer is disclosed if revenues from each customer is 10% or more of total segment revenues.	Disclosures are required based on the classification of segments as primary or secondary. Disclosure requirements for secondary reporting format are less detailed than those required for primary reporting formats.

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