

ICAI VIRTUAL REFRESHER COURSE ON ACCOUNTING STANDARDS -18,19,22

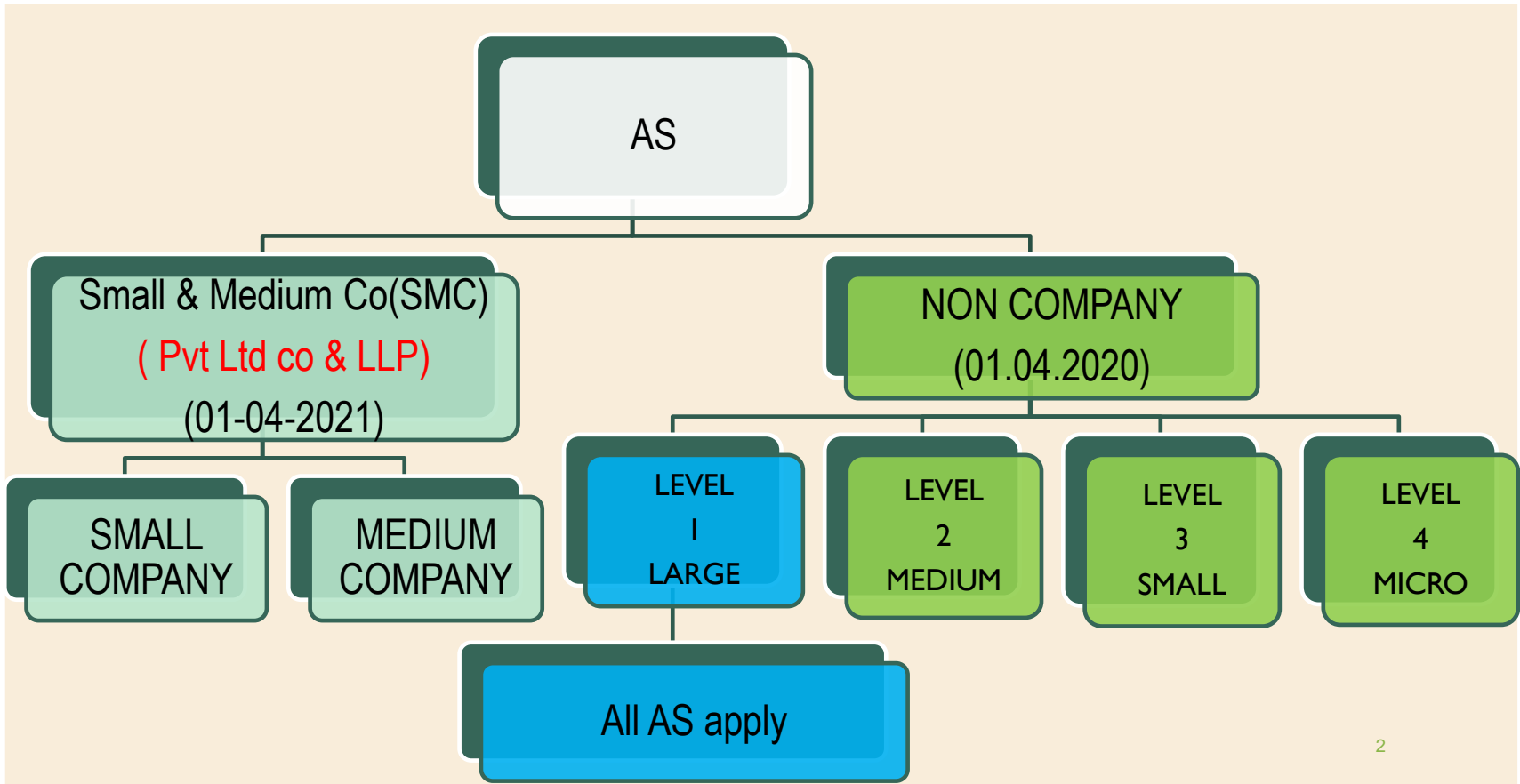
OCT 12, 2021



CA Vinod Balachandran
Accounting Standards Board
The Institute of Chartered Accountants of India
New Delhi, India

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APPLICABILITY OF ACCOUNTING STANDARDS (AS)



NON COMPANY CLASSIFICATION (W.E.F 01.04.2020)



DETAILS (Any one)	MICRO LEVEL-4	SMALL LEVEL -3	MEDIUM LEVEL -2	LARGE LEVEL -1
Turnover in previous year (excl Other Income)	Upto 10 cr	10-50 cr	50-250 cr	+250cr
Borrowings at any time	Upto 2 cr	2-10 cr	10-50 cr	+50 cr
Securities Listed /listing in India or abroad Banks, FI, Insurance				Level - I
Holding and subsidiary		Holding and subsidiary of any of above		
Accounting Standards				ALL AS Apply

NON COMPANY CLASSIFICATION (W.E.F 01.04.2020)



No need to restate pr year if Level changes in 20-21. Only disclose

If Level falls from 1 to 2 or downward cannot use exemption /relaxation for 2 years

Disclose/recognise if entity DOES NOT want to avail exemptions/relaxations

AS APPLICABLE TO ALL LEVELS – NON COMPANY ENTITY



AS No:	ACCOUNTING STANDARD
1	Disclosures of Accounting Policies
2	Valuation of Inventories
4	Contingencies and Events Occurring After the Balance Sheet Date
5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
7	Construction Contracts
9	Revenue Recognition
12	Accounting for Government Grants
16	Borrowing Cost

AS NOT APPLICABLE TO LEVEL 2,3,4- NON COMPANY ENTITY



AS No:	ACCOUNTING STANDARD
3	Cash Flow Statement
17	Segment Reporting
20	Earnings Per Share
21	Consolidated Financial Statements
23	Accounting for Investments in Associates in Consolidated Financial Statements
25	Interim Financial Reporting
27	Financial Reporting of Interests in Joint Ventures

EXEMPTIONS/RELAXATIONS TO LEVEL: 2,3,4 - NON COMPANY ENTITY



AS	LEVEL 2	LEVEL 3	LEVEL 4
AS (10 ,11,29)		DISCLOSURES EXEMPTIONS	DISCLOSURES EXEMPTIONS
AS 13			DISCLOSURES EXEMPTIONS
AS -14			NA
AS-18 (RP)		NA	NA
AS -22 Taxes			No Deferred Tax
AS -24		NA	NA
AS -26 -Intangibles			DISCLOSURES EXEMPTIONS
AS-29	DISCLOSURES EXEMPTIONS	DISCLOSURES EXEMPTIONS	DISCLOSURES EXEMPTIONS

EXEMPTIONS/RELAXATIONS TO LEVEL : 2,3,4 – NON COMPANY ENTITY



AS	LEVEL 2	LEVEL 3	LEVEL 4
AS -15 Emp benefits	<p><u>More than 50 employees (exemption from)</u></p> <ol style="list-style-type: none"> 1. Discounting liability more than 1 year 2. <u>Defined benefit plans & other long term employee benefits Recognition, measurement, presentation</u>, disclosure exemption: Must do Actuarial valuation using proj unit credit method with market yields. Disclose Actuarial assumptions 3. Non vesting short term accum comp absences 		NA
AS -15 Emp benefits	<p><u>Less than 50 employees (exemption from)</u></p> <ol style="list-style-type: none"> 1. Same as above except that General provision must be made for accrued liability 		Irrespective of no: of employees

EXEMPTIONS/RELAXATIONS TO LEVEL : 2,3,4 – NON COMPANY ENTITY



AS	EXEMPTIONS	2	3	4
19 LEASES	subparagraphs (c), (e) and (f) to paragraph 22 - disclosures for finance leases. subparagraphs (a), (b) and (e) to paragraph 25 - disclosures for operating leases. subparagraphs (a) and (f) to paragraph 37 - disclosures for finance leases. subparagraphs (b) and (d) to paragraph 46 - disclosures for operating leases.		YES	
19 LEASES	subparagraphs (g) to paragraph 37 - disclosures for finance leases		YES	
19 LEASES	Para 38			YES

SMALL & MEDIUM SIZED COMPANY (SMC) -W.E.F 01.04.2021



DETAILS	SMC	SMALL
Turnover (Excl Other Income) in previous year	upto 250cr	upto 20cr
Borrowings <u>at any time</u> in previous year	Upto 50 cr	
Unlisted / not in listing in India or abroad Not Banks/FI/Insurance	Yes	
Not Holding and subsidiary of a non SMC at the end of the relevant period. Excludes JV/Associate	Yes	
Paid up share capital		upto 2 cr

MAIN EXEMPTIONS/RELAXATIONS FOR SMC



AS	SMC	SMALL
AS-3 –CASH FLOW		Exempted for small, OPC, dormant company
AS -15 Emp Benefits	<ol style="list-style-type: none"> 1. No need to discount contributions/amounts that fall due more than one year 2. Defined benefit plans/Oth LT empl benefits Recognition & Measurement: Must do Actuarial valuation using proj unit credit method with market yields 3. Presentation /disclosure of defined benefit plans. Must disclose actuarial assumptions 4. Non vesting short term comp absences 	

MAIN EXEMPTIONS/RELAXATIONS FOR SMC



AS	SMC
AS-19 Leases	<ol style="list-style-type: none">1. subparagraphs (c), (e) and (f) to paragraph 22 - disclosures for finance leases.2. subparagraphs (a), (b) and (e) to paragraph 25 - disclosures for operating leases.3. subparagraphs (a) and (f) to paragraph 37 - disclosures for finance leases.4. subparagraphs (b) and (d) to paragraph 46 - disclosures for operating leases.
AS -20 EPS	Disclosure of diluted earnings per share (both including and excluding extra- ordinary items)

MAIN EXEMPTIONS/RELAXATIONS FOR SMC



AS	SMC
AS-28 Impairment	<ol style="list-style-type: none">1. For SMC, the definition of the term 'value in use' would be different :“instead of using the present value technique, a reasonable estimate of the 'value in use' can be made”.2. If above is chosen the relevant provisions of AS 28, such as discount rate etc., would not be applicable
AS -29	paragraph 66 and 67 Disclosures relating to each class of provisions

OBJECTIVE & SCOPE



Objective

- to establish requirements for disclosure of:
 - (a) related party relationships; and
 - (b) transactions between a reporting enterprise and its related parties.

Scope

- This Standard should be applied in reporting related party relationships and transactions between a reporting enterprise and its related parties
- Includes SFS & CFS

DEFINITIONS



(i) Related party

Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

(ii) Control

- (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- (b) control of the composition of the board of directors / governing body (Eg: appoint or remove majority or all)
- (c) a substantial interest (20% or more interest) in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise

(iii) Significant influence

Participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

DEFINITIONS



(iv) **Relative –**

in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise.

(v) **Subsidiary - a company:**

- (a) in which another company (the holding company) holds, either by itself and/or through one or more subsidiaries, **more than one-half** in nominal value of its equity share capital; or
- (b) of which another company (the holding company) controls, either by itself and/or through one or more subsidiaries, the **composition of its board of directors**

(vi) **Key management personnel –**

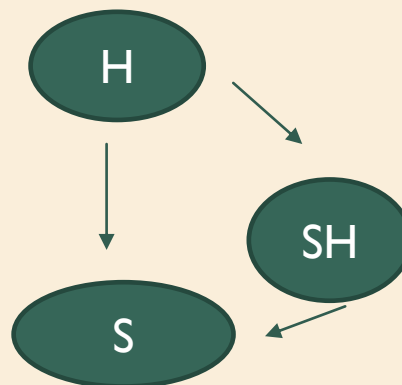
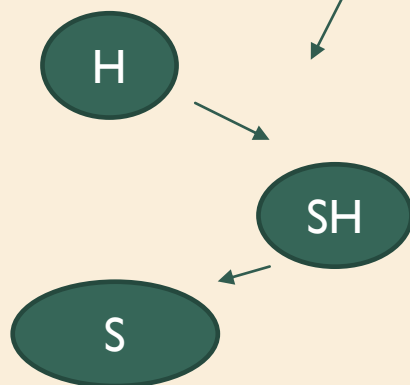
those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise.

RELATED PARTY RELATIONSHIPS

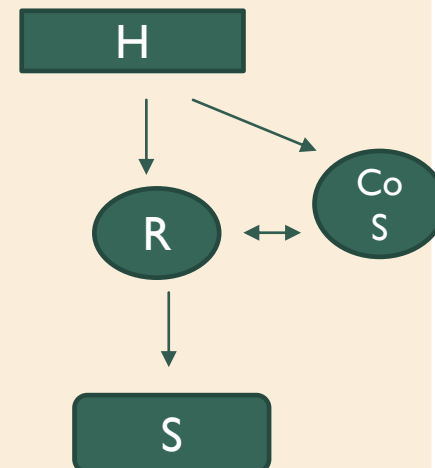


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(i) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);



H & SH INDIRECTLY CONTROL S

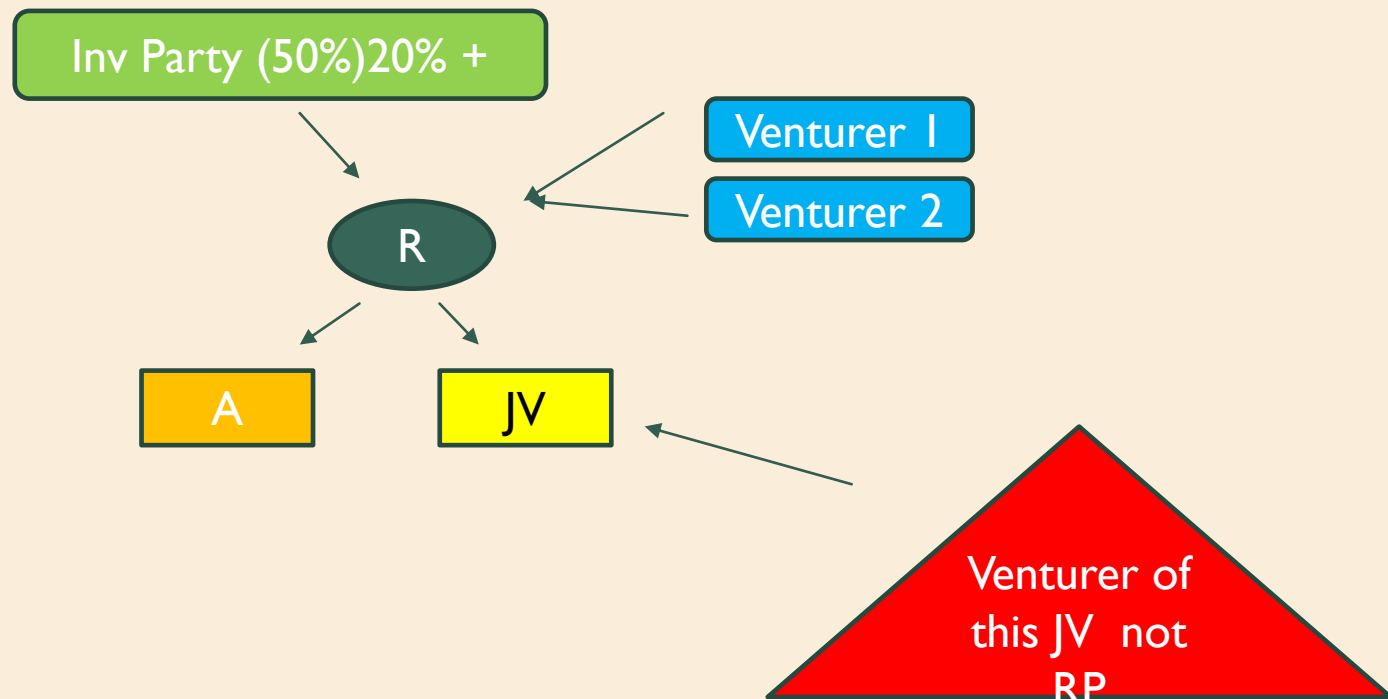


R & Co S are co subsidiaries

RELATED PARTY RELATIONSHIPS



(ii) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;

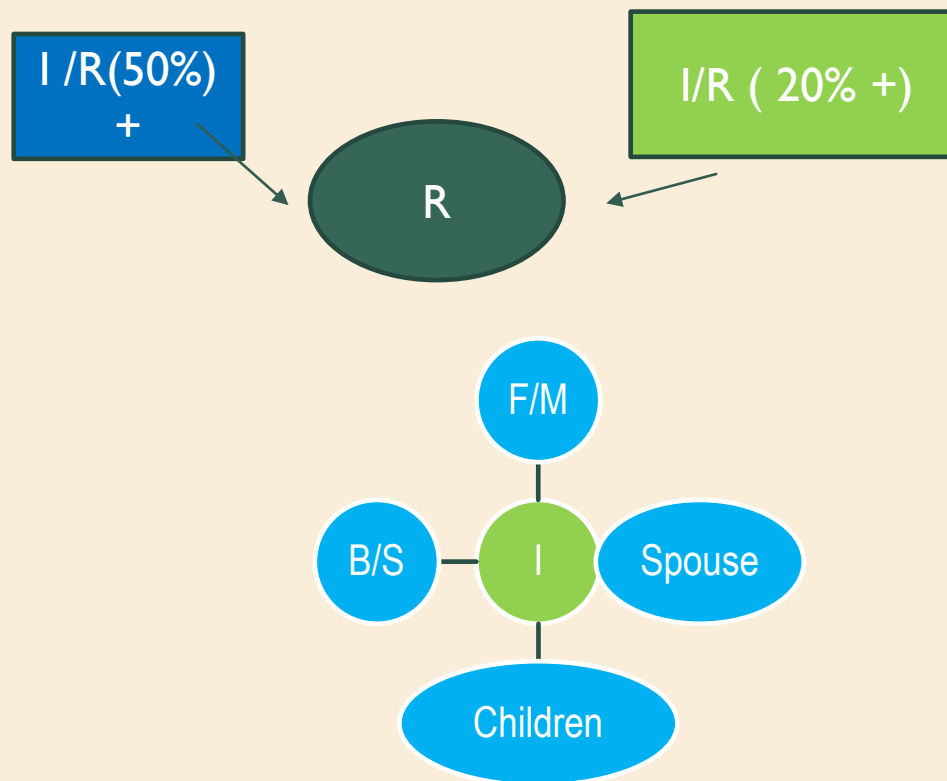


RELATED PARTY RELATIONSHIPS



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(iii) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;



RELATED PARTY RELATIONSHIPS



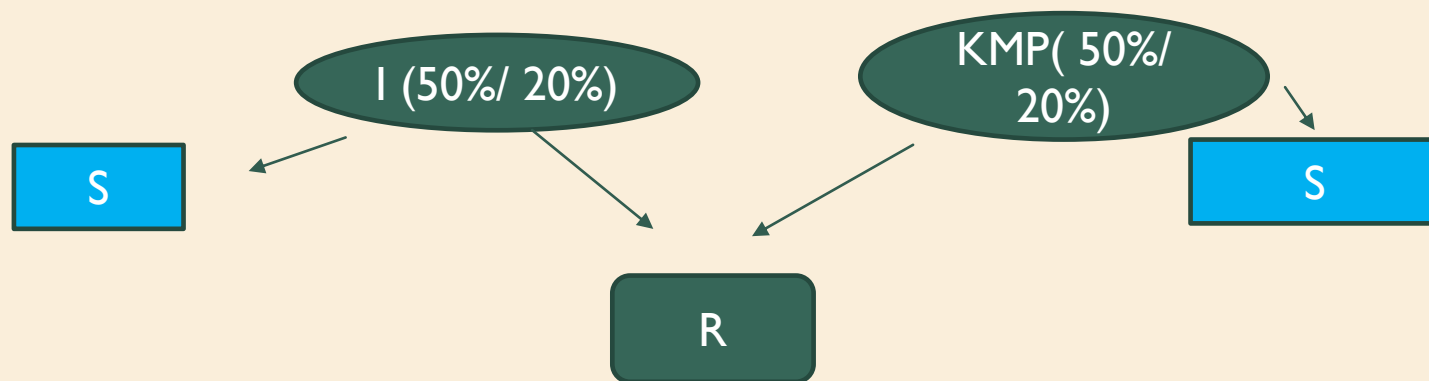
(iv) key management personnel and relatives of such personnel

- Those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise.
- (EXCLUDES NON EXECUTIVE DIRECTORS).
- WTD /MD ARE NOT KMP IF NOT INVOLVED IN PLANNING ,DIRECTING ,CONTROL

RELATED PARTY RELATIONSHIPS



(v) enterprises over which any person described in (iii) or (iv) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise



NOT RELATED PARTY RELATIONSHIPS



(i) two companies simply because they have a director in common, (unless the director is able to affect the policies of both companies in their mutual dealings); **However common KMP is RP**

(b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence;

(c) the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):

(i) providers of finance;

(ii) trade unions;

(iii) public utilities;

(iv) government departments and government agencies including government sponsored bodies.

EXCLUSIONS FROM DISCLOSURE



- (a) No disclosure is required in consolidated financial statements in respect of intra-group transactions
- (b) Statutory requirement of confidentiality
- (c) Related party relationships of State-controlled enterprises with other state-controlled enterprises

MATERIALITY IN DISCLOSURES



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The amount of which is in excess of 10% of the total related party transactions of the same type (such as purchase of goods), is considered material

DISCLOSURE (LEVEL 3/ 4 NON COMPANY EXEMPTED)



WHEN THERE ARE NO
TRANSACTIONS

Name of the
related party

Description
of
Relationship

Nature of
transactions

Volume of
transaction

Dues From
/To

Bad Debts,
Write Offs

, . . .

ILLUSTRATIVE DISCLOSURE FORMAT

	Holding Company	Subsi- diaries	Fellow Subsi- diaries	Associates	Key Manage- ment Personnel	Relatives of Key Manage- ment Personnel	Total
Purchases of goods							
Sale of goods							
Purchase of fixed assets							
Sale of fixed assets							
Rendering of services							
Receiving of services							
Agency arrangements							
Leasing or hire purchase arrangements							
Transfer of research and development							
Licence agreements Finance (including loans and equity contributions in cash or in kind)							
Guarantees and collaterals							
Management contracts including for deputation of employees							

Note:

Name of related parties and description of relationship:

ERRORS IN REPORTING



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KMP remuneration not disclosed in RPT. Many times remuneration to MD /WTD not disclosed

- Only a reference to the note on managerial remuneration is given

Wholly owned subsidiary formed during the year ; however, the name of the subsidiary has not been disclosed as RP

- Where control exists the name of the RP and nature of the RP relationship should be disclosed irrespective of whether or not there have been any transactions between the related parties

ERRORS IN REPORTING



ASB, ICAI

From Notes to Accounts, Cash Flow Statement, Director's Report, Corporate Governance Report given in the Annual Reports of a number of companies RPT 's are mentioned but not in RP disclosure

- All RPT must be disclosed

Transactions of similar nature along with the values thereof have been disclosed on an aggregate basis against each type of related party

- purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure

ERRORS IN REPORTING



ASB, ICAI

Corporate guarantees (on behalf of subsidiaries,..) & personal guarantees by Directors not disclosed as RPT

- Must be disclosed

It has been noted that the RP have been described “as certified by the management”.

To be avoided. Auditors must satisfy about existence and disclosure of RPT

ERRORS IN REPORTING



The list of RP where control exists includes the name of an individual and the relationship has been stated as 'Lessor'.

- An individual in the capacity of a lessor cannot exercise control or significant influence over the company. NOT A RP

INDAS VS AS 18



ASB, ICAI

Particulars	INDAS	AS
<i>Definition of Relative</i>	Ind AS 24 uses the term “a close member of the family of a person”.	AS 18 uses the term “relatives of an individual”
	<p>Definition of close members of family as per Ind AS 24 includes those family members, who may be expected to influence, or be influenced by, that person in their dealings with the entity, including:</p> <ul style="list-style-type: none"> (a) that person’s children, spouse or domestic partner, brother, sister, father and mother; (b) children of that person’s spouse or domestic partner; and (c) dependents of that person or that person’s spouse or domestic partner. <p>Hence, the definition as per Ind AS 24 is much wider.</p>	AS 18 covers the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise

INDAS VS AS 18



ASB, ICAI

Particulars	INDAS	AS
<i>Key Management Personnel</i>	Ind AS 24 covers KMP of the parent as well. Ind AS 24 also covers the entity, or any member of a group of which it is a part, providing KMP services to the entity/parent. NON EXECUTIVE DIR IS KMP	AS 18 covers key management personnel (KMP) of the entity only.
<i>Related Parties in case of Joint Venture</i>	Under Ind AS 24 there is extended coverage in case of joint ventures. Two entities are related to each other in both their financial statements, if they are either co-venturers or one is a venturer and the other is an associate.	As per AS 18, co-venturers or co-associates are not related to each other
<i>Disclosure of 'Amount of the Transactions' vs 'Volume of the Transactions'</i>	Ind AS 24 requires "the amount of the transactions" need to be disclosed.	AS 18 gives an option to disclose the "Volume of the transactions either as an amount or as an appropriate proportion".
<i>Clarification of Control, Substantial Interest and Significant Influence</i>	<i>neither defines these terms nor it includes such clarificatory text and allows respective standards to deal with the same</i>	<i>includes definition and clarificatory text, primarily with regard to control, substantial interest (including 20% threshold), significant influence (including 20% threshold)</i>

QUESTION



- A Ltd holds 70% of voting power of B Ltd
- B Ltd owns 50% voting interest in C Ltd.
- A Ltd also holds 30% of the voting interest in C Ltd.

Would A Ltd deemed to have control over C Ltd or would it only be considered as exercising significant influence?

ANSWER



A Ltd would be considered to control C Ltd.

As per AS 18, control includes ownership, directly or indirectly, of more than 50% of the voting power of another enterprise.

A Ltd (30%) and B Ltd (50%) together are majority shareholders

A Ltd has indirect control over it.



AS 19 LEASES

OBJECTIVE & SCOPE



Objective

- The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosures in relation to finance leases and operating leases

Scope (Exclusions)

- lease agreements to explore for or use natural resources, such as oil, gas, timber, metals and other mineral rights; and
- licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights; and
- lease agreements to use LAND.

DEFINITIONS



- (i) **A lease** is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time
- (ii) **A finance lease** is a lease that transfers substantially all the risks and rewards incident to ownership of an asset
- (iii) **An operating lease** is a lease other than a finance lease
- (iv) **The lease term** is the non-cancellable period for which the lessee has agreed to take on lease the asset together with any further periods for which the lessee has the option to continue the lease of the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise.

DEFINITIONS



(v) **Minimum lease payments** are the payments over the lease term that the lessee is, or can be required, to make excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with:

(a) in the case of the lessee, any residual value guaranteed by or on behalf of the lessee; or

(b) in the case of the lessor, any residual value guaranteed to the lessor:

(i) by or on behalf of the lessee; or

(ii) by an independent third party financially capable of meeting this guarantee.

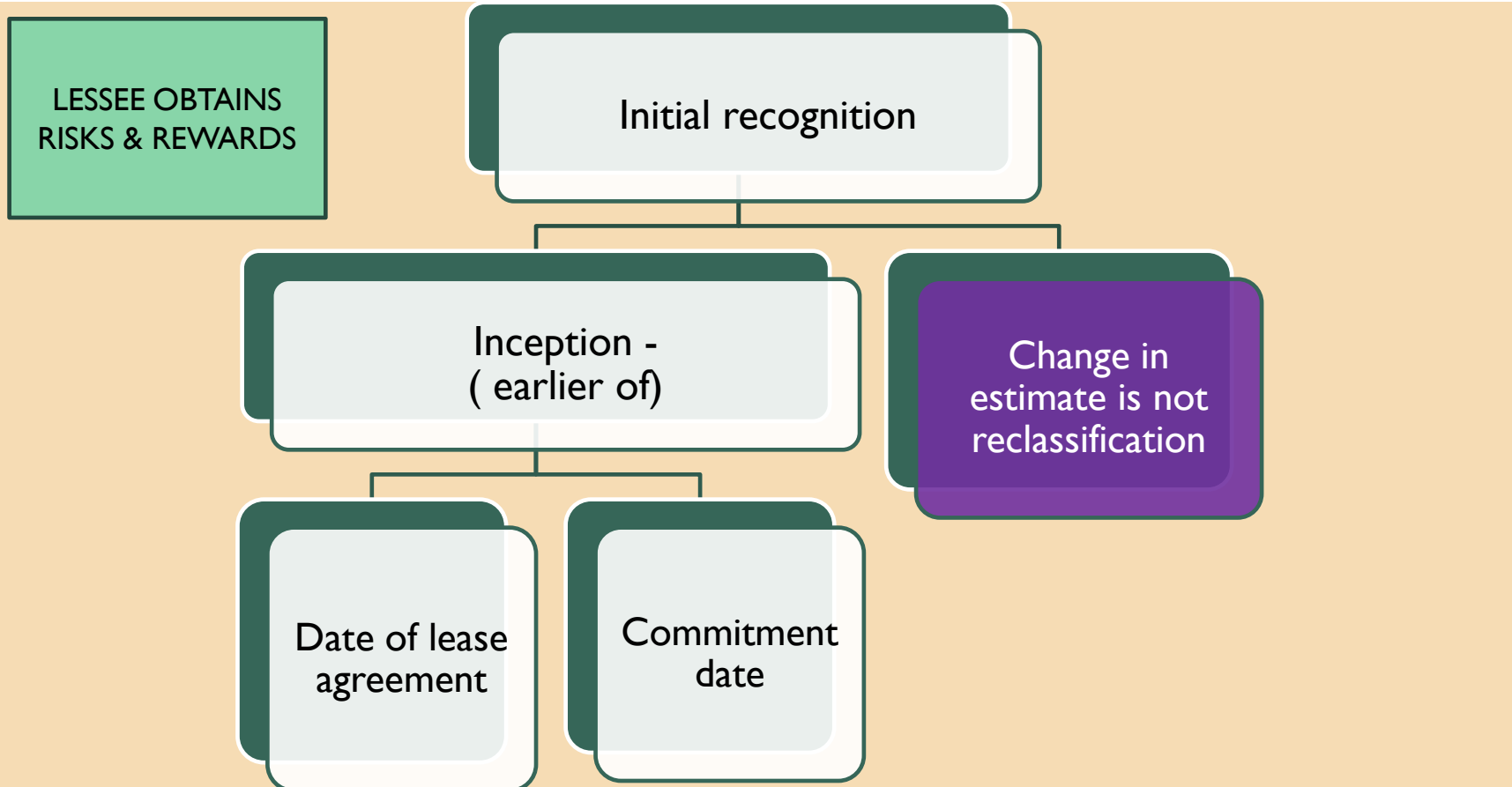
However, if the lessee has an option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable that, at the inception of the lease, is reasonably certain to be exercised, the minimum lease payments comprise minimum payments payable over the lease term and the payment required to exercise this purchase option.

FINANCE LEASE EXAMPLES..



- (a) the lease transfers ownership of the asset to the lessee by the end of the lease term;
- (b) the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- (c) the lease term is for the major part of the economic life of the asset even if title is not transferred;
- (d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
and
- (e) the leased asset is of a specialised nature such that only the lessee can use it without major modifications being made.

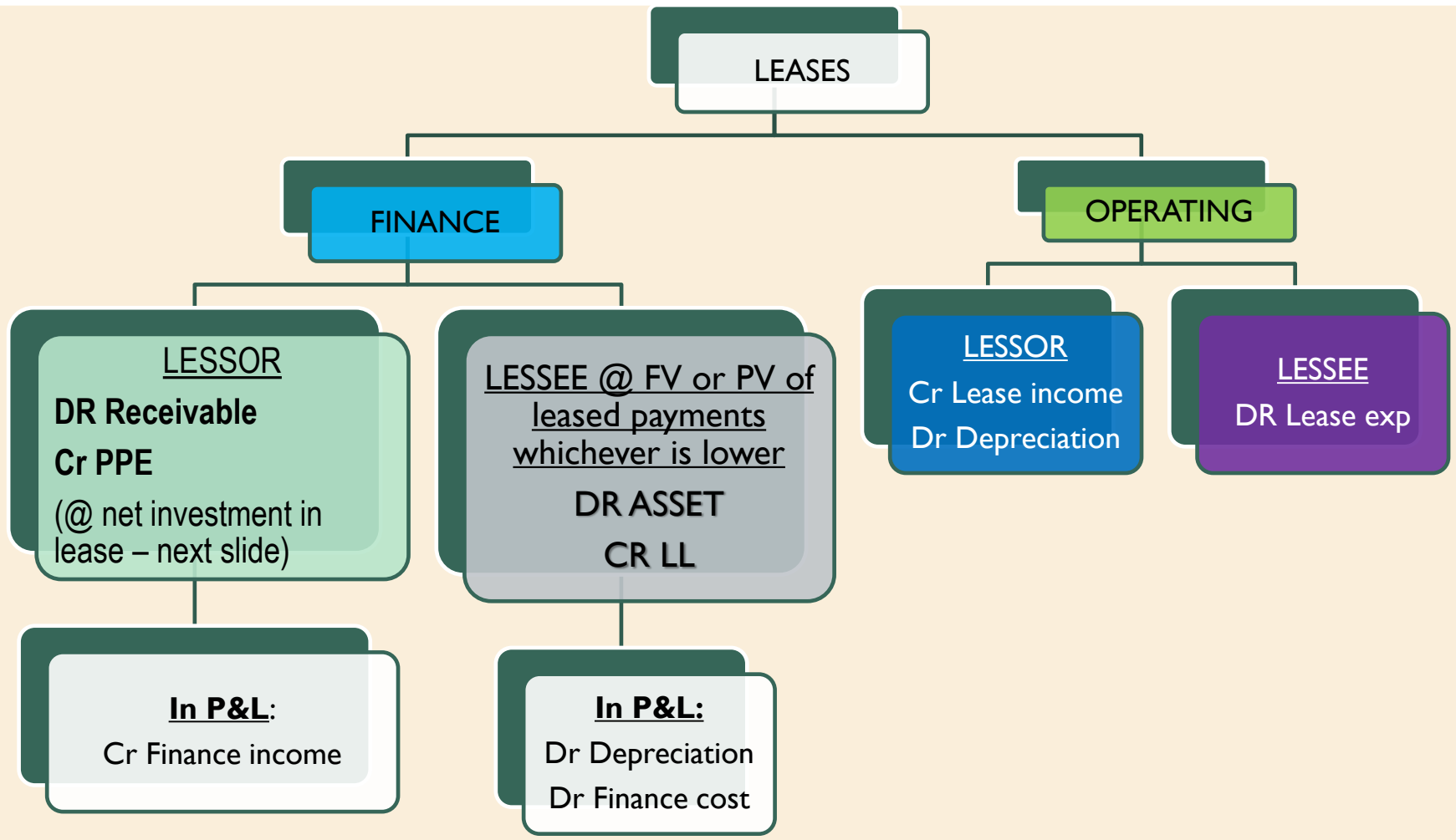
COMMENCEMENT OF LEASE



LEASE CLASSIFICATION



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ACCOUNTING FOR FINANCE LEASE: IN THE BOOKS OF LESSOR



Net Investment

- Gross investment –
- Unearned finance income

Gross investment (A)

- MLP from lessor standpoint
+
- unguaranteed residual value

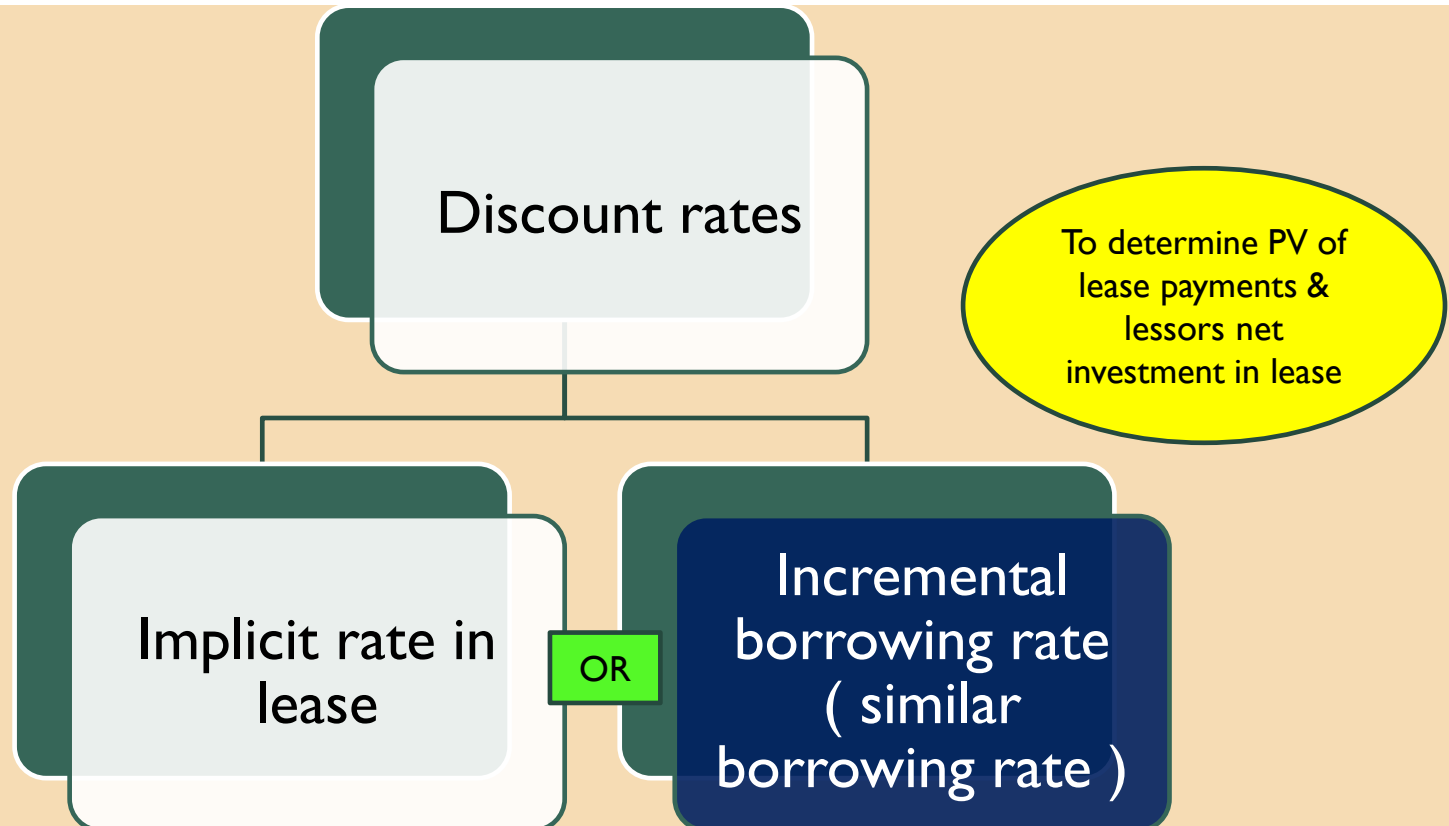
Unearned finance income

- $A - PV \text{ of } A$

DISCOUNT RATES



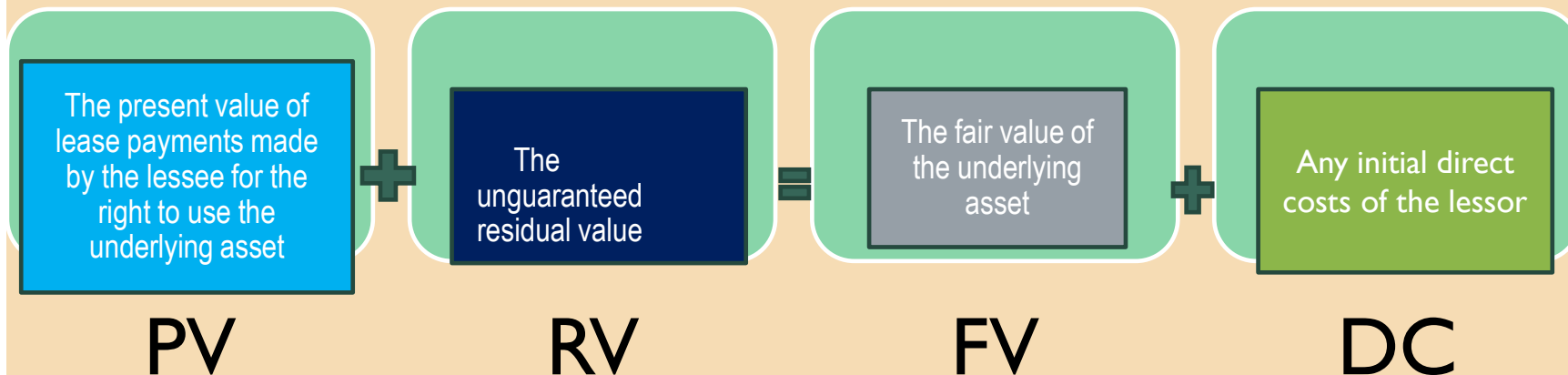
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INTEREST RATE IMPLICIT IN LEASE



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INTEREST RATE IMPLICIT IN LEASE



- (a) An enterprise (the lessee) acquires a machinery on lease from a leasing company (the lessor) on January 1, 20X0. The lease term covers the entire economic life of the machinery, i.e., 3 years. The fair value of the machinery on January 1, 20X0 is Rs.2,35,500. The lease agreement requires the lessee to pay an amount of Rs.1,00,000 per year beginning December 31, 20X0. The lessee has guaranteed a residual value of Rs.17,000 on December 31, 20X2 to the lessor. The lessor, however, estimates that the machinery would have a salvage value of only Rs.3,500 on December 31, 20X2.

ANS: INTEREST RATE IMPLICIT IN LEASE



Interest Rate implicit	
Date	Amount
01-01-2020	2,35,500
31-12-2020	(1,00,000)
31-12-2021	(1,00,000)
31-12-2022	(1,17,000)
IRR	16%

Rs. 17000 residual value added

DR PPE	2,35,500
CR -Lease Liability	

SPLITTING OF FINANCE CHARGE & LEASE LIABILITY

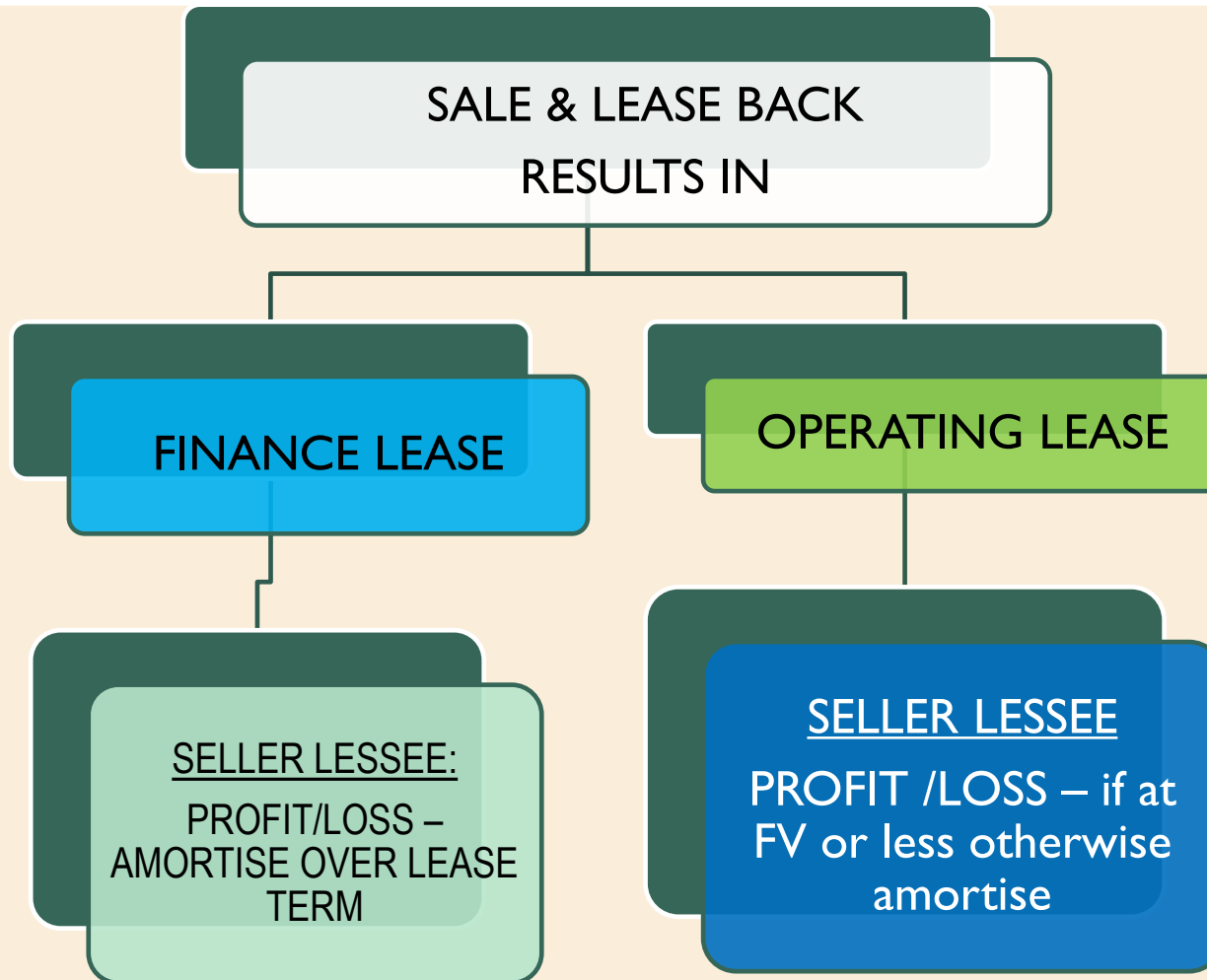


Amortised cost schedule			
Op Bal	Interest	Less Payment	Closing Bal
2,35,500	37,668	(1,00,000)	1,73,168
1,73,168	27,698	(1,00,000)	1,00,866
1,00,866	16,134	(1,17,000)	-

SALE AND LEASEBACK



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DISCLOSURE – OPERATING LEASE



Note 34 : Operating Lease

The Company has taken certain vehicles and immovable properties on operating lease. The total lease rent paid on the same is included under Rent and Licence Fees forming part of Other Expenses (Refer note no 29 (ii), page 127). The minimum future lease rentals payable in respect of non-cancellable leases entered into after April 1, 2001 to the extent of minimum guarantee amount are as follows:-

Particulars	March 31, 2016	March 31, 2015
	₹ crores	₹ crores
Not later than one year	14.13	15.52
Later than one year but not later than five years	51.86	50.52
Later than five years	321.92	332.15
	<u>387.91</u>	<u>398.19</u>

DISCLOSURE – FINANCE LEASE



ASB, ICAI

35) OBLIGATIONS TOWARDS FINANCE LEASES

Particulars	(₹ crores)	
	As at March 31, 2016	As at March 31, 2015
Assets acquired under finance lease		
i) Minimum lease payments:		
Not later than one year	58.73	70.03
Later than one year but not later than five years	80.18	109.59
Later than five years	32.92	44.35
Total	171.83	223.97
ii) Present value of minimum lease payments:		
Not later than one year	49.05	57.40
Later than one year but not later than five years	55.75	80.48
Later than five years	26.49	33.21
	131.29	171.09
Add: Future finance charges	40.54	52.88
Total	171.83	223.97

DISCLOSURE – EXEMPTIONS NON COMPANY LEVEL 2,3,4 & SMC



Para 22

A reconciliation between the total of minimum lease payments at the balance sheet date and their present value. In addition, an enterprise should disclose the total of minimum lease payments at the balance sheet date, and their present value, for each of the following periods:

- (i) not later than one year;
- (ii) later than one year and not later than five years;
- (iii) later than five years;

THE total of future minimum sublease payments expected to be received under noncancellable subleases at the balance sheet date

A general description of the lessee's significant leasing arrangements including, but not limited to, the following:

- (i) the basis on which contingent rent payments are determined;
 - (ii) the existence and terms of renewal or purchase options and escalation clauses;
- and
- (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

FIN LEASE BY
LESSEE

DISCLOSURE – EXEMPTIONS NON COMPANY LEVEL 2,3,4 & SMC



Para 25

The total of minimum lease payments at the balance sheet date and their present value for each of the following periods:

- (i) not later than one year;
- (ii) later than one year and not later than five years;
- (iii) later than five years;

THE total of future minimum sublease payments expected to be received under noncancellable subleases at the balance sheet date

A general description of the lessee's significant leasing arrangements including, but not limited to, the following:

- (i) the basis on which contingent rent payments are determined;
- (ii) the existence and terms of renewal or purchase options and escalation clauses;
and
- (iii) restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

OPERATING
LEASE BY LESSEE

DISCLOSURE – EXEMPTIONS NON COMPANY LEVEL 2,3,4 & SMC



PARTICULARS - FIN LEASE BY LESSOR

2

3

4

Para 37: (a) a reconciliation between the total gross investment in the lease at the balance sheet date, and the present value of minimum lease payments receivable at the balance sheet date. In addition, an enterprise should disclose the total gross investment in the lease and the present value of minimum lease payments receivable at the balance sheet date, for each of the following periods:

- (i) not later than one year;
- (ii) later than one year and not later than five years;
- (iii) later than five years;

YES
(also for SMC)

Para 37(f) : a general description of the significant leasing arrangements of the lessor

Para 37 (g): accounting policy adopted in respect of initial direct costs.

YES

Para 38: As an indicator of growth it is often useful to also disclose the gross investment less unearned income in new business added during the accounting period, after deducting the relevant amounts for cancelled leases.

YES

DISCLOSURE – EXEMPTIONS NON COMPANY LEVEL 2,3,4 & SMC



PARTICULARS - FINANCE LEASE BY LESSEE (Para 46)

2

3

4

Para 46 (b) : the future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:
 (i) not later than one year;
 (ii) later than one year and not later than five years; (iii) later than five years;

YES
Also for SMC

Para 46 (d): a general description of the lessor 's significant leasing arrangements

Para 46 (e): accounting policy adopted in respect of initial direct costs.

YES



AS 22

**ACCOUNTING FOR TAXES ON
INCOME**

OBJECTIVE & SCOPE



Objective

- The objective of this Standard is to prescribe accounting treatment for taxes on income.

Scope

- For the purposes of this Standard, taxes on income include all domestic and foreign taxes which are based on taxable income.
- This Standard does not specify when, or how, an enterprise should account for taxes that are payable on distribution of dividends and other distributions made by the enterprise

OBJECTIVE & SCOPE



Objective

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Scope

- For the purposes of this Standard, taxes on income include all domestic and foreign taxes which are based on taxable income.
- This Standard does not specify when, or how, an enterprise should account for taxes that are payable on distribution of dividends and other distributions made by the enterprise

DEFINITIONS



Deferred tax is the tax effect of timing differences.

- (i) **Timing differences** are the differences between taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods.
- (ii) **Permanent differences** are the differences between taxable income and accounting income for a period that originate in one period and do not reverse subsequently.

DEFERRED TAX



ASB, ICAI

Accounting
Profit as per AS

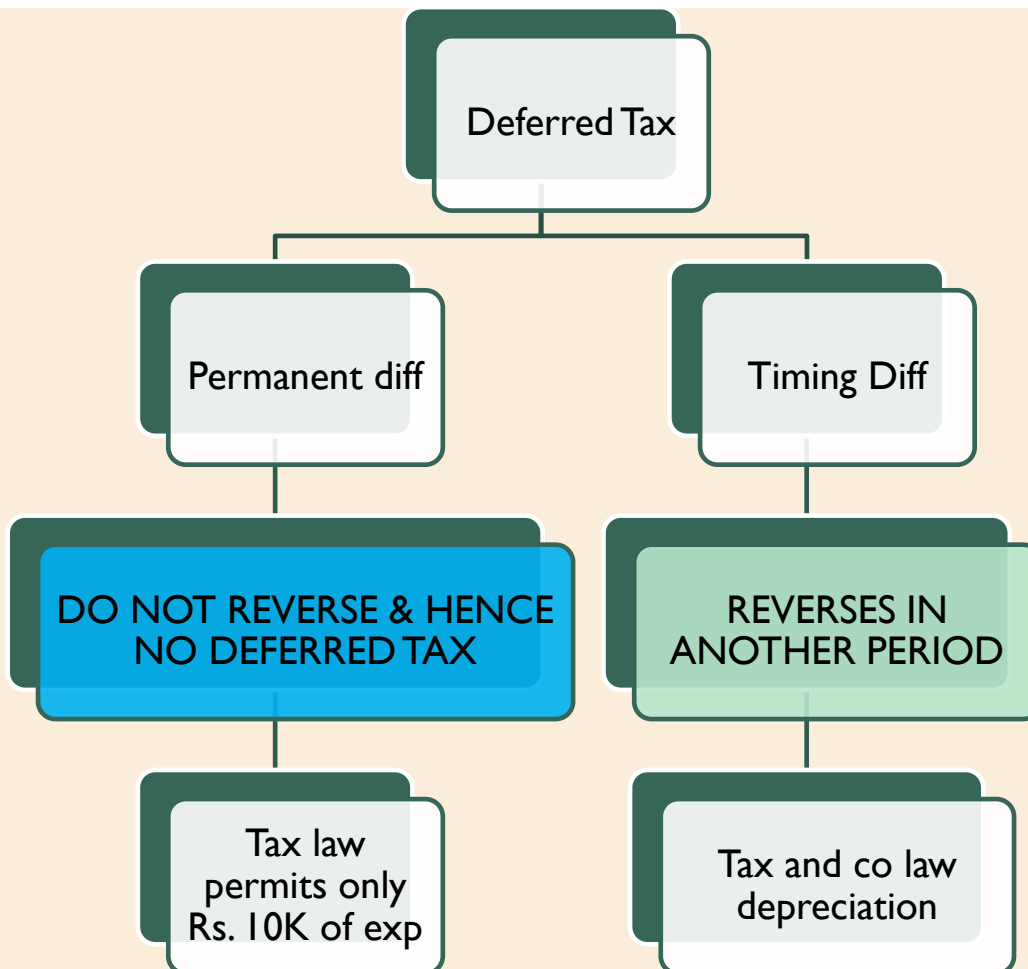
NO DISCOUNTING NEEDED
FOR DEFERRED TAX

INCOME TAX
ICDS

DEFERRED TAX



ASB, ICAI



DEFERRED TAX



ASB, ICAI

Deferred Tax

Tax holiday period

NO DEFERRED TAX.
Provide only if it reverses post holiday period

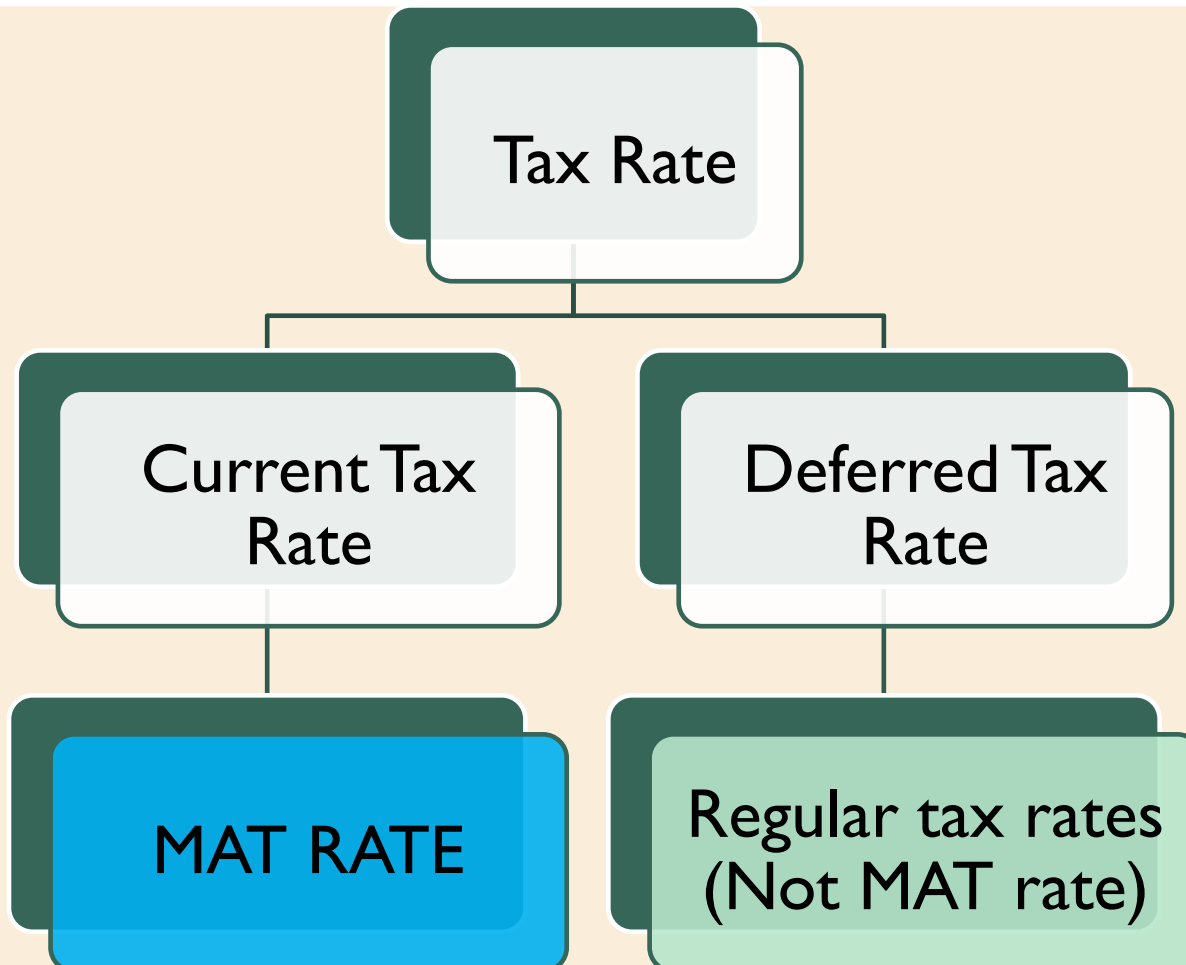
Unabsorbed losses & carry forward of depreciation

ONLY IF VIRTUAL CERTAINTY OF REVERSAL

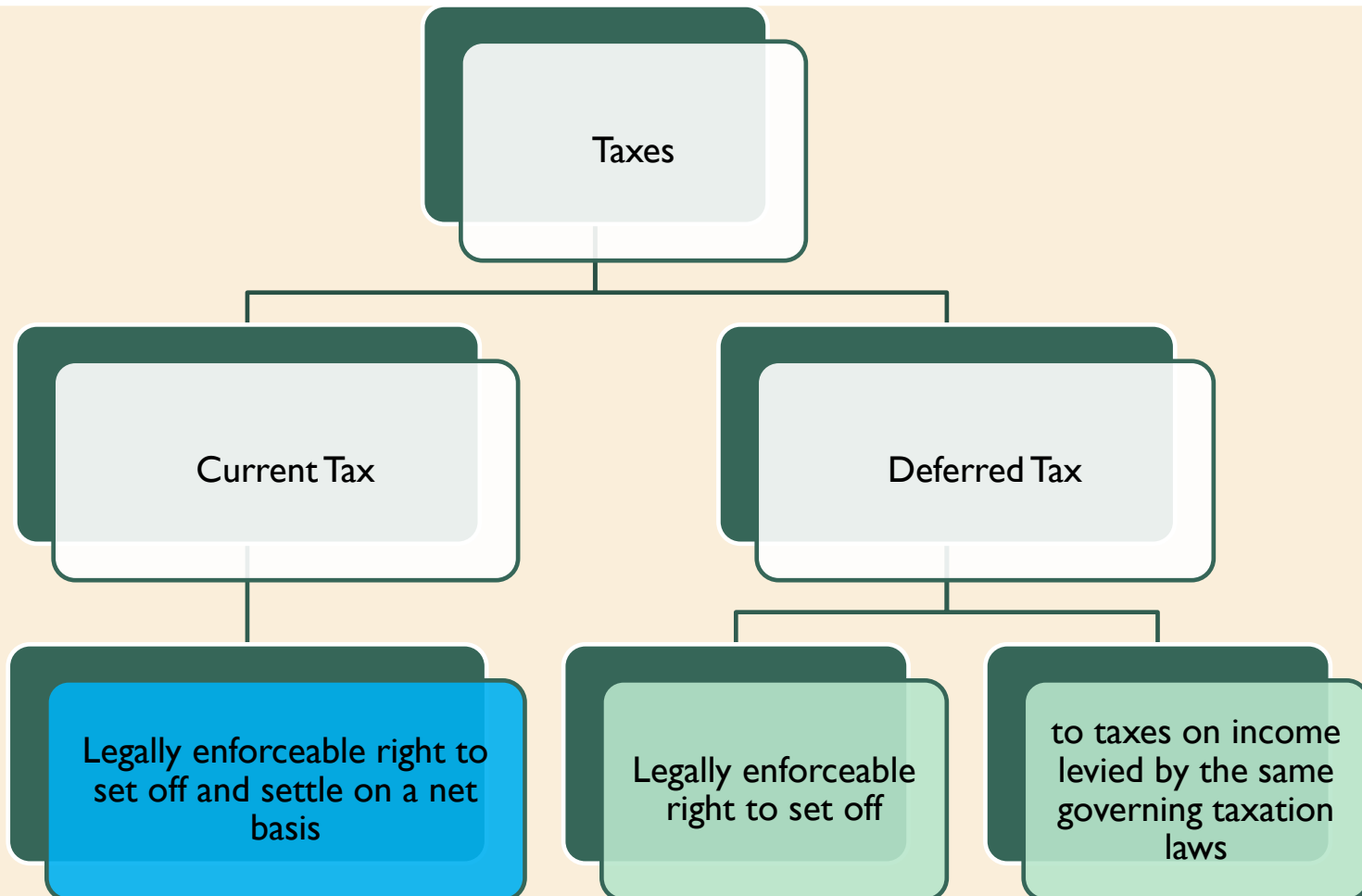
Indexation benefit for capital gains

Recognise and carry forwards DT

DEFERRED TAX RATE IN CASE OF MAT



SET OFF



DISCLOSURE – P&L



Profit Before Tax	311.68	1.88
Tax Expenses		
Current Tax	51.89	41.37
Deferred Tax	111.97	83.90
Minimum Alternate Tax Credit	(51.89)	(41.37)
Excess Provision of Tax Earlier Years	(1.33)	-
Total	110.64	83.90
Profit / (Loss) After Tax	201.04	(82.02)

DISCLOSURE



ASB, ICAI

Note 6 : Deferred Tax Liabilities (net)

	March 31, 2016 ₹ crores	March 31, 2015 ₹ crores
Deferred tax liabilities:		
Depreciation on fixed assets	446.28	400.23
Unamortised borrowing costs	0.90	1.20
Total (A)	447.18	401.43
Deferred tax assets:		
Provision for doubtful debts	3.82	2.61
Premium on redemption of Debentures	66.51	94.50
Provision for Employee Benefits	23.08	14.26
Unused tax Losses	21.74	79.99
Others	29.00	19.01
Total (B)	144.15	210.37
Net Deferred tax liabilities (A-B)	303.03	191.06

Footnote:

The Company has deferred tax liabilities on account of depreciation and unamortised borrowing costs, the reversal of which is virtually certain. Also, it has in the past, executed projects entitling it to a deduction of the capital cost incurred (under section 35AD of the Income Tax Act, 1961) which converted the book profits into taxable losses. There are no such projects which have been planned or in the process of being executed in the current year or in the foreseeable future. In the absence of unfavourable evidence and given that the Company has been able to earn profits which, without the deduction for eligible capital costs (excluding land and goodwill) on hotel projects as aforesaid, would result into future taxable income, there is no reason to believe that the situation will not continue. Therefore, this is regarded as convincing evidence of future taxable income, enabling the Company to recognise deferred tax assets on unabsorbed depreciation and carried forward business losses. As no investment has been identified for sale in the near term, the deferred tax asset on capital losses brought forward has not been recognised. In the previous year, the Company had identified one investment for sale and the buyer for that investment, the estimated profits for which had formed the basis for recognising deferred tax asset on capital losses. That transaction fructified in the current financial year.

DISCLOSURE EXEMPTION



ASB, ICAI

LEVEL 4 NON COMPANY ENTITY :
NO RECOGNITION OF DEFERRED TAX

TRANSITION :ADJUST IN
RETAINED EARNINGS



Thank You

Contact for more details : vinodbal2013@icai.org

Mob: 7736424920

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