

FACULTY DEVELOPMENT WORKSHOP MG UNIVERSITY OVERVIEW OF AS /INDAS & AS 2,10,16

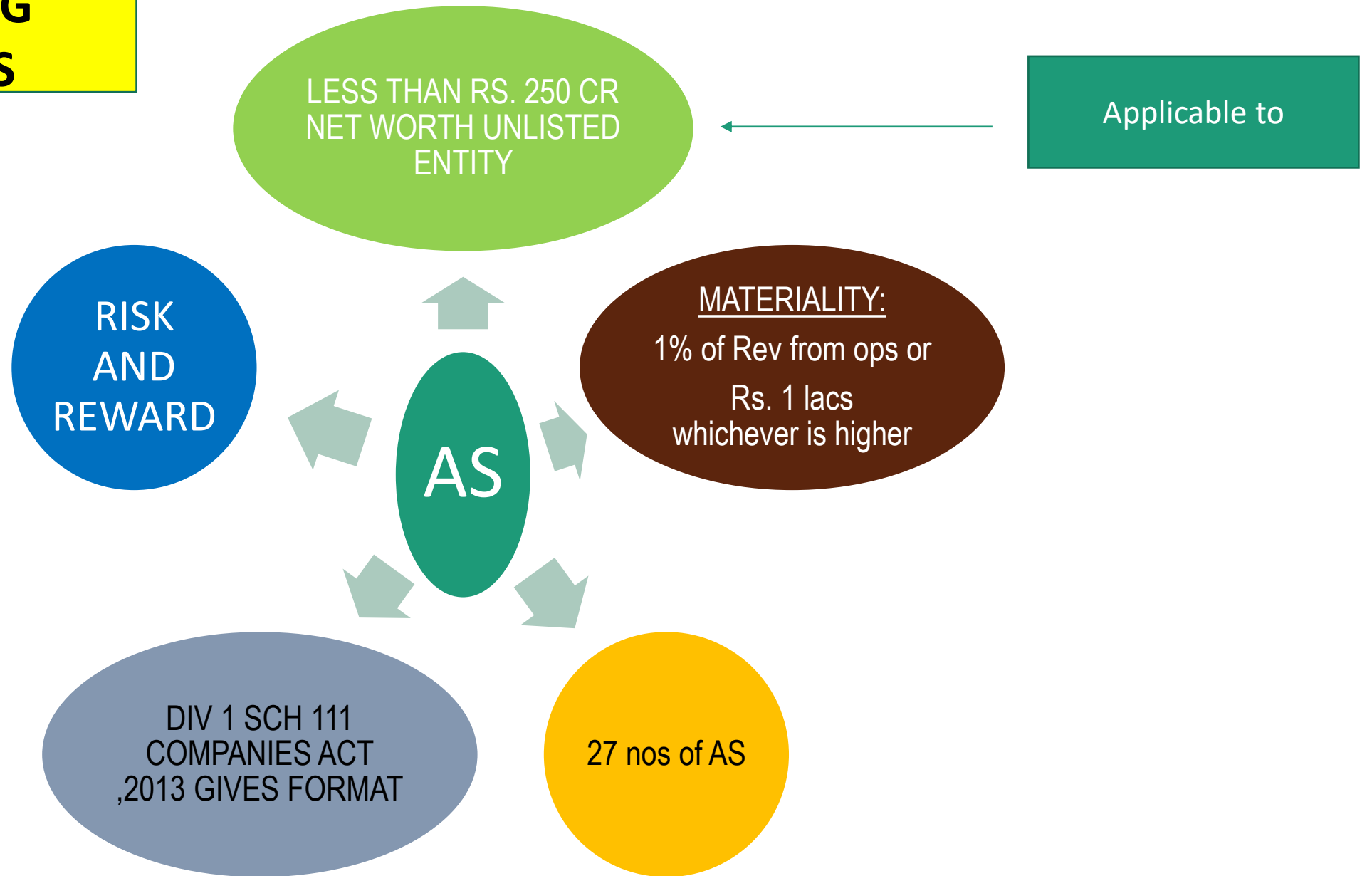
OCT 27, 2020



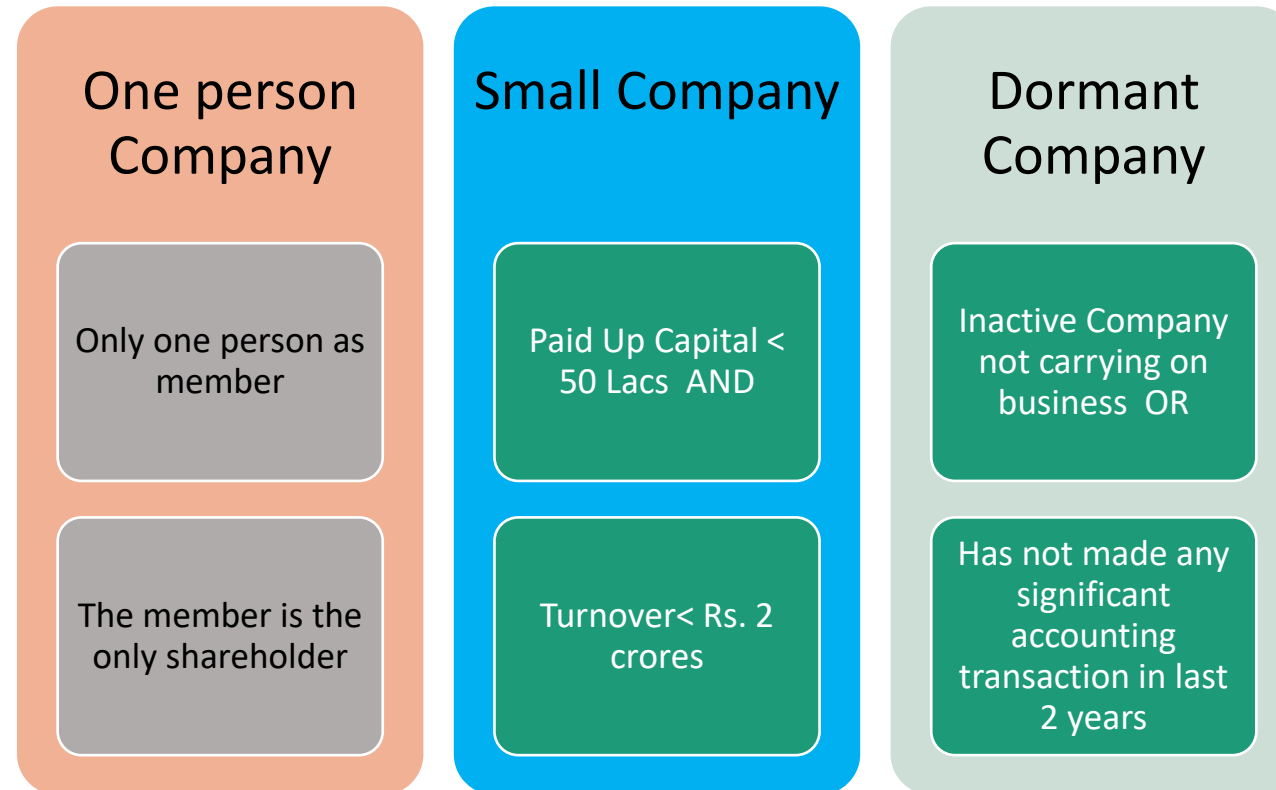
Faculty : CA Vinod Balachandran
Accounting Standards Board & ICAI Ernakulam branch
The Institute of Chartered Accountants of India
New Delhi, India

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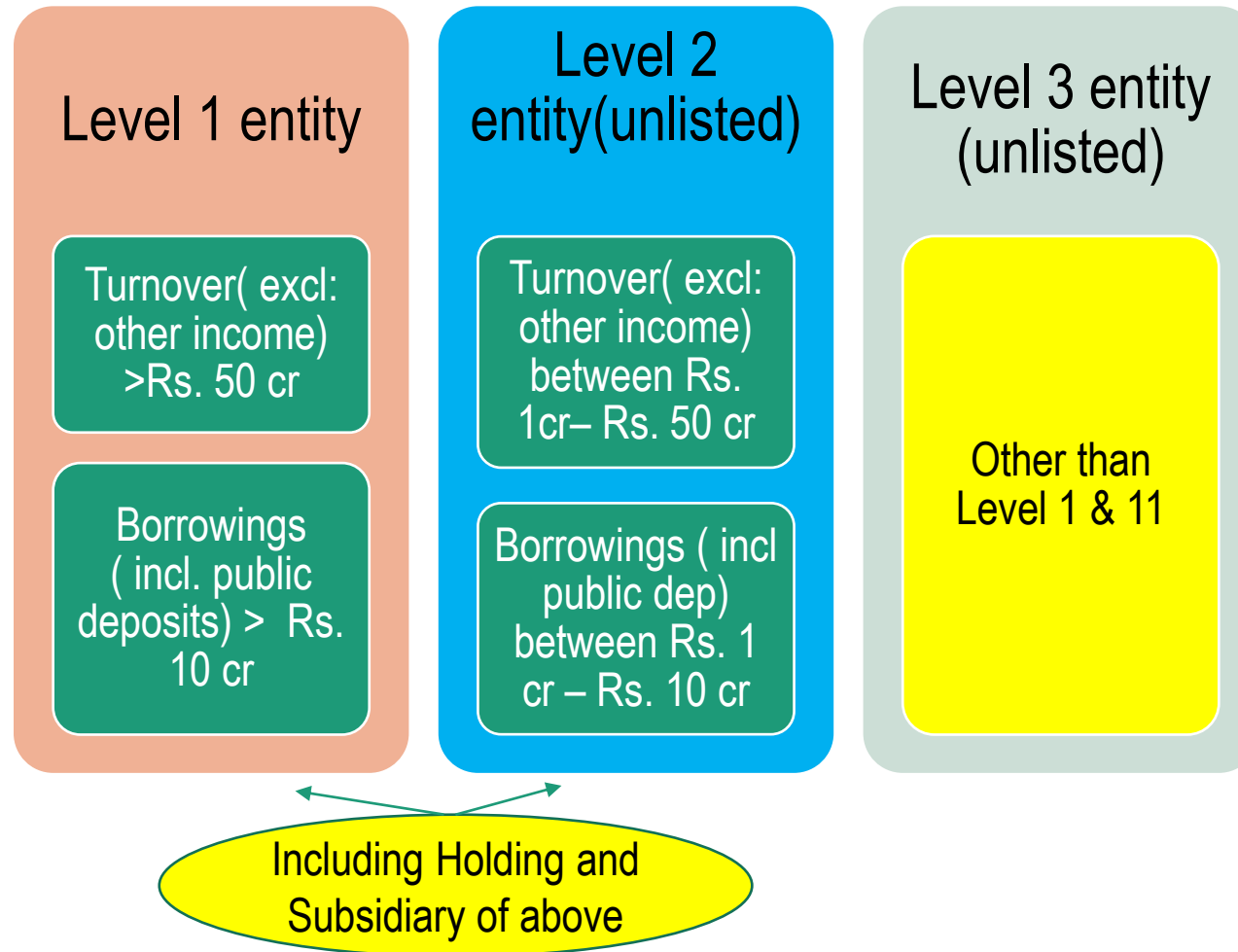
ACCOUNTING STANDARDS



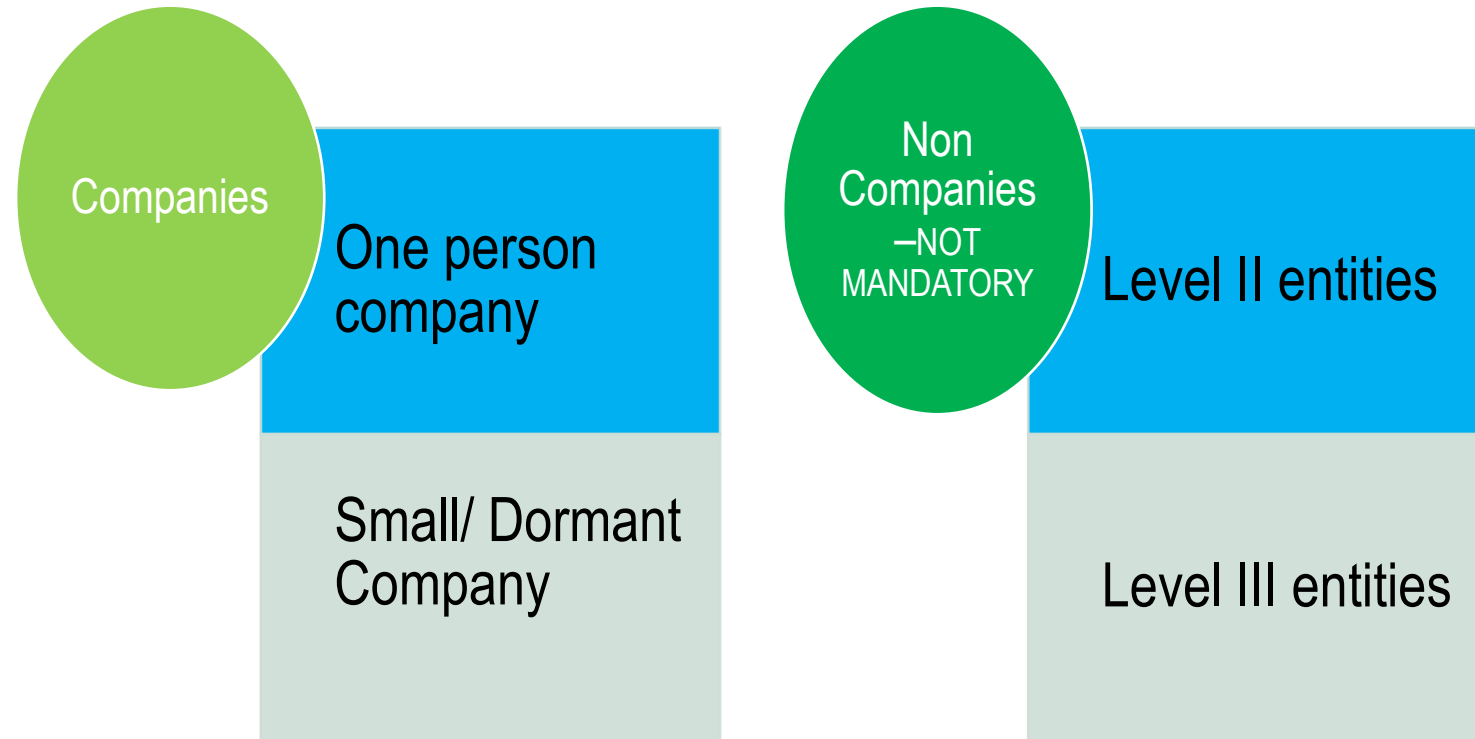
CLASSIFICATION OF CORPORATE ENTITIES



CLASSIFICATION – NON CORPORATE



EXEMPTIONS from AS 3



BALANCE SHEET

As at
31.03.2014

Note Page

EQUITY AND LIABILITIES

(1) SHAREHOLDERS' FUNDS

2	162	(a) Share capital	971.41	971.41
3	164	(b) Reserves and surplus	65,692.48	60,176.58
			66,663.89	61,147.99

4	166	(2) HYBRID PERPETUAL SECURITIES	2,275.00	2,275.00
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(3) NON-CURRENT LIABILITIES

5	166	(a) Long-term borrowings	23,900.37	23,808.09
6	168	(b) Deferred tax liabilities (net)	2,250.41	2,038.98
7	168	(c) Other long-term liabilities	1,087.74	983.52
8	169	(d) Long-term provisions	2,875.92	1,905.05
			30,114.44	28,735.64

(4) CURRENT LIABILITIES

5	166	(a) Short-term borrowings	34.88	43.69
9	169	(b) Trade payables	5,801.98	8,263.61
10	169	(c) Other current liabilities	9,111.52	8,671.67
8	169	(d) Short-term provisions	1,675.41	1,902.81
			16,623.79	18,881.78

			1,15,677.12	1,11,040.41
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ASSETS

(5) NON-CURRENT ASSETS

(a) PPE

11	170	(i) Tangible assets	25,071.38	24,064.43
12	171	(ii) Intangible assets	177.14	201.32
		(iii) Capital work-in-progress	23,036.67	18,509.40
			48,285.19	42,775.15
13	172	(b) Non-current investments	52,164.24	52,318.56
14	176	(c) Long-term loans and advances	3,166.77	4,080.07
15	178	(d) Other non-current assets	211.75	302.03
			1,03,827.95	99,475.81

(6) CURRENT ASSETS

16	178	(a) Current investments	1,000.08	2,343.24
17	179	(b) Inventories	8,042.00	6,007.81
18	179	(c) Trade receivables	491.46	770.81
19	179	(d) Cash and bank balances	478.59	961.16
14	176	(e) Short-term loans and advances	1,781.77	1,299.20
20	180	(f) Other current assets	55.27	182.38
			11,849.17	11,564.60

			1,15,677.12	1,11,040.41
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1-48 160

Notes to Balance Sheet and Statement of Profit and Loss

Statement of Profit and Loss for the year ended 31st March, 2015

₹ crores

Note	Page		Previous Year
		(1) REVENUE	
21	180	(a) Revenue from operations	46,309.34
		Less: Excise duty	4,598.31
			<u>41,711.03</u>
22	181	(b) Other income	787.64
		TOTAL REVENUE	42,498.67
		(2) EXPENSES	
23	181	(a) Raw materials consumed	9,677.71
24	181	(b) Purchase of finished, semi-finished and other products	352.63
25	182	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(155.18)
26	182	(d) Employee benefits expense	3,673.08
27	183	(e) Depreciation and amortisation expense	1,928.70
28	183	(f) Finance costs	1,820.58
29	183	(g) Other expenses	16,375.81
			<u>36,336.43</u>
		(h) Less: Expenditure (other than interest) transferred to capital and other accounts	586.69
		TOTAL EXPENSES	35,749.74
		(3) PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX	6,618.04
30	184	(4) EXCEPTIONAL ITEMS	
		(a) Profit on sale of non-current investments	806.10
		(b) Provision for diminution in the value of investments/ doubtful advances	(198.40)
		(c) Provision/Reversal for impairment on non-current assets	136.29
		(d) Profit on sale of non-current assets	1,146.86
			<u>1,890.85</u>
		(5) PROFIT BEFORE TAX	8,508.89
		(6) TAX EXPENSE	
		(a) Current tax	1,908.60
		(b) MAT credit	(117.21)
		(c) Deferred tax	278.38
			<u>2,069.77</u>
		(7) PROFIT AFTER TAX	6,439.12
		(8) NOMINAL VALUE PER SHARE (₹)	10.00
31	184	(9) BASIC EARNINGS PER SHARE (₹)	64.49
31	184	(10) DILUTED EARNINGS PER SHARE (₹)	64.49
1-48	160	Notes to Balance Sheet and Statement of Profit and Loss	

IND AS



Standalone Balance Sheet

(₹ crore)

ASSETS

Non-current assets

	Note	As at March 31, 2020	As at March 31, 2019
Property, plant and equipment	8(a)	9,835	9,522
Capital work-in-progress		781	834
Right-of-use assets	7	6,048	-
Intangible assets	8(b)	239	139
Financial assets			
Investments	6(a)	2,189	2,189
Trade receivables	6(b)	74	95
Unbilled receivables		324	387
Loans receivables	6(e)	2	2
Other financial assets	6(f)	624	565
Income tax assets (net)		2,020	3,598
Deferred tax assets (net)	15	2,219	2,097
Other assets	8(c)	1,426	1,040
Total non-current assets		25,781	20,468

Current assets

	Note	As at March 31, 2020	As at March 31, 2019
Inventories	8(d)	5	10
Financial assets			
Investments	6(a)	25,686	28,280
Trade receivables	6(b)	28,660	24,029
Unbilled receivables		4,763	4,389
Cash and cash equivalents	6(c)	3,852	3,327
Other balances with banks	6(d)	972	5,573
Loans receivables	6(e)	7,270	7,018
Other financial assets	6(f)	1,448	1,613
Other assets	8(c)	6,538	4,793
Total current assets		79,194	79,032
TOTAL ASSETS		104,975	99,500
EQUITY AND LIABILITIES			
Equity			
Share capital	6(m)	375	375
Other equity	9	73,993	78,523
Total equity		74,368	78,898

Standalone Balance Sheet

(₹ crore)

	Note	As at March 31, 2020	As at March 31, 2019
Liabilities			
Non-current liabilities			
Financial liabilities			
Lease liabilities		5,262	33
Other financial liabilities	6(h)	237	232
Unearned and deferred revenue		644	662
Employee benefit obligations	12	91	82
Deferred tax liabilities (net)	15	347	339
Other liabilities	8(f)	-	358
Total non-current liabilities		6,581	1,706
Current liabilities			
Financial liabilities			
Lease liabilities		848	-
Trade payables			
Dues of micro enterprises and small enterprises	6(g)	-	22
Dues of creditors other than micro enterprises and small enterprises		8,734	7,670
Other financial liabilities	6(h)	4,694	3,351
Unearned and deferred revenue		2,271	1,804
Provisions	8(e)	235	174
Employee benefit obligations	12	2,057	1,776
Income tax liabilities (net)		3,139	2,157
Other liabilities	8(f)	2,048	1,942
Total current liabilities		24,026	18,896
TOTAL EQUITY AND LIABILITIES		104,975	99,500

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

Standalone Statement of Profit and Loss

(₹ crore)

	Note	Year ended March 31, 2020	Year ended March 31, 2019
Revenue	10	131,306	123,170
Other income	11	8,082	7,627
TOTAL INCOME		139,388	130,797
Expenses			
Employee benefit expenses	12	64,906	59,377
Cost of equipment and software licences	13(a)	1,596	2,003
Depreciation and amortisation expense		2,701	1,716
Other expenses	13(b)	27,451	26,826
Finance costs	14	743	170
TOTAL EXPENSES		97,397	90,092
PROFIT BEFORE TAX		41,991	40,705
Tax expense			
Current tax	15	9,012	9,943
Deferred tax	15	(281)	697
TOTAL TAX EXPENSE		8,731	10,640
PROFIT FOR THE YEAR		33,260	30,065
OTHER COMPREHENSIVE INCOME (OCI)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined employee benefit plans		(409)	(17)
Net change in fair values of investments in equity shares carried at fair value through OCI		-	(1)
Income tax on items that will not be reclassified subsequently to profit or loss		86	3

(₹ crore)

	Note	Year ended March 31, 2020	Year ended March 31, 2019
Items that will be reclassified subsequently to profit or loss			
Net change in fair values of investments other than equity shares carried at fair value through OCI		958	425
Net change in intrinsic value of derivatives designated as cash flow hedges		(94)	153
Net change in time value of derivatives designated as cash flow hedges		(52)	44
Income tax on items that will be reclassified subsequently to profit or loss		(315)	(171)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSSES)		174	436
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33,434	30,501
Earnings per equity share:- Basic and diluted (₹)	16	88.64	79.34
Weighted average number of equity shares		375,23,84,706	378,97,49,350

NOTES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

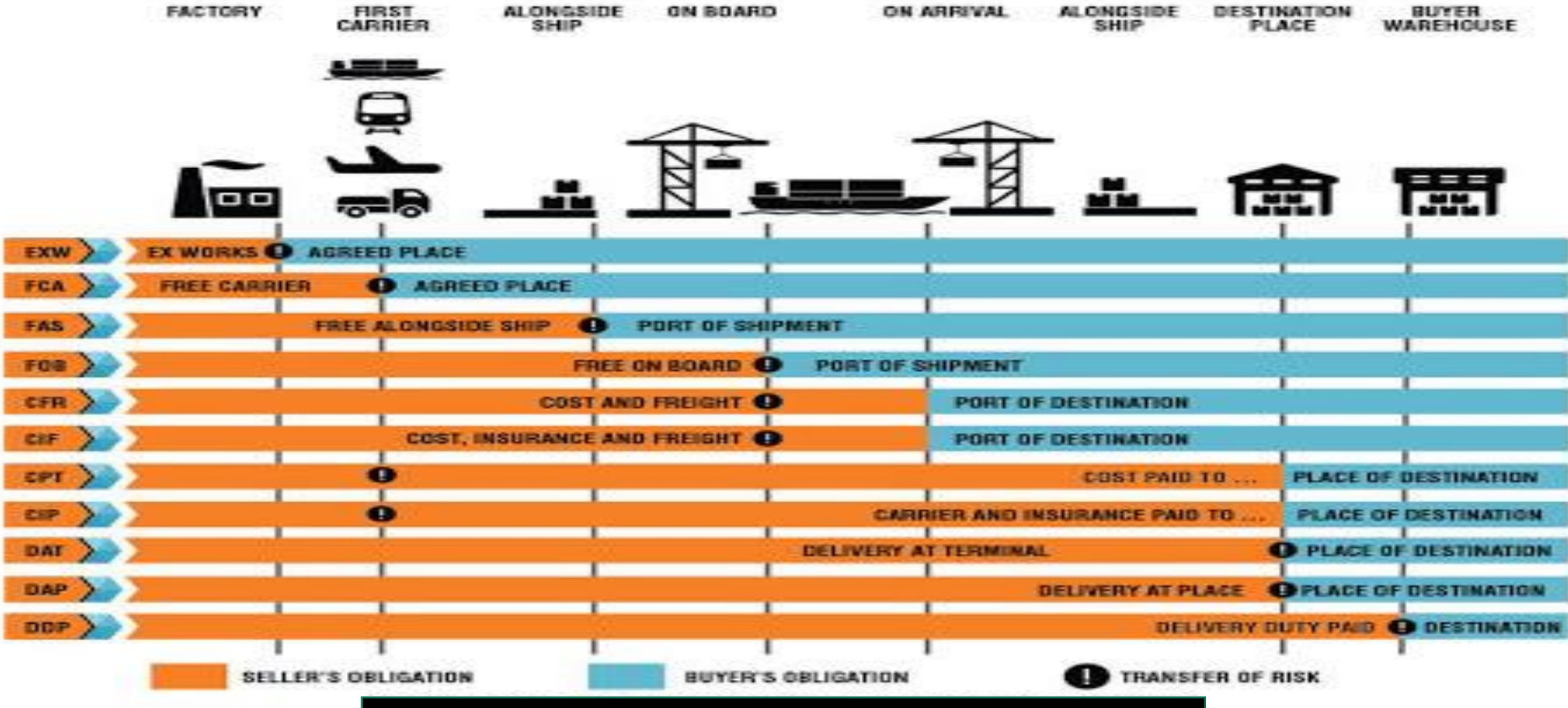
As per our report

For **BSR & Co**
Chartered Accountants
Firm's registration number
101248W/W-10

Yezdi Nagpore
Partner
Membership No.

10/10/2020

INCOTERMS® 2010



INDAS 2 - INVENTORIES

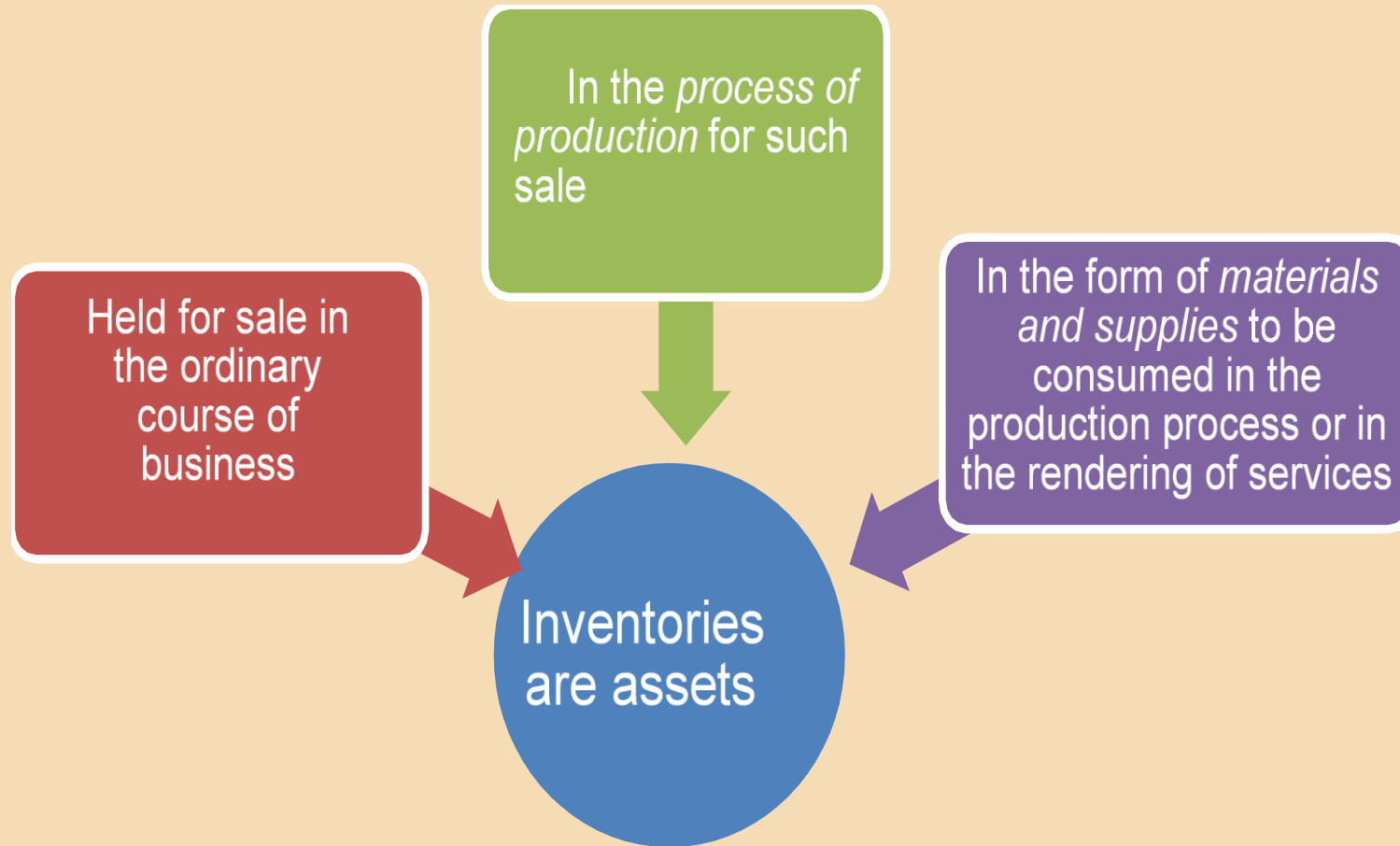


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DEFINITION



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MEASUREMENT



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Lower of

Cost OR

NRV.

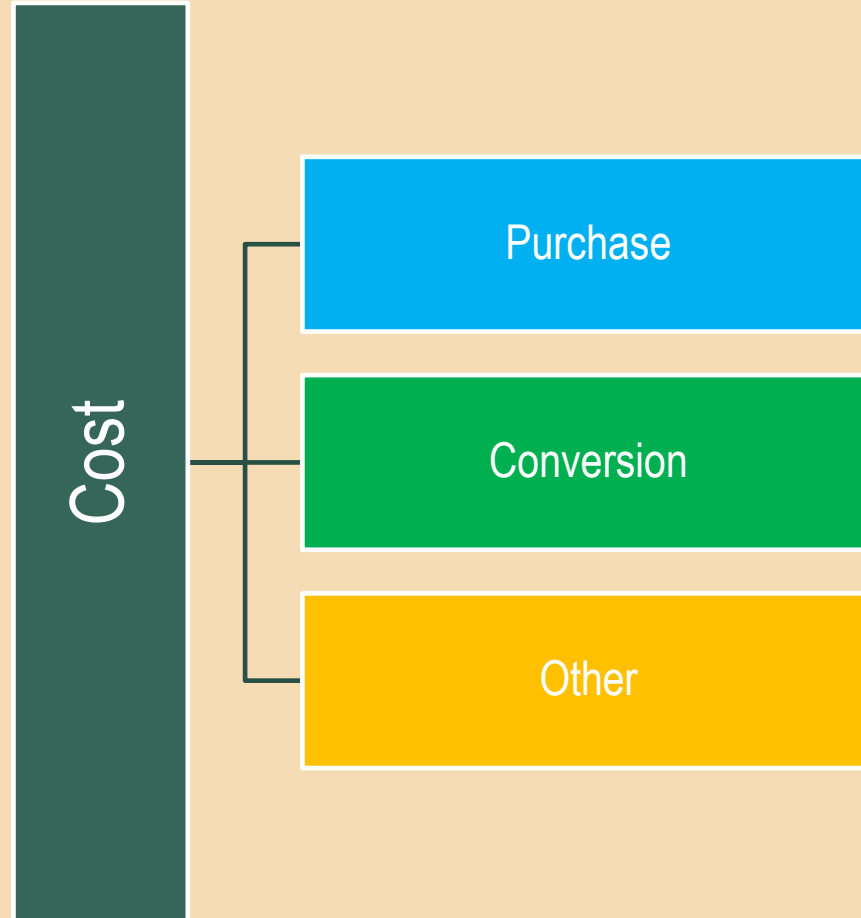
(Cash discounts are ignored for NRV)

- Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

COST INCLUDES..



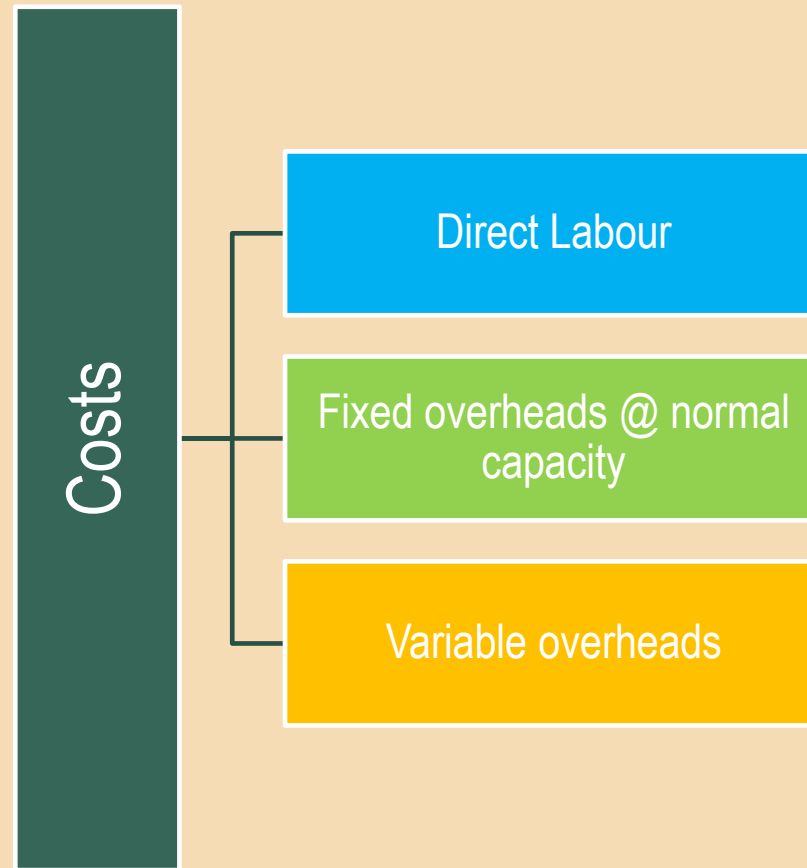
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COST OF CONVERSION



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OTHER COSTS



Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition.

- it may be appropriate to include non-production overheads or the costs of designing products for specific customers in the cost of inventories.
- Ind AS 23, Borrowing Costs, identifies limited circumstances where borrowing costs are included in the cost of inventories
- Ind AS 116, Leases, identifies circumstances where interest on lease are included in the cost of inventories
- Deffered credit interest

COSTS EXCLUDED

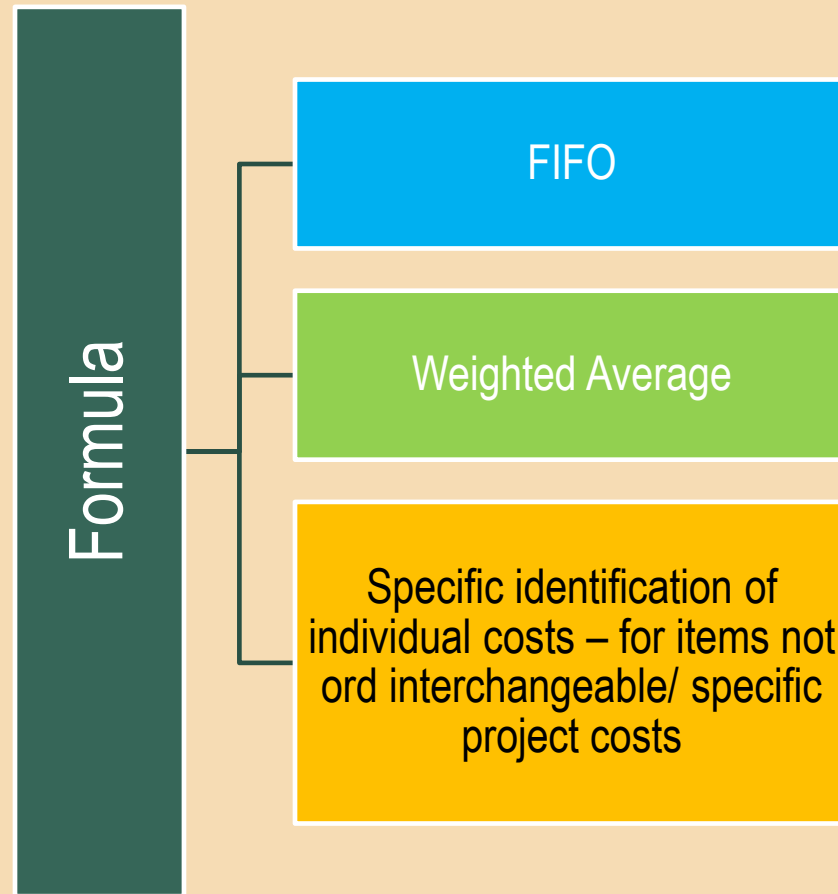


- (a) abnormal amounts of wasted materials, labour or other production costs;
- (b) storage costs, unless those costs are necessary in the production process before a further production stage;
- (c) administrative overheads that do not contribute to bringing inventories to their present location and condition; and
- (d) selling costs.
- (d) Unallocated overheads

COST FORMULA



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An entity shall use the same cost formula for all inventories having similar nature and use to it.

INDAS - COSTS OF INVENTORY OF SERVICE PROVIDER



- Service providers shall measure their inventories at the costs of their production:
 - a. These costs consist primarily of the labour and other costs of personnel directly engaged in providing the service, including supervisory personnel, and attributable overheads.
 - b. Labour and other costs relating to sales and general administrative personnel are not included but are recognised as expenses in the period in which they are incurred.
 - c. The cost of inventories of a service provider does not include profit margins or nonattributable overheads.

inventories include the costs of service, for which the entity has not yet recognised related revenue.

COVID 19 – NRV WRITE DOWN (AS 4 - EVENTS AFTER BALANCE SHEET)



- In accordance with Ind AS 2 Inventories it might be necessary to write down inventories to net realisable value due to reduced movement in inventory, decline in selling prices, or inventory obsolescence due to lower than expected sales.
- Entities should assess the significance of any write-downs and whether they require disclosure in accordance with Ind AS 2/AS 2 as well as paragraph 98 (a) of Ind AS 1, Presentation of Financial Statements, and paragraph 14(a) of AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies. It is unlikely that the normal production capacity is to be reviewed for allocating fixed production overheads for the year 2019-2020, because of adverse impact on the utilisation of the production capacity due to the impact of coronavirus on the overall economy or the segment (s) in which the entity is operating.



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COVID 19 – IMPACT ON NRV (ALSO INDAS 108 EVENTS AFTER REPORTING PERIOD)

- ❑ Accordingly, in the current scenario, entities may have to assess as to whether there is a decline in their future estimated selling price and, if so, write-down of carrying value of inventory is required. For example, cost of per unit of inventory is Rs. 100, but due to the prevailing restrictions with regard to the movement of inventory in lockdown period coupled with sluggish demand of the product, NRV is Rs. 80. The entity should write down Rs. 20 (Rs. 100-Rs. 80) as an expense. Writing down inventories below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. Paragraph 34 of Ind AS 2 provides that the amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense and disclosed separately in the period the write-down or loss occurs.
- ❑ It may be noted that there could be other factors also that need consideration to determine whether the selling price is expected to be below cost. (refer paragraph 28 of Ind AS 2)

AS 10 – PROPERTY ,PLANT & EQUIPMENT

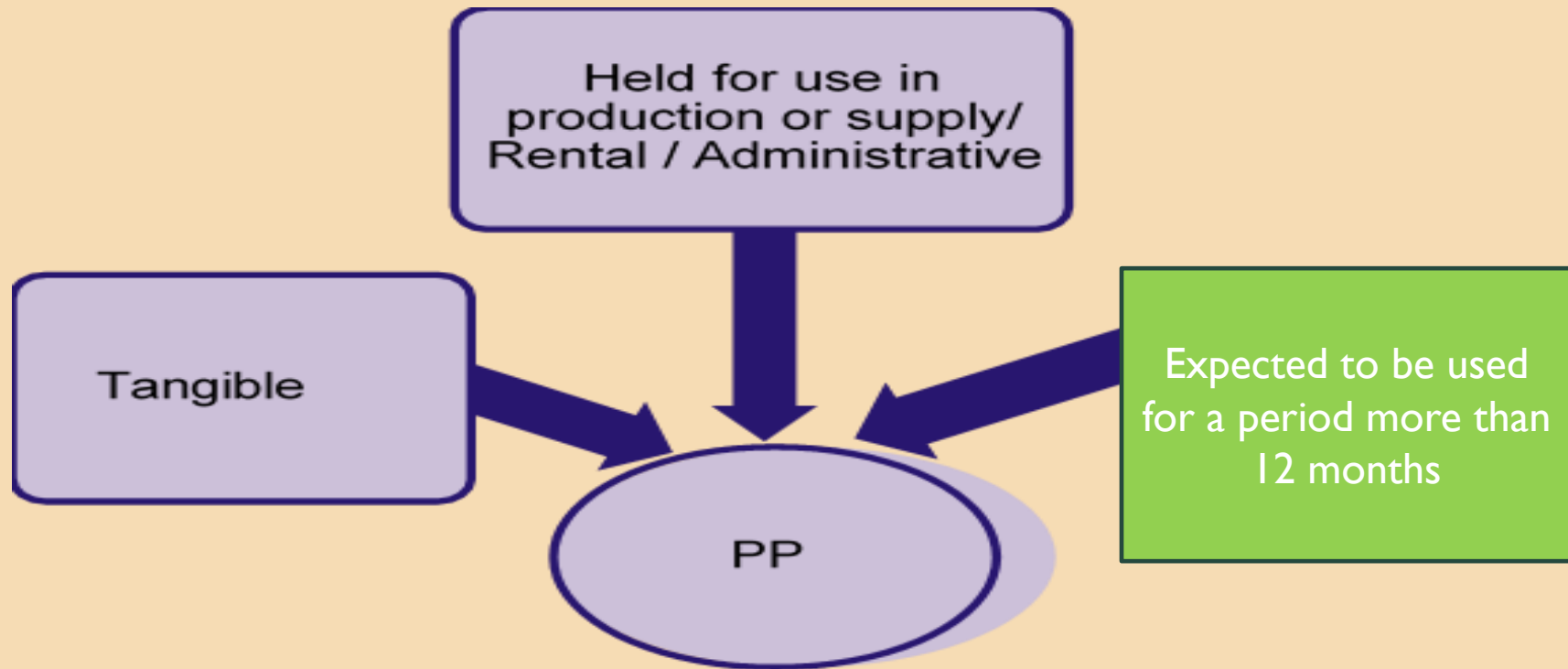


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PPE



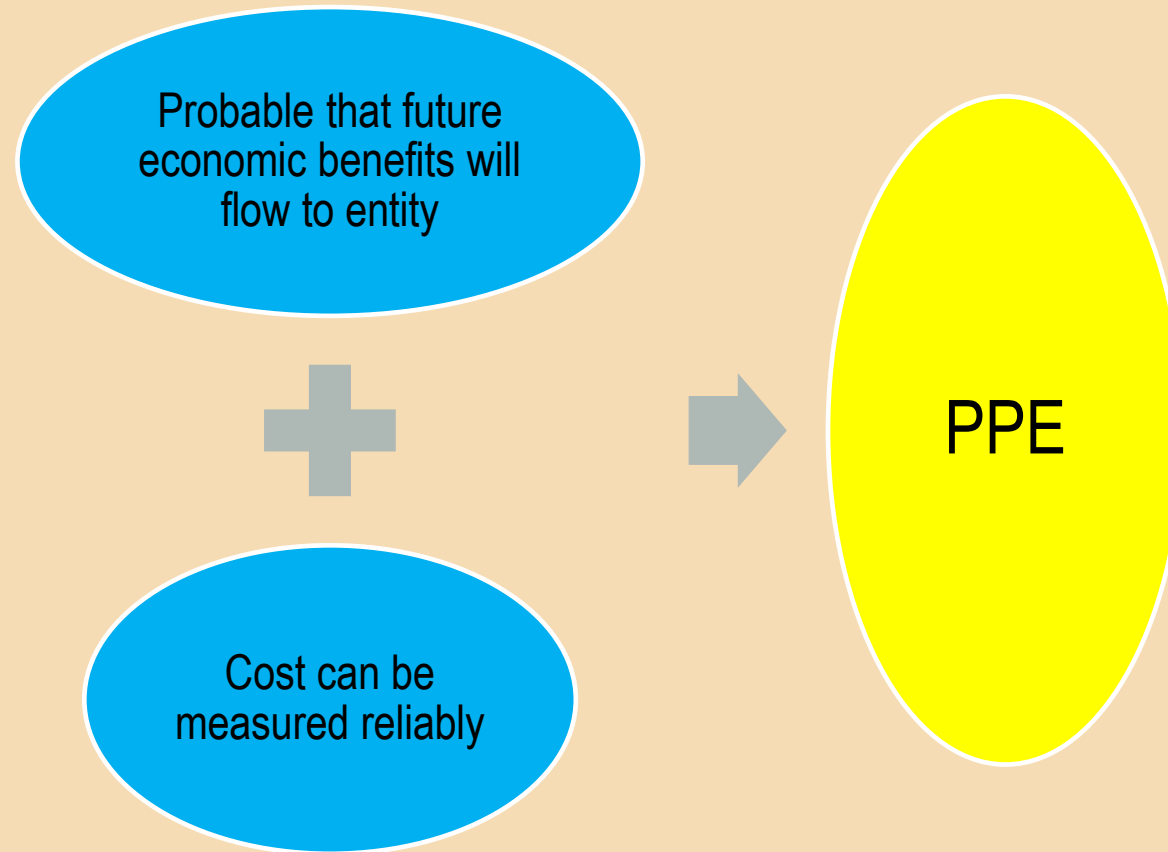
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RECOGNITION CRITIEREA



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INITIAL MEASUREMENT @ COST



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Initial @ Cost

Purchase price including
import duties and non -
refundable purchase taxes

Directly attributable Cost

Initial estimate of the costs of
dismantling and removing the
item and restoring

EXCLUDED COSTS



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Costs of conducting business in a new location or with a new class of customer (including costs of staff training)

Costs incurred in introducing a new product or service

Cost of opening a new facility (inauguration expenses)

Administrative and other general overhead costs

PPE ACQUIRED IN EXCHANGE OF NON MONETARY ASSETS OR ASSETS @ FAIR VALUE UNLESS



the exchange transaction lacks commercial substance

OR

the fair value of neither the asset received nor the asset given up is reliably measurable

SUBSEQUENT COSTS



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Subsequent costs

Servicing costs – P&L

Replacement costs -Capitalise
subject to recognition criteria

Major inspection costs –
Capitalise subject to
recognition criteria

DEFERRED PAYMENT PLAN



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SUBSEQUENT MEASUREMENT



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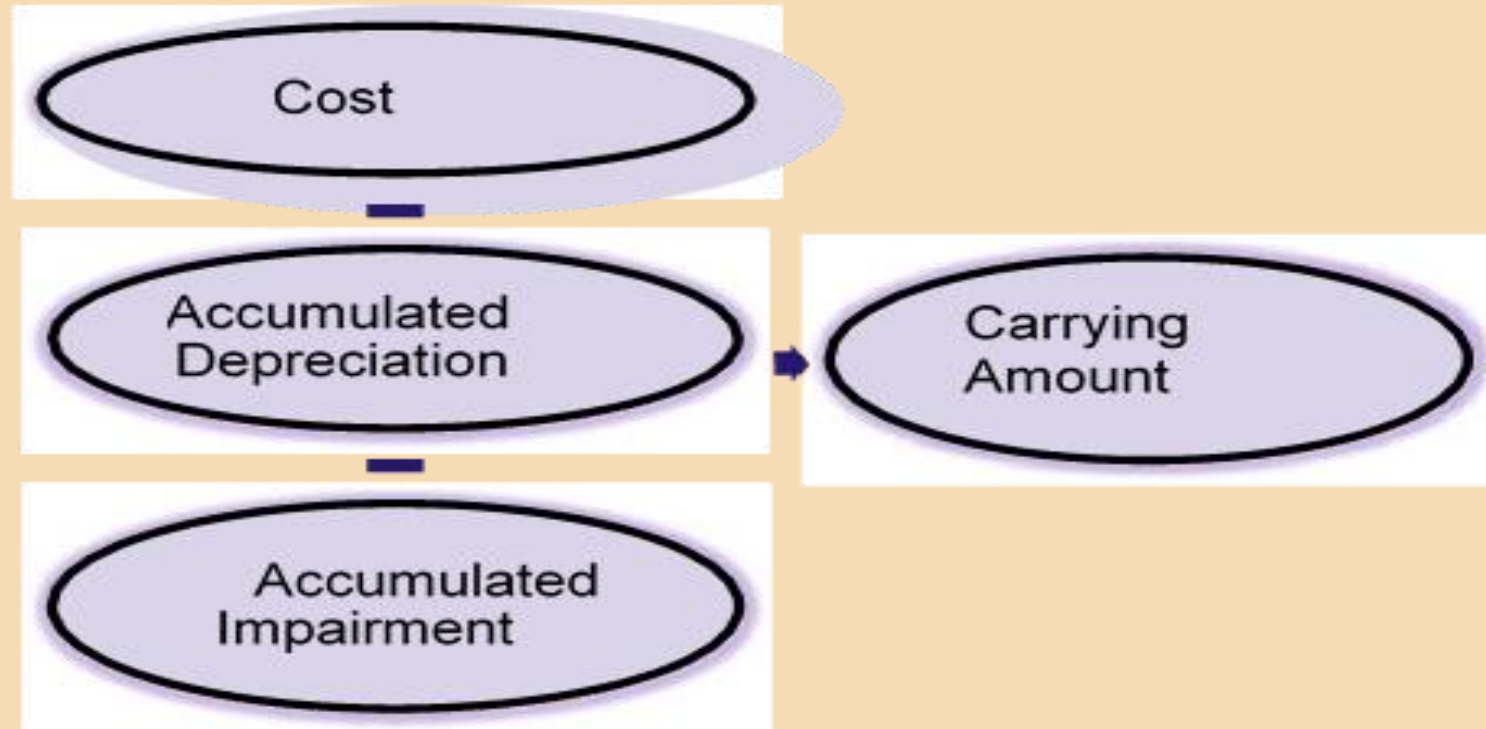
COST

REVALUATION

COST MODEL



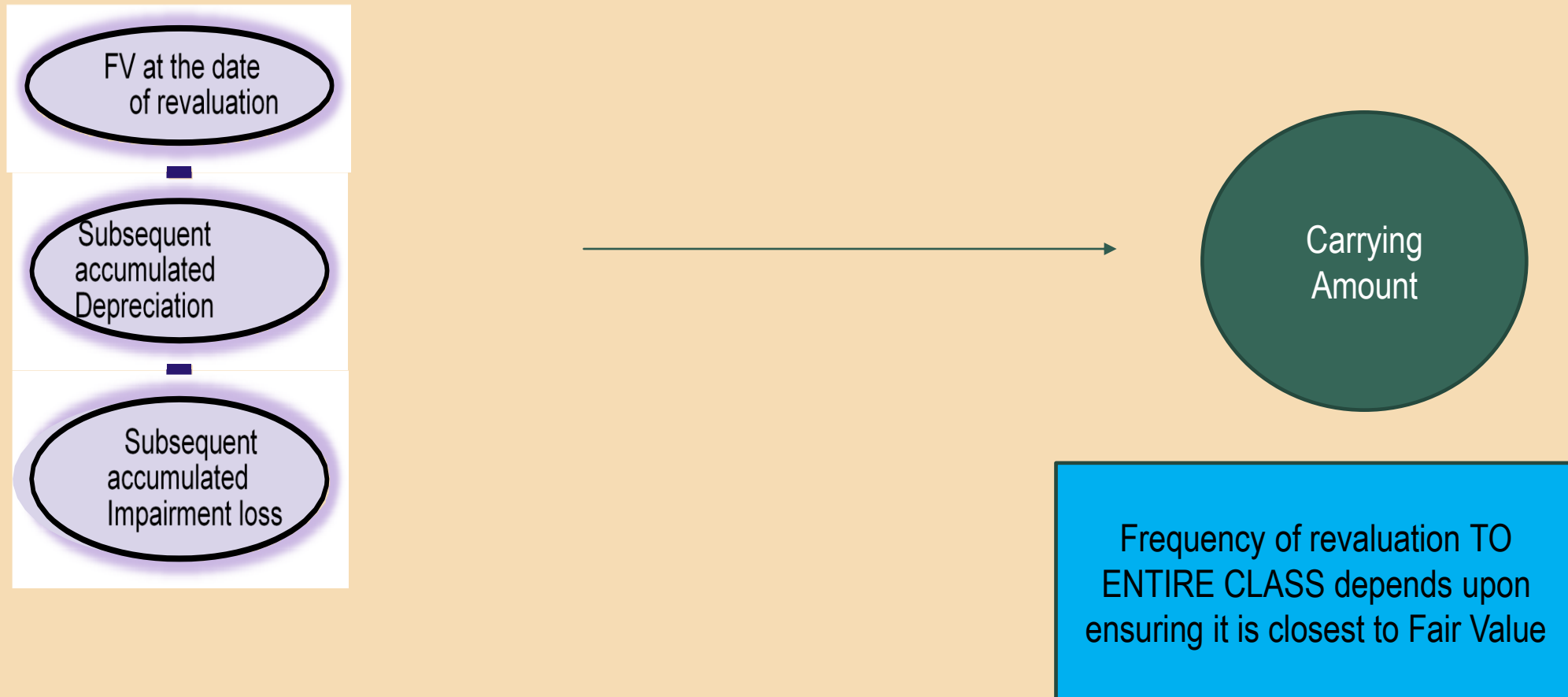
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REVALUATION MODEL



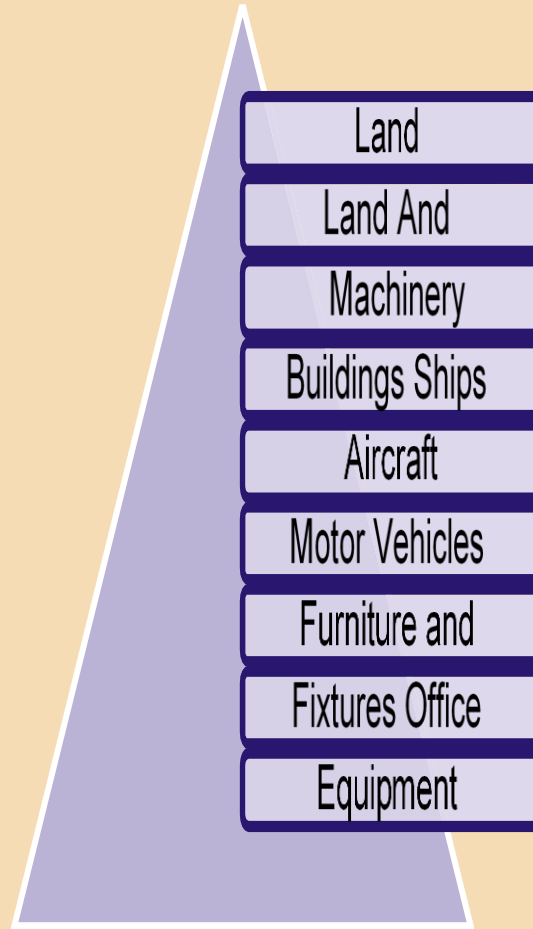
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REVALUATION TO BE MADE FOR ENTIRE CLASS OF ASSETS



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DR	CR
PPE	Revaluation surplus
PPE	In P&L (if prev Rev loss)

DEPRECIATION



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allocated on a systematic basis over its useful life

Component depreciation

Depreciation commences from AVAILABLE TO USE

quarries and sites used for landfill, land has an unlimited useful life and therefore land is not depreciated

CESSATION: Date of derecognition / HFS (lower of Carrying amt or NRV)

USEFUL LIVES:
Use / wear and tear/obsolescence/legal rights

AS -10 :
Depreciation change is change in estimate & prospectively

METHOD:
SLM/WDV/Units of production

DE RECOGNITION



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The carrying amount of an item of property, plant and equipment should be derecognised:

- a. on disposal; or
- b. when no future economic benefits are expected from its use or disposal

Exception : Sales and
leaseback AS 19

FOREX FLUCTUATION ON PPE



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AS	IND AS	ICDS
CAPITALISE AS PER PARA 46	<p>CHARGE TO P&L.</p> <p>Loans taken upto transition capitalise upto 31st March 2020</p>	<p>IMPORTED: IT (Sec 43A) – Capitalise liability diff of loans at time of payment ICDS: GAIN/LOSS –Not in P&L</p> <p>LOCAL: No 43A ICDS: GAIN/LOSS in P&L</p>
		<p>1. EXCLUDES INTANGIBLES 2. CAPITALISE STANDBY & SERVICING EQMNT</p>

AS 16 – BORROWING COSTS



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DEFINITION



Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds.

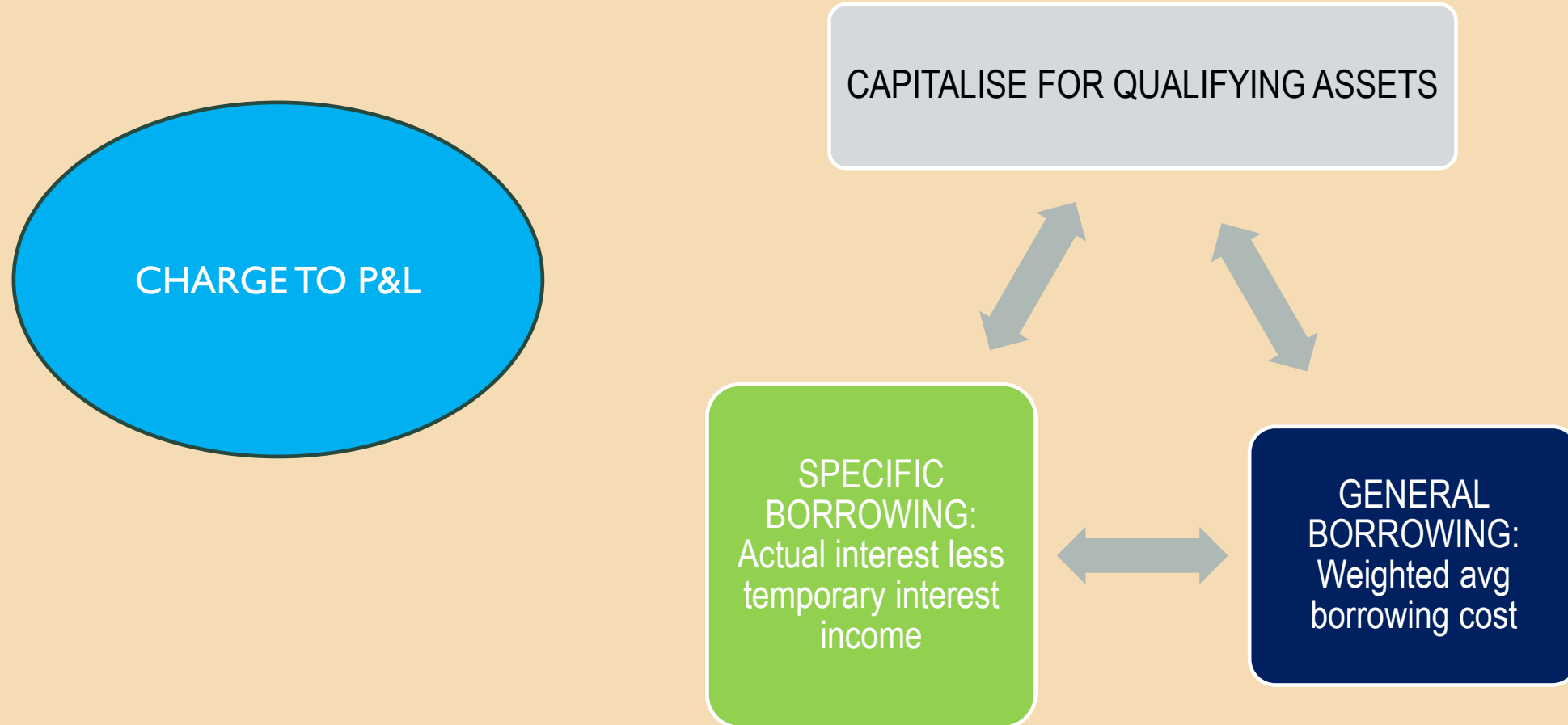
Inclusions:

- i. Interest and commitment charges on borrowings
- ii. Amortisation of discounts and premiums related to borrowings
- iii. Amortisation of ancillary costs incurred in connection with arrangement of borrowings
- iv. Finance charges in respect of assets acquired under finance lease
- v. Exchange differences arising from foreign currency borrowings to the extent they are regarded as adjustment to interest costs (Interest on local borrowing less foreign borrowing)

RECOGNITION



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CAPITALISATION DATES OF BORROWING COSTS



Commencement (All 3)	Suspension	Cessation
Exp is for qualifying asset	During extended periods in which active development is interrupted.	When substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
Borrowing cost is incurred		Component is capable of being used
Activities that are necessary to prepare the asset for its intended use or sale are in progress		



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Thank You

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