

Ind AS 1 – Presentation of Financial Statements



CA Rajkumar S Adukia

B.Com (Hons), FCA, ACS, ACWA,
LLB, DIPR, DLL &LP, IFRS(UK),
MBA

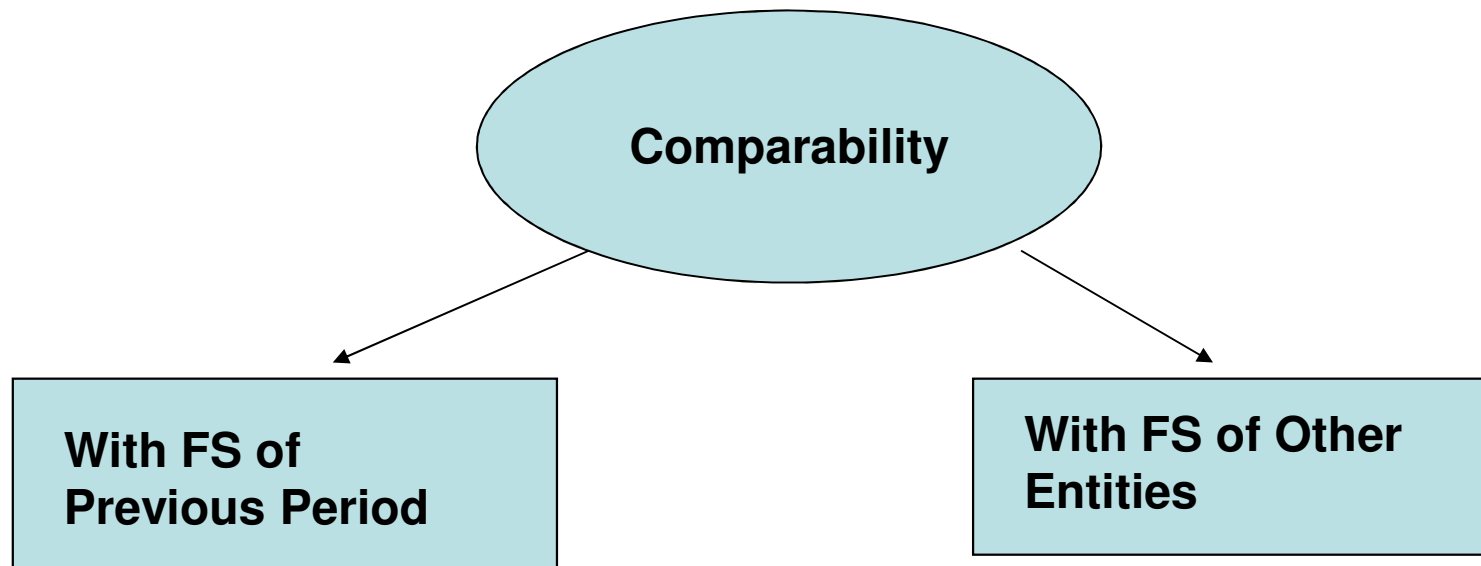
email id: rajkumarradukia@caaaa.in

Mob: 09820061049/09323061049

To receive regular updates kindly send test email to : rajkumarfca-subscribe@yahoogroups.com & rajkumarfca+subscribe@googlegroups.com

Objective of Ind AS 1 – Presentation of Financial Statements (FS)

Basis of Financial Statements



Objective of Ind AS 1

- Financial Statements provide information about an entity's
 - Assets
 - Liabilities
 - Equity
 - Income and Expense incl gains and losses
 - Contribution by and Distribution to owners
 - Cash Flows

Scope of Ind AS 1

An entity shall apply this Standard

- in preparing and presenting general purpose financial statements
- in accordance with Indian Accounting Standards (Ind ASs).

Complete Set of Financial Statements (FS)

- Financial Statements comprise of

Balance Sheet (Changes in Equity)

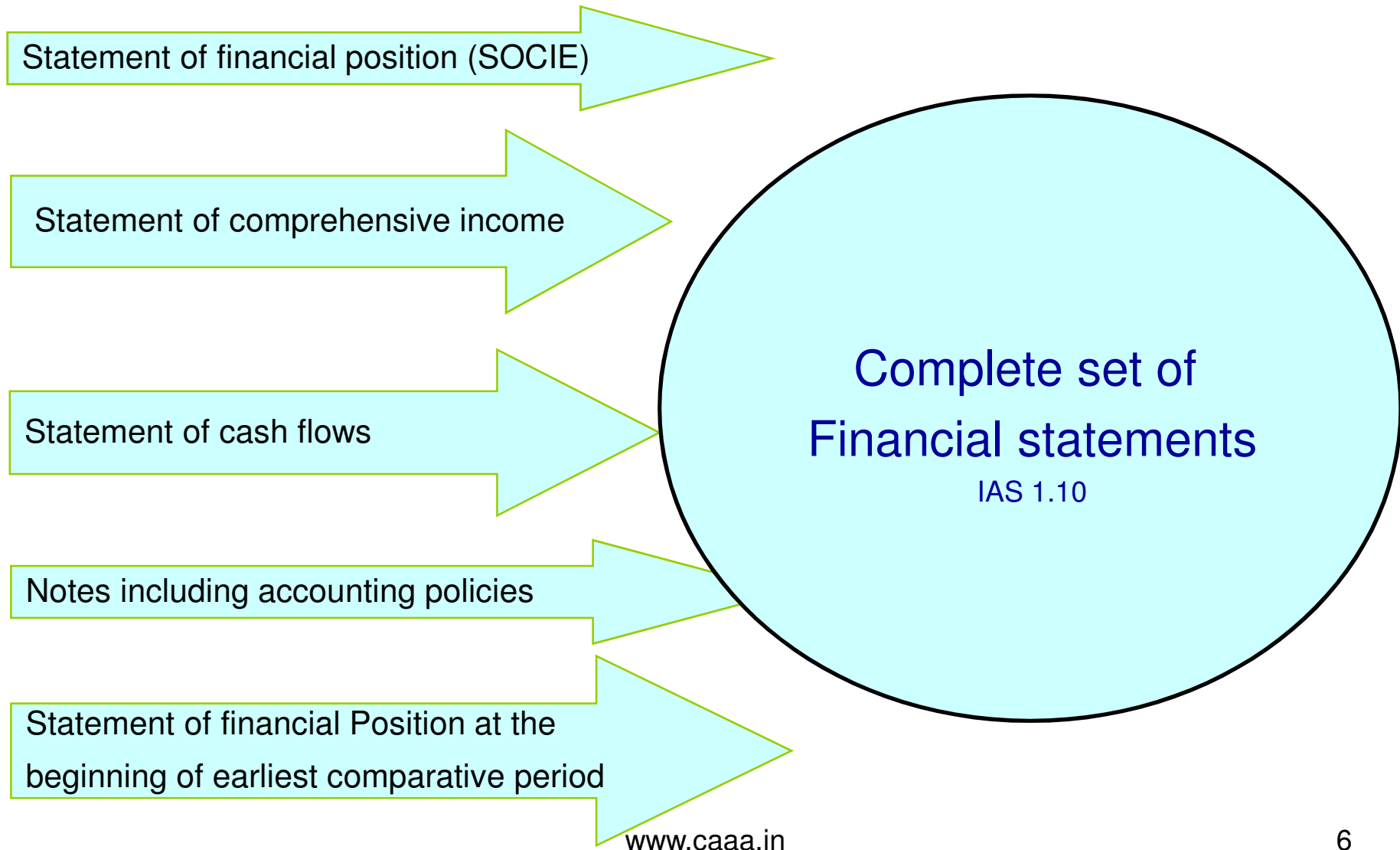
Statement of Profit or Loss

Statement of Changes in Cash Flows

Notes comprising of significant A/cing policies and other information

Balance Sheet at the end of the earliest comparative period

Components of financial statements



Fundamental Assumptions



Going Concern

**Accrual Basis of
Accounting**

**Consistency in
Presentation**

Other Considerations

Fair Presentation

Materiality and Aggregation

Offsetting

Comparatives

Reporting Period

- There is a presumption that financial statements will be prepared **at least annually**.
- The presumption is that compliance with Accounting Standards with additional disclosures will lead to **True and Fair View**

Structure and Content of Financial Statements in General

Clearly Identify

- the financial statements
- the reporting enterprise
- whether the statements are for the enterprise or for a group
- the date or period covered
- the presentation currency
- the level of precision (thousands, millions, etc.)

Balance Sheet

As a minimum, the balance sheet shall include line items that present the following amounts

- (a) property, plant and equipment**
- (b) investment property**
- (c) intangible assets**
- (d) financial assets (excluding amounts shown under (e), (h), and (i))**
- (e) investments accounted for using the equity method**
- (f) biological assets**
- (g) inventories**
- (h) trade and other receivables**
- i) cash and cash equivalents**
- (j) assets held for sale**
- (k) trade and other payables**
- (l) provisions**

Balance Sheet

- (m) financial liabilities (excluding amounts shown under (k) and (l))**
- (n) liabilities and assets for current tax, as defined in IAS 12**
- (o) deferred tax liabilities and deferred tax assets, as defined in IAS 12**
- (p) liabilities included in disposal groups**
- (q) non-controlling interests , presented within equity and**
- (r) issued capital and reserves attributable to owners of the parent**

Share Capital Reserves

Regarding issued share capital and reserves, the following disclosures are required

- **Numbers of shares authorised, issued and fully paid, and issued but not fully paid**
- **Par value**
- **Reconciliation of shares outstanding at the beginning and the end of the period**
- **Description of rights, preferences, and restrictions**

Share Capital Reserves

- **Treasury shares, including shares held by subsidiaries and associates**
- **Shares reserved for issuance under options and contracts**
- **A description of the nature and purpose of each reserve within equity**

Current and Non Current

- An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its balance sheet unless a presentation based on liquidity provides reliable information that is more relevant.

Current Assets

An asset shall be classified as current when it satisfies any of the following criteria:

- it is expected to be realized in, or is intended for sale or consumption in, the entity's normal operating cycle (e.g. potentially exceeding 12 months after the reporting date)
- it is held primarily for the purpose of being traded
- it is expected to be realized within 12 months after the reporting date
- it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date

All other assets shall be classified as non-current.

Current Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the entity's normal operating cycle (i.e. may be more than 12 months)
- it is held primarily for the purpose of being traded
- it is due to be settled within 12 months after the reporting date
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date

All other liabilities shall be classified as non-current.

Non – Current Assets

- Property, Plant & Equipment
- Investment Property
- Goodwill
- Other intangible assets
- Investments in associates
- Available for sale financial assets
- Finance lease receivables
- Deferred tax assets

Current Assets

- Inventories
- Trade Receivables
- Other Current Assets
- Held for Trading Financial Assets
- Cash and cash equivalents
- Non-Current assets held for sale

Non – Current Liabilities

- Long term borrowings
- Retirement benefit obligation
- Deferred tax liabilities
- Obligation under finance leases – due after one year
- Long term provisions

Current Liabilities

- Trade and other payables
- Current portion of long term borrowings
- Retirement benefit obligation
- Obligations under finance leases – due within one year
- Bank overdrafts loans
- Short term provisions
- Liabilities directly associates with non – current assets held for sale

Statement of Profit and Loss

An entity shall present all items of income and expense including components of other comprehensive income recognized in a period in a single statement of profit and loss.

Components of OCI:- Items of income and expense recognised in Equity

Effective portion of cash flow hedges

Actuarial gains/losses on Defined Benefit Pension Plans

Effect of translation of FS
Of foreign operations

Re measurement of AFS

Change in Revaluation Surplus
of PPE and Intangibles

Statement of Profit or Loss

- Minimum items on the face of the statement of Profit or Loss should include: [IAS 1.81]
 - (a) revenue;
 - (b) finance costs;
 - (c) share of the profit or loss of associates and joint ventures accounted for using the equity method;
 - (d) pre-tax gain or loss recognised on the disposal of assets or settlement of liabilities attributable to discontinuing operations;
 - (e) tax expense; and
 - (f) profit or loss.

Statement of Profit or Loss

An entity shall disclose the following items in the statement of profit and loss as allocations for the period:

(a) profit or loss for the period attributable to:

- (i) non-controlling interests, and
- (ii) owners of the parent.

(b) total comprehensive income for the period attributable to:

- (i) non-controlling interests, and
- (ii) owners of the parent.

Statement of Profit or Loss

- Certain items must be disclosed either on the face of the income statement or in the notes, if material, including:
 - (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
 - (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
 - (c) disposals of items of property, plant and equipment;
 - (d) disposals of investments;
 - (e) discontinuing operations;
 - (f) litigation settlements; and
 - (g) other reversals of provisions.

Statement of changes in equity

For each component of equity, a reconciliation between the opening and closing balances, disclosing changes resulting from:-

- ❖ profit or loss
- ❖ each item of other comprehensive income
- ❖ Transactions with owners in their capacity as owners

This **Statement of Changes in Equity** is a part of the **Balance Sheet**

Statement of Cash Flows

- Information on cash flows provides a basis to assess an entity's ability to generate cash, and the utilization of those cash flows.
- All entities are required to provide a cash flow statement regardless of their size and the industry they operate in.
- There are no exemptions for subsidiaries whose parents have also published a cash flow statement
- Major Components
 - operating cash flows
 - investing cash flows
 - financing cash flows

Notes to financial statements

The notes shall

- present information about the basis of preparation of the financial statements and the specific accounting policies used
- disclose any information required by IFRSs that is not presented elsewhere in the financial statements and
- provide additional information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them
- Notes should be cross-referenced from the face of the financial statements to the relevant note.

Disclosure of accounting policies

- Entity should give disclosure of the measurement bases and the accounting policies an entity uses
- The entity's accounting policies should be clearly stated and presented
- The disclosure given in respect of an accounting policy should be sufficiently detailed that it is understandable

Disclosure about Dividends

- In addition to the distributions information in the statement of changes in equity (part of B/S), the following must be disclosed in the notes
 - “ the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share and the amount of any cumulative preference dividends not recognised”

Capital Disclosures

An entity should disclose information about its objectives, policies and processes for managing capital. To comply with this, the disclosures include:

- qualitative information about the entity's objectives, policies and processes for managing capital, including
 - description of capital it manages
 - nature of external capital requirements, if any
 - how it is meeting its objectives
- quantitative data about what the entity regards as capital
- changes from one period to another
- whether the entity has complied with any external capital requirements and
- if it has not complied, the consequences of such non-compliance.

Disclosures about Puttable Financial Instruments

The following additional disclosures if an entity has a puttable instrument that is classified as an equity instrument:

- summary quantitative data about the amount classified as equity
- the entity's objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period
- the expected cash outflow on redemption or repurchase of that class of financial instruments and
- information about how the expected cash outflow on redemption or repurchase was determined.

Difference between Ind AS 1 and IAS 1

IAS 1 *Presentation of Financial Statements* permits companies to present all items of income and expense recognized in a period either in a single statement, or in two statements.

Ind-AS 1 does not permit the two statements approach. It requires all items of income and expense to be presented in a single statement of profit and loss.

Difference between Ind AS 1 and IAS 1

- **IAS 1** requires a company to present an analysis of expenses recognized in profit or loss using a classification based on either their nature or their function within the company.
- However, **Ind-AS 1** mandates only nature-wise classification of expenses.

Difference between Ind AS 1 and IAS 1

- **IAS 1** requires presentation of the statement of changes in equity (SOCIE) as a separate statement.
- **Ind-AS 1** requires the SOCIE to be presented as a part of the balance sheet.

About the Author

- *CA. Rajkumar S Adukia is an eminent business consultant, academician, writer, and speaker. He is the senior partner of Adukia & Associates.*
- *In addition to being a Chartered Accountant, Company Secretary, Cost Accountant, MBA, Dip IFR (UK), Mr. Adukia also holds a Degree in Law and Diploma in Labor Laws and IPR.*
- *Mr. Adukia, a rank holder from Bombay University completed the Chartered Accountancy examination with 1st Rank in Inter CA & 6th Rank in Final CA, and 3rd Rank in Final Cost Accountancy Course in 1983.*
- *He started his practice as a Chartered Accountant on 1st July 1983, in the three decades following which he left no stone unturned, be it academic expertise or professional development.*

About the Author

- *He has been coordinating with various Professional Institutions, Associations, Universities, University Grants Commission and other Educational Institutions.*
- *Authored more than 50 books on a vast range of topics including Internal Audit, Bank Audit, SEZ, CARO, PMLA, Anti-dumping, Income Tax Search, Survey and Seizure, IFRS, LLP, Labour Laws, Real estate, ERM, Inbound and Outbound Investments, Green Audit etc.*
- *The author can be reached at rajkumarradukia@caaa.in
Mob – 09820061049 / 09323061049*
- *For more details log on to www.caaa.in*

Thank You