



# Voices on Reporting

11 July 2016

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# Welcome

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Series of knowledge sharing calls

Covering current and emerging reporting issues

Scheduled towards the end of each month

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# Speakers for the call

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# Agenda

- **SEBI relaxes norms for Ind AS compliant quarterly results**
- MoF defers ICDS by one year
- ITFG: Clarification Bulletin 3

# SEBI relaxes norms for Ind AS compliant quarterly results<sup>1</sup>

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## Background

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- On 2 September 2015, SEBI issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)<sup>2</sup>
- On 30 November 2015, SEBI prescribed the following formats for listed entities for publishing their financial results<sup>3</sup>:
  - Formats for presenting the quarterly financial results including segment reporting
  - Format for limited review report and audit report.

# SEBI relaxes norms for Ind AS compliant quarterly results<sup>1</sup> (cont.)

## Revised formats for financial results

### Formats up to 31 December 2016

Listed entities to follow existing formats prescribed under SEBI circular dated 30 November 2015 till the period ending 31 December 2016.

### Formats for the period 31 March 2017

Listed entities to provide their unaudited/audited, quarterly/half yearly results as per the formats prescribed in the Schedule III to the 2013 Act.

### Formats for banks and insurance companies

Follow the formats as prescribed under the respective acts/regulations specified by the regulators.

### Compliance with accounting standards

Listed entities to comply with Accounting Standards/Ind AS.

### Segment reporting

Quarterly/annual segment reporting should consist of segment revenue (including inter-segment revenue), segment results, segment assets and segment liabilities.

**Listed entities to publish financial results in newspapers as per the format given in the Annexure of the circular.**

# SEBI relaxes norms for Ind AS compliant quarterly results<sup>1</sup> (cont.)



## Implementation of Ind AS during the year - relaxations

Quarters	Timelines for submitting quarterly results	
	Existing	Revised
Quarter ending 30 June 2016	Up to 14 August 2016	Up to 14 September 2016
Quarter ending 30 September 2016	Up to 14 November 2016	Up to 14 December 2016
Quarter ending 31 December 2016	Up to 14 February 2017	Up to 14 February 2017
Quarter ending 31 March 2017	Up to 30 May 2017	Up to 30 May 2017

# SEBI relaxes norms for Ind AS compliant quarterly results<sup>1</sup> (cont.)

Reporting requirements	3 months ended	Preceding 3 months ended	Corresponding 3 months ended in the PY	YTD figures for current period ended	YTD figures for the PY ended	PY ended 31 March 2016	Audit/review of PY comparative period	Audit or review of period ended 31 March 2016	Disclosure of reserves (excluding revaluation reserves)
30 June 2016	√	×	√	N.A.	N.A.	×	×	×	Optional
30 September 2016	√	√	√	√	√	×	×	×	Optional
31 December 2016	√	√	√	√	√	×	√	×	Optional
31 March 2017	√	√	√	√	√	√	√	√	

*\*The submission of Ind AS compliant financial results for the PY ended 31 March 2016 is not mandatory.*

- It requires reporting for financial year ended 31 March 2017 or 31 March 2016 as the case may be.
- Companies may voluntarily provide Ind AS comparatives for the year ended 31 March 2016. However, these are not required to be audited or reviewed. Companies should disclose the fact that the financial results have not been audited/reviewed.
- If a company opts to provide Ind AS comparatives for the year ended 31 March 2016 then such comparatives would be required to be audited or reviewed by auditors.



# SEBI relaxes norms for Ind AS compliant quarterly results<sup>1</sup> (cont.)



## Other relaxations

### Consolidated financial statements



- Listed company may opt to present quarterly/year to date consolidated financial results in the second quarter instead of the first quarter.
- This option shall not be changed during the remaining part of the financial year.

### Companies covered in Ind AS road map phase 2 and after



All the relaxations for the quarter ending 30 June 2016, 30 September 2016 and 31 December 2016 would be applicable to such listed companies.

# SEBI relaxes norms for Ind AS compliant quarterly results<sup>1</sup> (cont.)



## Clarification on issues with regard to Ind AS implementation

- **Reconciliations to be presented:** The circular states that following are the reconciliation requirements:
  - Reconciliation of its equity for the previous year ended 31 March 2016 should be provided while submitting the audited yearly balance sheet for the period ended 31 March 2017.  
  
Reconciliation of its equity for the previous year ended 31 March 2016 should be provided in case the listed entity intends to provide the same while submitting the unaudited/audited Ind AS compliant half-yearly balance sheet for the period ended 30 September 2016.
  - Reconciliation of its net profit/loss as mentioned in the unaudited/audited quarterly financial results should be provided only for the corresponding quarter of the previous year.
- **Year end other than 31 March** - At the time of transitioning to Ind AS and while adopting 31 March as financial year end, company should disclose with due prominence that the comparative amounts presented are not entirely comparable in the:
  - Quarterly
  - Half yearly
  - Year to date
  - Annual financial results.
- **Technical difficulty in the interpretations** - In case of technical difficulty in the interpretation of any specific item in the formats or implementation of the circular:
  - Take guidance from the relevant provisions of the Ind AS Rules/AS Rules and Schedule III to the 2013 Act and make suitable modifications.
  - Additionally, provide suitable explanations and clarifications, wherever necessary.



# Agenda

- SEBI relaxes norms for Ind AS compliant quarterly results
- **MoF defers ICDS by one year**
- ITFG: Clarification Bulletin 3

# MoF defers ICDS by one year<sup>4</sup>

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## Background

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- On 31 March 2015, the MoF issued 10 ICDS.
- These standards were applicable for the previous year commencing from 1 April 2015 (AY 2016-17 onwards).

## Developments

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- An expert committee made recommendations to the notified ICDS and issued clarifications on the points raised by the stakeholders.
- On 6 July 2016, MoF announced that revision of ICDS as recommended by the Committee, is under consideration
- Further, revision to the Tax Audit Report is also under process for ensuring compliance with the provisions of ICDS.
- In light of the above, MoF has announced that ICDS shall be applicable from 1 April 2016 (AY 2017-18).
- A notification to this effect is expected to be issued shortly.



# Agenda

- SEBI relaxes norms for Ind AS compliant quarterly results
- MoF defers ICDS by one year
- **ITFG: Clarification Bulletin 3**

# Ind AS Transition Facilitation Group: Clarification Bulletin 3<sup>5</sup>

## Background

- The Ind AS Transition Facilitation Group (ITFG) of ICAI held its third and fourth meeting on 23 May 2016 and 22 June 2016 and has issued its third bulletin (Bulletin 3) on 2 July 2016 which provides guidance on 14 issues relating to the application of Ind AS.
- Companies should consider the interpretations issued by ITFG while transitioning to Ind AS.

## Guidance

- These issues relate to topics such as:
  - **Property, Plant and Equipment (PPE):** The ITFG has clarified the following issues relating to recognition and measurement of PPE:
    - Capital spare parts previously recognised as inventory which are now eligible to be capitalised as PPE may use previous GAAP if the company had elected previous GAAP as the carrying value basis of measurement of deemed cost at the time of transition.
    - Capital work in progress is considered to be in the nature of PPE under construction and the provisions of Ind AS 16, *Property, Plant and Equipment* apply to it, accordingly it can be recognised at the carrying value under previous GAAP as deemed cost under Ind AS 101, *First-time Adoption of Indian Accounting Standards*.
    - Where a company does not elect to apply deemed cost exemption on first time adoption of Ind AS, it is required to apply Ind AS 16 retrospectively to its PPE; including the reassessment of the useful lives of the assets where the depreciation rates as per Schedule XIV of the Companies Act, 1956 were being followed earlier.
  - **Foreign exchange difference on long-term foreign currency monetary item:** Where a company continues to avail its option under paragraph 46/46A of AS 11, *The Effects of Changes in Foreign Exchange Rates* under previous GAAP and capitalises the exchange gain/loss on such foreign currency loans into the cost of the related asset; it will not be permitted to apply hedge accounting to a foreign currency swap transaction for hedging such a long-term foreign currency loan since the company has no corresponding foreign exchange exposure that affects profit or loss.

# Ind AS Transition Facilitation Group: Clarification Bulletin 3<sup>5</sup> (cont.)

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- **Deemed cost of an investment in a subsidiary:** A company that has used fair value as the measurement basis for deemed cost on transition, may therefore continue to carry its investment in the subsidiary at the transition date fair value, which is deemed to be its cost under Ind AS.
- **Toll roads and revenue based amortisation:** The ITFG has clarified that in harmonisation of the Companies (Accounts) Rules, 2014, Ind AS 38, *Intangible Assets* and Ind AS 101, principles of Ind AS 38 should be followed for all intangible assets related to service concession arrangements including toll roads once Ind AS is applicable to an entity. Accordingly, revenue based amortisation is generally not expected to apply to such intangible assets.
- **Core Investment Companies (CIC):** CIC to follow Ind AS road map as applicable to NBFC.
- **Voluntary adoption of Ind AS and adoption of Division II of Revised Schedule III:** A company that voluntarily adopts Ind AS from financial year 2015-16 may use the format specified in Division II of Revised Schedule III of the 2013 Act.
- **Functional currency:** Where an entity has two or more distinct businesses with different functional currencies, the functional currency of the entity will be determined at the entity level-considering the economic environment in which the entity operates and not at the level of a business or a division.

# Ind AS Transition Facilitation Group: Clarification Bulletin 3<sup>5</sup> (cont.)

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## – **Applicability of Ind AS road map to group companies:**

- Where a parent company voluntarily or mandatorily adopts Ind AS, then its holding, subsidiary, joint venture or associate; whether through direct or indirect association (e.g. through a subsidiary) should comply with Ind AS from the financial year in which the parent company starts complying.
- If a company that is required to apply Ind AS, had an associate under the previous GAAP that no longer meets the definition of an associate under Ind AS, such an associate company would not be required to comply with Ind AS (unless it otherwise falls within the Ind AS road map) and vice versa.
- Where, during a financial year, a company becomes a holding, subsidiary, joint venture or associate company of another company falling in the Ind AS road map, then the former will be required to prepare Ind AS financial statements from that financial year and interim quarterly financial statements in which the acquisition occurs.
- If the company ceases to meet the threshold criteria in the Ind AS road map immediately before the mandatorily application date then such company will not be required to comply with Ind AS even if it met the criteria on a prior date.





Q&A

# Sources

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1. SEBI circular no. CIR/CFD/FAC/62/2016 dated 5 July 2016.
2. SEBI notification dated 2 September 2015.
3. SEBI circular no. CIR/CFD/CMD/15/2015 dated 30 November 2015.
4. Press release by Ministry of Finance dated 6 July 2016.
5. ITFG clarification: bulletin 3 dated 2 July 2016.

# Glossary

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- 2013 Act - The Companies Act, 2013
- SEBI - The Securities and Exchange Board of India
- Ind AS - Indian Accounting Standard
- MoF - Ministry of Finance
- ICDS - Income Computation and Disclosure Standards
- PY - Previous Year
- YTD - Year to date
- AY - Assessment Year
- ITFG - Ind AS Transition Facilitation Group
- ICAI - The Institute of Chartered Accountants of India
- PPE - Property, Plant and Equipment
- CIC - Core Investment Companies
- NBFC - Non-Banking Financial Companies
- Ind AS Rules - Companies (Indian Accounting Standards) Rules, 2015
- AS Rules - Companies (Accounting Standards) Rules, 2006

# Links to previous recordings of VOR

Month	Topics	Link
<b>December 2015</b>	<ul style="list-style-type: none"><li>• Ind AS road map, IFC and ICDS</li><li>• The SEBI matters</li><li>• The accounting matters</li></ul>	Click <a href="#">here</a>
<b>January 2016</b>	<ul style="list-style-type: none"><li>• Overview of Ind AS 21, The Effects of Changes in Foreign Exchange Rates</li><li>• Key regulatory updates.</li></ul>	Click <a href="#">here</a>
<b>February 2016</b>	<ul style="list-style-type: none"><li>• Report of the Companies Law Committee</li><li>• Securities and Exchange Board of India (SEBI) issues the Frequently Asked Question (FAQs) on the SEBI Listing Regulations, 2015.</li></ul>	Click <a href="#">here</a>
<b>April 2016</b>	<ul style="list-style-type: none"><li>• Updates on Ind AS convergence</li><li>• Updates on SEBI regulations</li><li>• Updates on the Companies Act, 2013 (2013 Act)</li><li>• Updates on accounting and financial reporting</li></ul>	Click <a href="#">here</a>
<b>May 2016 (Special session)</b>	<ul style="list-style-type: none"><li>• Framework proposed by the MAT-Ind AS committee – new development</li></ul>	Click <a href="#">here</a>
<b>May 2016</b>	<ul style="list-style-type: none"><li>• ITFG clarification Bulletin 2</li><li>• Amendments to Accounting Standards</li><li>• Guidance Note on Accounting for Real Estate Transactions</li></ul>	Click <a href="#">here</a>
<b>June 2016</b>	<ul style="list-style-type: none"><li>• Ind AS reminders</li><li>• Updates on the 2013 Act</li><li>• Updates on SEBI regulations</li><li>• Updates on accounting and financial reporting</li></ul>	Click <a href="#">here</a>

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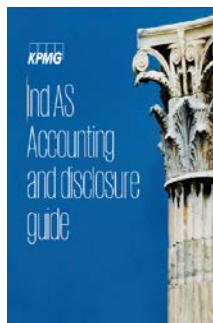


## **SEBI issues a consultation paper on continuous disclosures to be made by infrastructure investment trusts**

28 June 2016

On 15 June 2016, the SEBI issued a consultation paper inviting comments on continuous financial disclosures and other continuous disclosures to be made by Infrastructure Investment Trusts (InvITs) that are registered under the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (InvIT regulations). SEBI's consultation paper includes the proposals of the committee constituted by SEBI (comprising representatives from the real estate and infrastructure industry, stock exchanges, investment banks, audit firms and law firms) to evaluate the disclosure obligations under the InvIT regulations and accounting norms for InvITs.

This issue of IFRS Notes provides an overview of the SEBI consultation paper.



## **New launch - The Ind AS Accounting and disclosure guide**

6 June 2016

Ind AS comprises 40 accounting standards that provide extensive guidance and entail a significant change in the financial reporting framework used by Indian companies to report their financial results. Their adoption requires a detailed level of analysis for which companies may need to invest substantial amounts of time to ensure compliance.

Our publication 'Ind AS – Accounting and disclosure guide (the guide)' is an extensive tool designed to assist companies in preparing financial statements in accordance with Ind AS by identifying the potential accounting considerations and disclosure requirements that are applicable to them. It covers key recognition, measurement and disclosure requirements for each standard along with some additional considerations.

The guide is available for download from our website [click here](#).

# Topics discussed in AAU and First Notes

## Accounting and Auditing Update (AAU)



### Issue no. 10/2016 | Consumer Markets

- Consumer markets and Ind AS
- Conversation with V. Srinivasan
- Foreign Direct Investment in the retail sector
- Consumer market – Embroiled by the Advertisement, Marketing and Promotion issue
- Liquor industry in India
- Fraud in the consumer markets sector
- Internal financial controls
- Regulatory updates.

## First Notes



### The MCA amends certain provisions relating to auditor's rotation and managerial remuneration

8 July 2016

The Companies Act, 2013 (2013 Act) became largely effective from 1 April 2014. The Ministry of Corporate Affairs (MCA) has been issuing various amendments and clarifications to the 2013 Act and to the corresponding Rules to remove practical challenges faced by companies while implementing certain provisions of the 2013 Act. Recently, on 30 June 2016, the MCA amended certain provisions relating to:

- Auditor's rotation, and
- Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Our First Notes provide an overview of the amendments made by the MCA.

## Missed an issue of Accounting and Auditing Update



## Missed an issue of First Notes



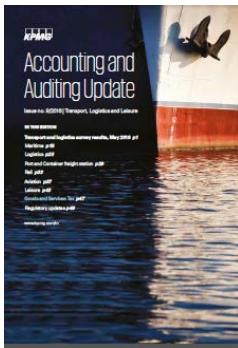
## Coming up next

July 2016

New issue of:

- Accounting and Auditing Update
- First Notes
- IFRS Notes

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# Thank you

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