



Confederation of Indian Industry

A workshop on:

“International Financial Reporting Standards (IFRS) - are we prepared?”

BDO Speaker & Topic

Mr. Anand Banka (BDO India) - Overview of IFRS and Regulatory Issues

Date: 29th January 2010

Time: 1500 hrs to 1830 hrs



Confederation of Indian Industry

In Association With
भारतीय स्टेट बैंक
State Bank of India

Knowledge Partner
BDO



Sponsored by
Voxelon Beekay Castings Limited

Workshop
on

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Are We Prepared?

O P SINGHANIA

RAMMOHAN
BHAVE

VIRENDRA GOEL

T K GUPTA

NARAYAN
AGRAWAL

ANAND BANERJEE

PRATEEK
PANDEY

Speakers & Topic

1. Mr. Anand Banka (BDO India) - Overview of IFRS and Regulatory Issues
2. Mr. Rammohan Bhave (IFRS Consultant) - Comparison of Indian GAAP and IFRS & First-time adoption of IFRS: Key principles and exemptions available to companies

Chief Guest for the occasion

Mr. T.K.Gupta
Executive Director
Bhilai Steel Plant

Newspapers

The Hitavada, Raipur
Haribhumi, Raipur
Navbharat, Raipur

Video

Expected Shortly from CII

CII workshop on IFRS

Overview of IFRS & Regulatory Issues

- Anand Banka



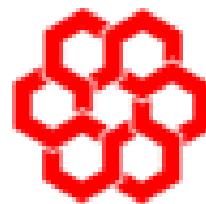


Contents

- Overview of IFRS
- Journey to IFRS
- IFRS Framework
- New Concepts under IFRS
- Regulatory Issues & Challenges

Overview of IFRS

IFRS - Global Context



International
Accounting Standards
Board®

- Formulated by IASB
- Formerly known as IAS
- 29 (41) IAS, 9 (9) IFRS, 11 (33) SIC and 17 (18) IFRIC
- Emerging as Global Reporting Standards
- Adoption by over 110 countries including EU
- Acceptance by Stock Markets Globally
- IFRS for Small and Medium Enterprises effective from July 9, 2009



IFRS - Indian Context

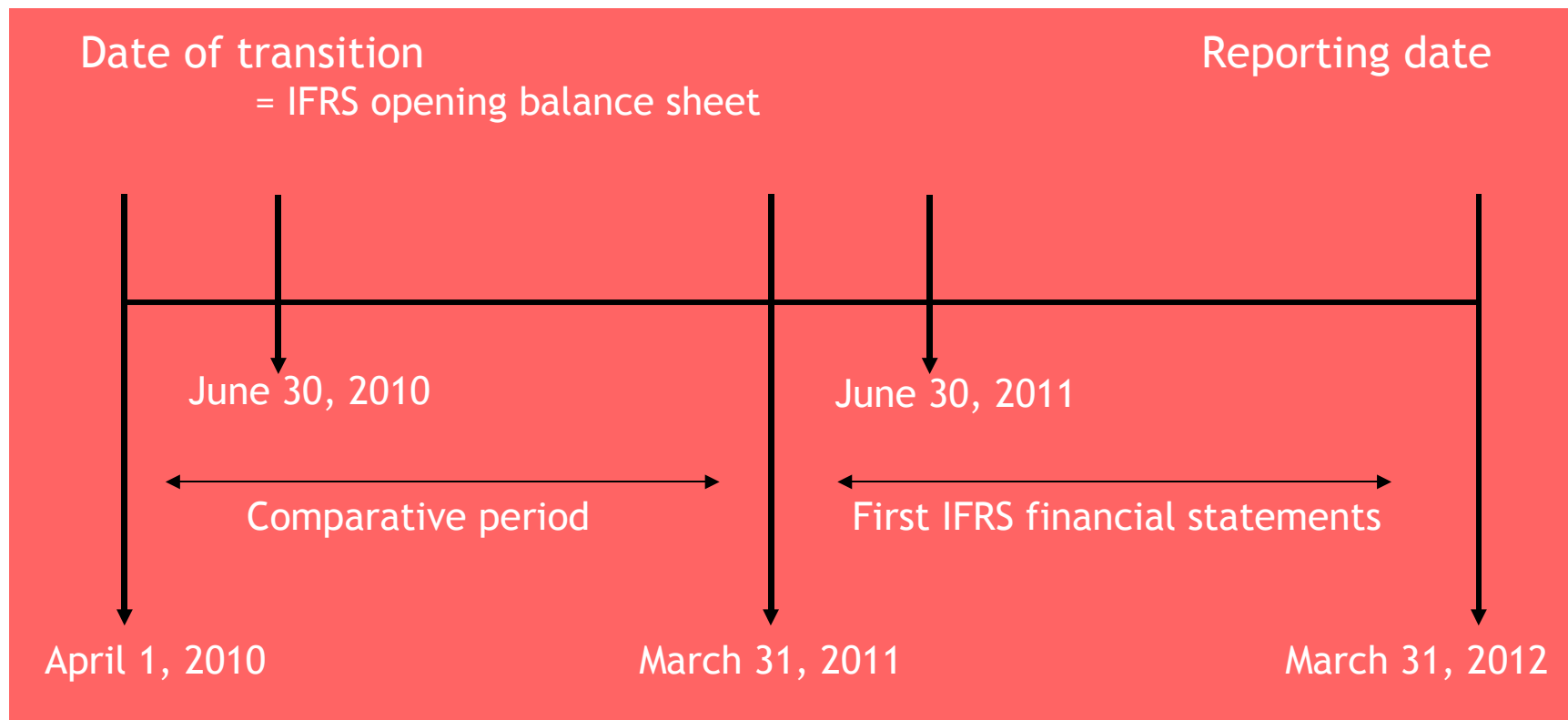
- Formation of IFRS Task Force by the Council of ICAI
- IFRS website launched by ICAI <http://ifrs.icai.org/>
- Applicability of IFRS from accounting period commencing on or after 1 April 2011
- Press Release by MCA
- Report of IRDA on Impact of IFRS Compliance on Insurance Industry
- SEBI to permit consolidated financials statements prepared as per IFRS

Phase-wise applicability

- **Phase 1 - April 1, 2011**
 - BSE- Sensex
 - NSE- Nifty
 - companies whose shares or other securities are listed on stock exchanges outside India
 - companies whether listed or not and which have a net worth in excess of Rs. 1,000 crores
- **Phase 2 - April 1, 2013**
 - companies, whether listed or not which have a net worth exceeding Rs. 500 crores but not exceeding Rs. 1,000 crores
- **Phase 3 - April 1, 2014**
 - listed companies which have a net worth of Rs. 500 crores or less
- **Banks & Insurance - will be determined by February 28, 2010**

Journey to IFRS

Journey to IFRS





Important Terms

First reporting financial year - Accounting period commencing on or after 1

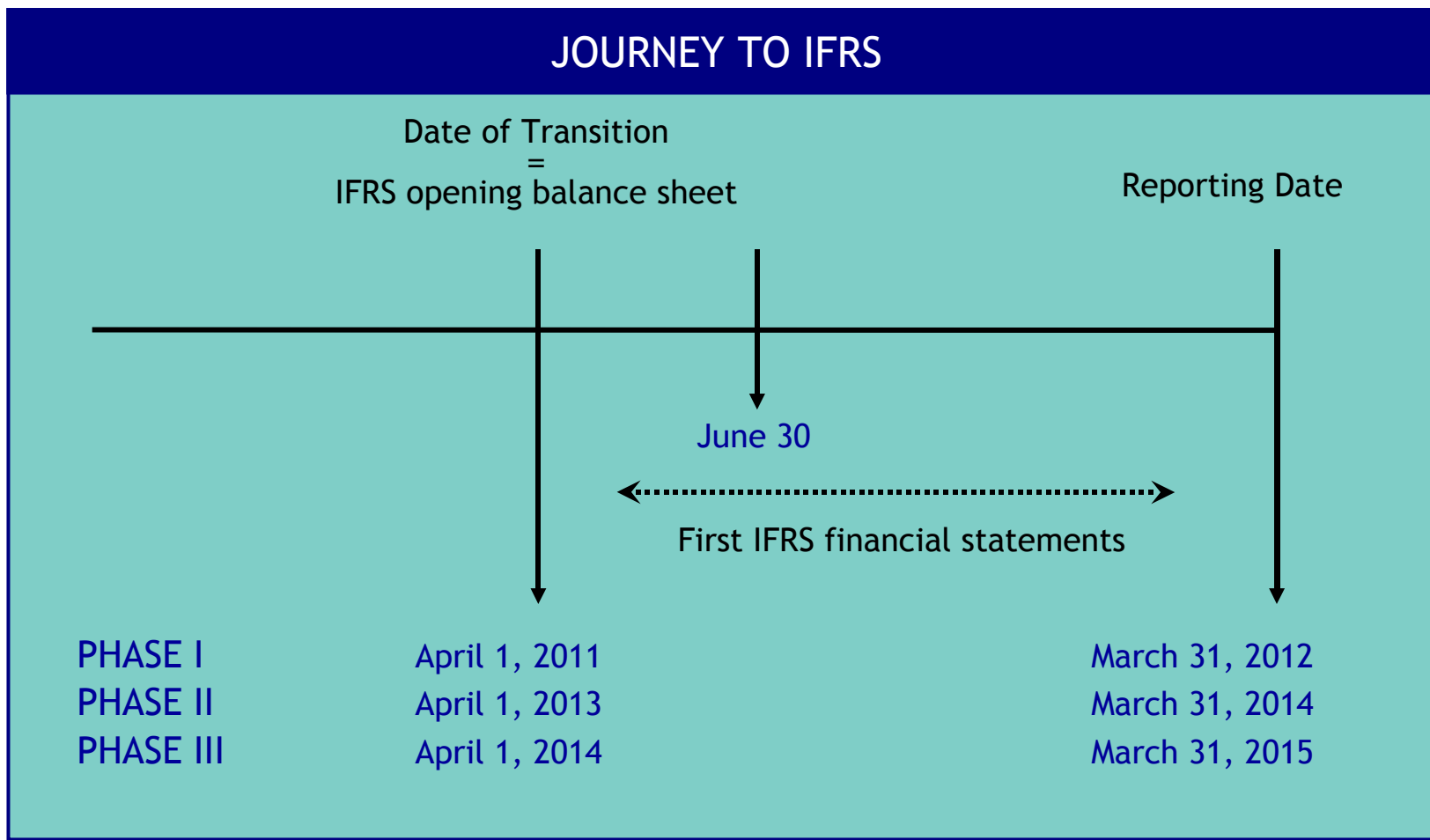
April 2011

Date of transition - The beginning of the earliest period for which the entity presents full comparative financial information

Date of adoption - The first day of the first reporting financial year

Date of reporting - The last day of the first reporting financial year

Journey as per MCA



IFRS Framework

How to read? Structure of the IFRS Standards

Structure of the IFRS Standards

- Introduction
- Main Text- Objective, scope, Definitions, Recognition & measurements, Disclosures, Effective dates and Transition provisions
- Illustrative Examples
- Application guidance
- Basis for Conclusions
- Dissenting Opinions



Basic Concepts under IFRS

- Principle based standards
- Substance over form
- Fair Valuation
- Time value of money
- Standards prevail over law

- Fair Valuation - under IFRS and IGAAP

IFRS/ IAS	Name of the Standard	IFRS	IGAAP
IFRS 2	Share-based Payment		Optional
IFRS 3	Business Combination		Optional
IAS 16	Property, Plant & Equipment	Optional	Optional
IAS 19	Employee Benefits		
IAS 26	Accounting & Reporting by Retirement Benefit Plans		NA
IAS 32	Financial Instruments: Disclosure & Presentation		(after 1.4.2011)
IAS 39	Financial Instruments: Recognition & Measurement		(after 1.4.2011)
IAS 36	Impairment of Assets		
IAS 38	Intangible Assets	Optional	Prohibited
IAS 40	Investment Property	Optional	NA
IAS 41	Agriculture		NA

New Concepts under IFRS



New Concepts

- Current and Non-current classification of Assets and Liabilities
- Fair Valuation
- Consolidation
 - Mandatory Consolidation
 - Potential Voting Rights
- Functional Currency
- Deferred Tax on temporary differences



New Concepts

- Multiple Element Arrangements
- Component accounting for Property, Plant & Equipment
- Compound Financial Instruments
- Goodwill accounting
 - Negative goodwill
 - No amortization
- Operating Segments (Chief Operating Decision Maker)

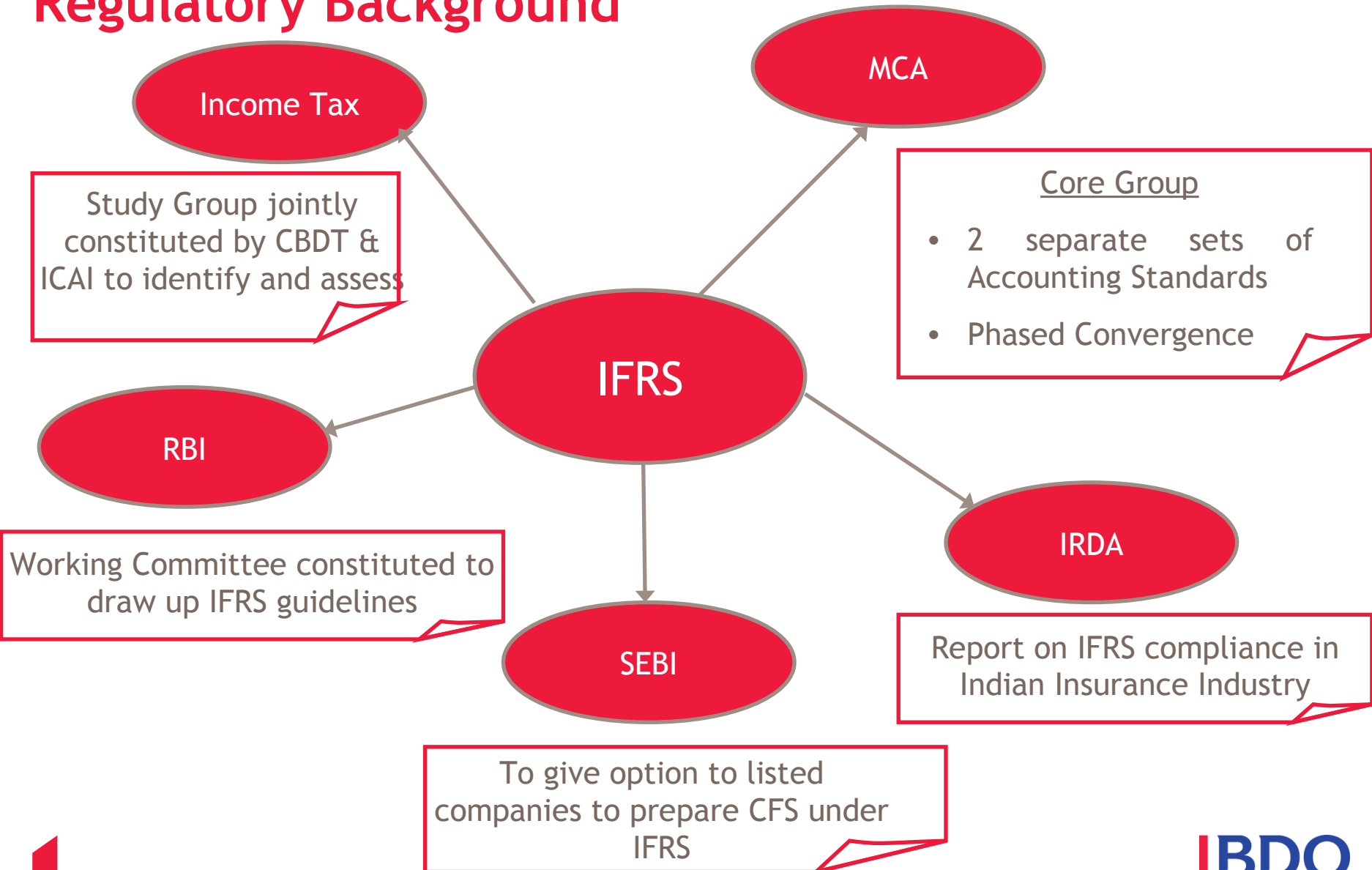


New Concepts

- Inventory of Service Providers
- Critical management judgements
- Capital management policies
- Risk management policies
- Depreciation cannot be recouped from revaluation reserve

Regulatory Issues & Challenges

Regulatory Background





Regulatory Issues & Challenges

- Format of Financial Statements (MCA, RBI, IRDA, SEBI)
- Business Combinations (High Court & RBI Order)
- Restatement of Financial Statements
- Classification of Redeemable Preference Shares
- Rate of Depreciation
- Classification & Measurement of Investments

- Classification & Measurement of Investments

	Classification	Measurement
MCA	<ul style="list-style-type: none"> • Long-term • Current 	<ul style="list-style-type: none"> • Cost • Cost or Market Value, whichever is lower
RBI	<ul style="list-style-type: none"> • Available For Sale • Held For Trading • Held To Maturity 	<ul style="list-style-type: none"> • MTM (loss to P/L) • MTM (loss to P/L) • Amortized Cost
IRDA	<ul style="list-style-type: none"> • Long-term • Current <p>(Including classification on the basis of type of instruments)</p>	<ul style="list-style-type: none"> • MTM except for some securities
SEBI	Classification on the basis of type of instruments	<ul style="list-style-type: none"> • MTM except for some securities
IFRS	<ul style="list-style-type: none"> • Fair value through profit & loss • Held-to-Maturity • Available for sale • Loan & Receivable 	<ul style="list-style-type: none"> • Fair value (P/L) • Amortized Cost • Fair Value (Equity) • Amortized Cost



Regulatory Issues & Challenges

- Distribution of unrealized gains due to fair valuation
- Provisioning for Incurred Losses vis-à-vis Expected Losses
- Proposed Dividend
- Securitization (Control vs. Risks & Rewards)
- Recognition of Negative Goodwill in income statement
- Effective Interest Rates (acquisition costs & processing fees)

ThanQ?

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