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Accounting Standards (AS) and Indian Accounting Standards (Ind AS) - Key Differences

3.1 INTRODUCTION

Standards of Accounting are the guiding principles for standardisation of accounting practices adopted by various business concerns. In India, the standards for corporate entities are issued by the MCA in consultation with the NFRA. The ICAI plays a key role in the formulation of accounting standards. As on 01-04-2023, there are 27 Accounting Standards effectively in operation. A detailed list of the same is displayed in Table 2.2 of Chapter 2.

However, with the pace of globalisation and the need of cross border listing it was important to harmonise the accounting practices being adopted by entities across the global. This on 16-02-2015, the government notified the Indian Accounting Standards (Ind AS), a converged form of IFRS. As on 01-04-2023, there are 39 Ind AS effectively in operation. A detailed list is displayed in Table 2.4 of Chapter 2.

In the present research work the researcher has endeavoured to identify the key differences between the Accounting Standards (AS) and Ind AS based Accounting system with reference to the select Ind AS under study. The researcher has selected 10 (Ten) numbers of Ind AS using judgement sampling as presented in Table 1.3 of Chapter 1. Also, Ind AS 1 and Ind AS 101 being parent standards on Presentation and First time adoption of Ind AS have been specifically selected to achieve the Objective No. 1 of the present study. The Ind AS so selected are then compared with the corresponding accounting standards AS and the key differences observed between the two types of standards are examined.

A list of standards selected within Ind AS and the corresponding AS has been presented in Table below.

Table 3.1: Table showing list of Standards within Ind AS and AS selected for study

Sl. No.	Ind AS selected for study	Corresponding AS selected for study
1.	Ind AS 1- Presentation of Financial Statements	AS 1- Disclosure of Accounting Policies
2.	Ind AS 2- Inventories	AS 2- Valuation of Inventories
3.	Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors	AS 5- Net Profit or Loss for the period, Prior period Items and Changes in Accounting Policies
4.	Ind AS 10- Events after the Reporting Period	AS 4- Contingencies and Events occurring after the Balance Sheet Date
5.	Ind AS 16- Property, Plant & Equipment	AS 10- Property, Plant & Equipment
6.	Ind AS 23- Borrowing Costs	AS 16- Borrowing Costs
7.	Ind AS 24- Related Party Disclosures	AS 18- Related Party Disclosures
8.	Ind AS 37- Provisions, Contingent Liabilities and Contingent Assets	AS 29- Provisions, Contingent Liabilities and Contingent Assets
9.	Ind AS 38- Intangible Assets	AS-26- Intangible Assets
10.	Ind AS 101-First-time Adoption of Indian Accounting Standards	No corresponding standard under AS

Source: Researcher's own compilation

For Ind AS 101, "*First Time Adoption of Indian Accounting Standards"* there being no corresponding standard under AS regime, the researcher has attempted to analyze the prominent features of the standard for the research work since Ind AS 101 provides certain exemptions from retrospective application of Ind AS.

3.2 IND AS 1- PRESENTATION OF FINANCIAL STATEMENTS

Ind AS 1 deals with presentation of financials. This being a parent standard is of paramount importance since all business entities preparing financials under Ind AS framework are guided by Ind AS 1 so far as presentation is concerned. However, AS 1 deals with disclosure of accounting policies. This standard prescribes the various disclosures to be provided by entities in the financials prepared under AS framework. The range of Ind AS-1 is much wider than AS-1. Some of the key differences are enumerated in the table below.

Table 3.2: Table showing key differences between Ind AS -1 and AS- 1

Sl. No.	Description provided as per Ind AS	Description provided as per AS
1.	As per Para 40A of Ind AS 1, there is a requirement of presentation of a third balance sheet as at the start of the previous period when: (i) There is a retrospective application of an accounting policy by a business unit or reclassification of items in the financials or there is a retrospective restatement of items in the financials. and (ii) There is a material effect on the financial information due to such action in the balance sheet as at the start of the previous period.	Under AS 1, there is nothing of such requirement.
2.	As provided in para 41 & 42 of Ind AS 1, a detailed procedure has to be followed while reclassifying items in the financials. For this, the nature, amount and reason of	AS 1 is silent in this aspect.

	reclassification requires detailed disclosures. Even comparative information also needs to be reclassified and if there is any impracticability in doing so, additional disclosures are prescribed.	
3.	According to Para 99 given by Ind AS 1 prescribes that classification of expenses in the profit & loss statement is to be done on the criteria of nature of expenses.	AS 1 does not prescribe any such requirement.
4.	As per Para 66 to 75 of Ind AS 1, there is a comprehensive guidance on presentation and classification criteria for Current Assets, Non-Current Assets, Current & Non-Current Liabilities.	AS 1 does not provide such detailed guidance.
5.	Ind AS 1 prescribes financials to include a Statement of Changes in Equity as part of financial statements.	There is no such specific provision in AS 1.
6.	Para 125 prescribes disclosure of assumptions for the future made by the management while designing accounting policies at the close of reporting period that have vital risk of causing a important adjustment to the carrying amounts of assets and liabilities by next financial year along with detailed disclosures for the above.	There is no such need in AS 1.

7.	Ind AS 1 requires that an entity shall make an explicit & unreserved statement in the notes of accounts about compliance of financial reports with Ind AS. However, in case the management finds that compliance with any Ind AS shall be misguiding and if regulatory framework does not debar such departure, the entity shall disclose the same.	Under AS 1 there is no such requirement.
8.	To avoid probable misuse of the provision of inclusion of extraordinary items Ind AS 1 has prohibited presentation of any detail of income or expense as item of extraordinary nature.	Under AS 1 extraordinary items are disclosed separately in the statement of profit & loss and are included in the determination of net profit / loss for the period.
9.	Ind AS requires disclosures of judgements apart from those involving estimations that the management has done in the process of application of the entity's accounting policies and that have the most important effect on the amounts recognised in the financial reports.	There is no such requirement in AS 1.

Source: Researcher's own compilation

Thus, it is observed that there are many differences between the two groups of standards. The disclosure and presentation norms prescribed under Ind AS are more thorough and elaborate when compared to those prescribed under AS 1. Also, there is guidance on several issues in Ind AS not dealt with by AS, the most important one being the method of treating extraordinary items in the financials. Hence, the transparency in presentation and disclosure will thus improve for financial reports prepared according to Ind AS framework.

3.3 IND AS 2:- INVENTORIES

Inventories are one of major factors of production for a business without which it cannot run its operations. These are amongst some of the major components of current assets of an entity and have a prominent impact on its profitability and financial position.

Appropriate recognition and measurement of inventories is essential since its undervaluation or overvaluation will distort the financials for different accounting periods. Indian Accounting Standard (Ind AS) 2, *"Inventories"*, lays down the principles for recognition and measurement of inventories, recognition of inventories as expenses, Inventory write-downs to NRV, reversal of write-downs etc.

Prior to introduction of Ind AS, the existing AS 2:- Valuation of Inventories discusses the subject. The core principles underlying both Ind AS-2 Inventories and AS -2 are similar. Despite similarities, certain key differences exist between the details of AS 2 & Ind AS 2. The range of Ind AS 2 is much comprehensive than AS 2. Few of the key differences are enumerated in the table below.

Table 3.3: Table showing key differences between Ind AS 2 and AS 2

Sl. No.	Description provided as per Ind AS	Description provided as per AS
1.	Ind AS contains scope exclusion of all aspects of accounting for biological Assets in relation to agricultural activity and agricultural produce at the time of harvest. Ind AS-41 Agriculture deals with accounting for such type of inventories.	AS 2 has scope exclusion of accounting for producers' inventories of livestock, agricultural and forest products, to the extent that they are identified at net realizable value (NRV) in accordance with good practices in those industries. AS 2 is does not provide any guidance about recognition of gain/loss arising on measurement of

		these inventories at net realizable value.
2.	Ind AS-2 contains scope exclusion of only the determination of Inventories held by producers of minerals and mineral products, till they are recorded at net realizable value in accordance with settled practices in those industries. It also specifies that any gains/ losses resulting from measuring inventories at net realizable value (NRV) are measured in profit/loss in the period of change.	AS 2 specifically excludes all aspects of accounting for producers' inventories of mineral oils, ores and gases, to the extent that they are identified at net realizable value (NRV) in accordance with well-established methods in those industries. AS 2 is does not speak about recognition of gain/loss arising on measurement of these inventories at net realizable value.
3.	Para 3(b) of Ind AS 2 provides exclusion to measurement of inventories items owned by commodity broker-traders, measuring their items of inventories at fair value amount as reduced by costs to sell.	This aspect is not covered in the current AS 2.
4.	Ind AS 2 contains scope exclusion of work in progress arising due to construction contracts, including directly related contracts of service. However, no scope exclusion is there for work in progress arising in the normal sequence of business of service providers.	Work in progress arising in the normal course of business process of service providers as well as under construction contracts is excluded in AS 2.
5.	Ind AS 2 does not offer any specific requirement in relation to classification of machinery spares	AS 2 says that inventories excludes machinery spares that can be applied only for PPE and

	as Inventory or PPE. Ind AS-16 Property, Plant & Equipment deals with such machinery spares.	whose use is expected not to be regular; then such machinery spares are recorded in accordance with AS 10 on standard for Fixed Assets.
6.	Para 18 of Ind AS-2 requires that where an Inventory is acquired on deferred settlement terms, the entity should identify finance element separately. The difference between the equivalent cash price and the amount of payment is recorded as an interest over the period of financing.	AS 2 does not require for separation of finance element for inventories purchased on deferred settlement terms thereby resulting in inflating the true cost of items of inventories and reflecting the faulty financial position at the year-end under the old standard.
7.	Under both standards the specific identification, FIFO and weighted average cost methods are acceptable methods of determining cost. However, their criteria for the use of methods is different. Whereas Ind AS 2 does not specifically provide so and discusses the application of consistent formulae of cost for all items of inventories items with a similar use and nature to the business entity. ICAI has also clarified that since Inventories held at different geographical location are of similar use and nature to the concern, varied cost formula cannot be applied for inventory	AS 2 categorically mentions that the formula applied in formulating the value of an inventory item should display the fairest estimate to the cost recorded in bringing the matters of inventory to their current place and condition.

	valuation purposes.	
8.	Under Para 16 in Ind AS 2 excludes only selling costs in the valuation of inventories.	Para 13 of AS 2 does not include selling & distribution costs in recording the valuation of inventories. This results in increase in inventories value and subsequent incline in the profits.
9.	Ind AS 2 states that when circumstances that earlier caused inventories to be written down below cost value does not exist or when there is a clear evidence of a rise in net realizable value due to changed economic circumstances, the figure of previous write down is reversed through the profit /loss statement. This results in the new carrying figure being lower of the value of cost and its updated NRV.	AS 2 does not offer any such guidance.
10.	Para 1 & 34 of Ind AS 2 deals with the subsequent recognition of cost/carrying figure of inventories as an item of expense.	AS 2 does not offer the same.
11.	The disclosure mandates in Ind AS 2 are more as compared to AS 2. The following are the additional disclosure requirements: i) Disclosure of carrying figure of inventories carried at fair value minus costs to sell ii) Details of figures of inventories recognised as item of	These disclosures are not provided as per AS 2.

	expense during the period. iii) Details of figure of any write down of items of inventories recorded as an item of expense in the period. iv) Details of value of any reversal of any write down that is recorded as a reduction in the figure of inventories recognised as an expense. v) Carrying value of items of inventories pledged as security. vi) Circumstances or events that resulted in reversal of a write down of inventories.	

Source: Researcher's own compilation

Thus, it is identified that there are many differences between the two clutches of standards. There are a many issues on which additional guidance is prescribed under Ind AS for eg. exclusion of only selling cost in the valuation of inventories, exclusion to recognition of inventories held by commodity broker-traders, scope exclusion with respect to WIP arising due to construction contracts and directly related service contracts. The disclosures prescribed under Ind AS 2 are more elaborate. Thus, the new set of standard will enable the readers of the financial reports to comprehend the inventory position in a better manner.

3.4 IND AS 8 -ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The identification and disclosure of Accounting Policies play a crucial role in making of financial reports of any concern. Both AS 5 and Ind AS 8 recognise the detail that there may be errors in the making of financials of prior periods which can be discovered in current period. Both the standards prescribe significantly different requirements on how to compact with the same. The guidance provided by both the set of standards becomes relevant due to many mistakes or omissions which are identified in a following date. The key differences between both the standards are presented in the table below.

Table 3.4: Table showing key differences between Ind AS 8 and AS 5

Sl. No.	Description provided as per Ind AS	Description provided as per AS
1.	Ind AS 8 has defined the words “Prior Period Errors” and the treatment is different. It treats all possible reasons for errors and omissions arithmetical errors, oversights or misinterpretation of facts etc. in a units earlier period financial statements, including the misclassifications in Balance Sheet under Prior Period Error.	Under AS 5 the term defined is “Prior Period Items”. A prior period item is one which includes the figures of income or expense only and which arises in the present period from mistakes or lapses in the earlier period financial statements. So we may conclude that Balance sheet misclassifications which do not impact profit & loss are not treated as items of earlier period under AS 5.
2.	Under the paras of Ind AS 8, immaterial errors are treated at par with material errors. In such a situation the financial reports are said to be non-compliant with Ind AS.	There is no such defined requirement under AS 5.
3.	Ind AS 8 desires that a concern to correct the errors of prior period retrospectively in the first document of financial reports approved for issue after their identification by restating the comparative figures for the prior period(s) shown in which the error occurred.	Under the provisions of AS 5, the impact of items of prior period is included in the present year statement of profit & loss, with a separate disclosure. There is no requirement to restate the comparative details of earlier years.

4.	Disclosure requirements under Ind AS 8 are more detailed as compared to the disclosure requirements under AS 5. For eg. for voluntary change in accounting policy, a business concern is required to mention the reasons as to why the usage of a new policy would provide reliable and better information	AS 5 does not prescribe such detailed disclosures.
5.	Ind AS 8 deals with criteria for selection of accounting policies.	AS 1, *Disclosure of Accounting Policies* discusses the similar provision.
6.	Under the provisions of Ind AS 1, appearance of any items of Income or expense in the category of extraordinary items is categorically prohibited.	Under AS 5, extraordinary Items are presented distinctly in the of profit & loss statement.
7.	However, Para 12 under Ind AS 8 specifies that while making a judgement as to selection of an accounting policy the management should consider the recent pronouncements of IASB as well as other standard setting bodies as appropriate. Thus, the responsibility is upon the management to select the accounting policies by following the ambit of prevailing laws and customs thereby reduction of bias.	AS 5 specifies the major considerations for selection of accounting policies. They are prudence, substance over form and materiality. Hence the onus is on the management to justify the decision of selection of accounting policies.

8.	According to Para 14 under Ind AS 8 the following conditions should be satisfied for change in accounting policy: (i) It is mandated by an existing standard (ii) The change results is more reliable and relevant information to the stakeholders of financial reports.	As per AS 5, an accounting policy change is permitted if the same is required by virtue of any statute in force in the country.
9.	Under para 30 of Ind AS 8 an entity shall disclose the details that a new standard has been issued but is yet to be made effective. It shall also state its possible impact on the financial reports when it is first applied. This helps the users of the financial reports understand the likely effect of new standard. Further, Para 31 of Ind AS 8 also mandates that in case the impact is unknown or reasonably estimable, a detail to that impact shall be disclosed.	There is no such provision under AS 5.

Source: Researcher's own compilation

Thus, it is found that there are many differences between the two standards. There are few issues on which additional guidance is prescribed under the provisions of Ind AS 8 like treatment of immaterial errors at par with material errors, criteria for election of policies in accounting etc. The disclosures prescribed under rules of Ind AS 8 are more elaborate.

3.5 IND AS 10: EVENTS AFTER THE REPORTING PERIOD

Financial reports are drawn for a defined period and contain the facts, figures and data only for that specified period. The data is not presented for any period beyond the period of financials. However, a time lag exists between the close of reporting date and the period of approval of financials for issue. There may be certain events that occur between these two dates and may have an effect on the financial statements. Hence, Ind AS 10, *Events after the Reporting Period* prescribes the treatment of such events which occur after the close of reporting period and which may have a key effect on the financials.

Under the AS regime, AS 4 *Contingencies and Events occurring after the Balance Sheet Date* identifies the issue of events after the reporting period.

The area covered under Ind AS 10 is much wider than AS 4. The variations between the two set of standards are presented in the table below.

Table 3.5: Table showing key differences between Ind AS 10 and AS 4

Sl. No.	Description provided as per Ind AS	Description provided as per AS
1.	Under provision of paras of Ind AS 10 any material non adjusting events are to be released in the financial statements.	Under AS 4, non-adjusting events are to be revealed in the report of the approving authority, eg. Board of Directors Report for a company.
2.	There are certain disclosures prescribed under paras of Ind AS 10 like the point of time when the financials were permitted for issue, the authority who gave such approval, whether its owners or others persons have the power to modify the financial statements post issue.	There are no such disclosure requirements under AS 4. However, under Companies Act, 2013 every financial report of a corporate shall be approved by its board and shall be signed by specific persons on behalf of the board of directors.
3.	As per Para 12 of Ind AS 10, dividend declared for equity shareholders cannot be be shown	Under AS 4, proposed dividend shall be considered in the financials of the time of reporting. A

	as a liability in the financial reports as it does not see the criterion of present obligation as per the extant provisions under Ind AS 37. The same shall be presented in the notes to the financials as per provisions prescribed under Ind AS 1 *Presentation of Financial Statements.*	provision for such dividend shall be made in the books of Account of the company.
4.	There may be instances when certain entities distribute non cash assets to their shareholders. For example, they may distribute items of property, plant and equipment, management interests in another business entity or disposal groups as provided in Ind AS 105 *Non-Current Assets held for sale and Discontinued Operations*, to the shareholders. As per Ind AS 10, this aspect is dealt with under Appendix A to Ind AS 10 under the heading *Distribution of Non cash Assets to Owners.*	Under AS 4 there is absence of specific standard to handle accounting for such distribution of Non Cash Assets to owners.
5.	As provided under Para 15 of Ind AS 10, if after the conclusion of the reporting period it is found that the fundamental assumption of going concern is no longer suitable, a fundamental modification in the basis of accounting to be introduced.	Under the rules of AS 4, assets and liabilities shall be adjusted for events occurring after the Balance Sheet date in situations which indicate that the assumption of going concern is not appropriate.

Source: Researcher's own compilation

Thus, it is found that there are few differences between the standards. There are many issues on which additional guidance is prescribed under Ind AS 10 like disclosure of material non adjusting events in the financial reports, the date when the financials were permitted for issue, the authority who gave such approval etc. The disclosures prescribed under the provisions of Ind AS 10 are more comprehensive and elaborate.

3.6 IND AS 16:- PROPERTY, PLANT & EQUIPMENT

One of the Challenge in financial Reporting is to account periodically for performance evaluation when many expenditure of an entity are of the nature such that it occurs in current period and also contributes to future periods. The expenditure on Property, Plant & Equipment is of such nature. Moreover, Investors & other stakeholders also keep a close eye on reporting of such assets as it helps in taking better financial decisions. Ind AS 16 covers the valuation of such assets and according to the AS framework the same is covered by AS 6 & AS 10 which have now been replaced with a new AS 10 –Property, Plant & Equipment. The differences between AS 10 & Ind AS 16 are presented in the table below.

Table 3.6: Table showing key differences between Ind AS 16 and AS 10

Sl. No.	Description provided as per Ind AS	Description provided as per AS
1.	Ind AS 16 does not consider assets *'held for sale'* because the guidance on similar assets is covered in Ind AS 105.	AS 10 considers accounting for items of fixed assets which are retired from active usage and held for sale.
2.	Guidance for measuring "Stripping Costs" in the production stage of a Surface Mine is provided in Ind AS 16.	The same is not provided in AS 10.
3.	Ind AS recognises any change in depreciation method as a change in accounting estimate to be applied prospectively.	Under AS any modification in depreciation method is treated as an accounting policy change and applied retrospectively.

4.	Under Ind AS 16 an initial estimate of the amount of dismantling and removing the entry of PPE and restoring the location on which it is situated to its earlier position which it assumes to be incurred at the time of the retirement of asset and include fair value of such figures in the value of such asset that is to be capitalised in the books. As per Ind AS 37, the provision is created at the discounted amount.	AS 10 does not offer any specific guidance on how the corresponding amount should be adjusted. However, Guidance Note on Accounting for Oil and Gas Producing Activities states that entities involved in such activities need to capitalise the dismantling and site restoration costs.
5.	As per provisions of Ind AS 16 the approximations of useful lives, depreciation method and remaining values to be reviewed at least at the close of every financial year.	AS 10 does mandate such annual review. It recommends periodic review of useful lives.
6.	Para 62 of Ind AS 16 recommends that a business concern shall use the method of depreciation which closely reflects its annual consumption pattern of its future economic benefits. It also mandates the method to be applied consistently unless it is required for a shift in the anticipated pattern of consumption of future economic benefits.	Under AS 10 Straight Line method & reducing balance method are the most commonly used methods by any entity.
7.	Para 45 under Ind AS 16 specifically requires Component accounting but as per AS 10, it is	As per para 8.3 of AS 10, component accounting may be applied if the components are in practice

	recommendatory. Also, Companies Act, 2013 requires Companies to apply component accounting mandatorily from the FY starting from 01-04-2015. The logic behind dividing the asset base into various components and apply component accounting is to improvise the appearance and give the users of financial information a true picture of such assets.	separable, and estimates are made of the useful lives of these components.
8.	Major repair and overhaul expenses are generally debited to Profit & Loss as incurred, under existing AS 10 in most of the cases.	Under the paras of Ind AS, major repairs and overhaul expenses are capitalised as replacement costs, if they satisfy the recognition criteria.
9.	Under Ind AS 16, cost of an element of PPE is its cash price equivalent at the recognition date. In case, if the payment is deferred beyond the normal credit terms, the difference between the equivalent cash price and the aggregate consideration is charged as interest to Profit & Loss over the credit period, until such amount of interest is capitalised under Ind AS 23- Borrowing Costs.	As per AS 10, other than assets acquired under Hire Purchase, entities are not mandated to bifurcate the finance cost element even though the asset is purchased on deferred payment terms. Cash Flows of future period are not subject to discounting under AS 10.
10.	Ind AS-21- The Effects of Changes in Foreign Exchange amounts does not permit such option. The only exception under Ind AS 21 is	As per Para 46A of AS 11-The Effects of modifications in Foreign Exchange Rates, companies can adjust exchange differences arising

	exchange differences due to long term foreign currency monetary Items recognised in AS financials for the period closing immediately prior to the start of the preliminary Ind AS financial reporting period.	on long term foreign currency monetary item to the carrying value of PPE.
11.	Para 31 of Ind AS 16 mandates revaluation with “sufficient regularity”. Under the provisions of Ind AS 16, revaluation is to be done for the entire class of PPE to which that asset belongs, and the revaluation has to be updated periodically.	As per AS 10 revaluation is not mandatory for all the assets of the given class. Revaluation may be done systematically, meaning a concern may choose to revalue a class of assets and ignore the rest. Moreover, it is not mandatory to update revaluation regularly.
12.	Under Para 59 to Ind AS 16, certain facts has been prescribed under which value of land is mandated to be depreciated. Under the provisions, if cost of land includes expenses incurred for dismantling, restoring or removing certain structures from land, the same shall not be incorporated in the non-depreciable value of land and shall be amortised/ depreciated covering the beneficial life span of the same. This is paradigm shift from the earlier policy followed in the system of accounting. Land development expenses were earlier capitalised and carried along with the value of land. However, now it has to be expensed within the time	There is no mention of depreciation of land as per provisions of AS 6.

	over which benefits shall be derived from the expense.	
13.	Schedule-II to the Companies Act, 2013 fixes residual value for items of PPE at 5% of the actual value. In case of assumption of a variable useful life/ residual value against what is prescribed in Schedule-II, the financial reports should disclose such difference and a suitable justification to this effect shall be provided duly supported by technical advice.	As per AS 6, a company has an option of treating the time periods and residual figures prescribed in Schedule-II as maximum limit. The management can use the same as indicative only.
14.	Para 19 under Ind AS 16 has specified certain costs which are not costs of an item of PPE like costs of opening a new facility, costs of introducing a new product or service, costs of conducting business in a new location or with a new class of customer and administrative & other general overhead costs. Due to this, now there is no room for individual results and a uniform accounting approach be now followed.	Such expenses were not counted in AS 10 also since they do not qualify its asset classification criteria of that standard, but they were not specifically mentioned in the standard.

Source: Researcher's own compilation

Thus, it is observed that there are many differences between the standards. There are few issues on which additional guidance is prescribed as per provisions of Ind AS 16 like treatment of Stripping Costs, review of useful periods and depreciation method at the close of every year, treatment of assets which are held for sale etc. These were not found under AS 10. The disclosures prescribed under the paras of Ind AS 16 are more comprehensive and elaborate. Thus, the new set of standard would help in better presentation of the financials.

3.7 IND AS 23:- BORROWING COSTS

One of the significant expenditure for many business entities, particularly entities in construction or expansion phases is borrowing cost. The accounting dealing of borrowing cost has a significant impact on the financial position and performance of an entity. Ind AS 23 *Borrowing Costs* and AS 16 *Borrowing costs* under AS framework deal with accounting for borrowing costs. The range of Ind AS 23 is much wider than AS 16. The differences are explained in the table below.

Table 3.7: Table showing key differences between Ind AS 23 and AS 16

Sl. No.	Description provided as per Ind AS	Description provided as per AS
1.	Ind AS 23 eliminates the capitalisation of borrowing costs in respect of qualifying assets that are recorded at fair value e.g. biological assets	AS 16 does not mandate for such exclusion.
2.	Ind AS 23 does not warrant usage of this standard in respect of items of inventories which are manufactured or produced, in huge quantities on a repetitive basis, e.g. cheese or alcohol.	AS 16 does not provide for such scope exclusion.
3.	Ind AS requires the borrowing costs to be calculated using the Effective Interest Method as explained in Ind AS 109 *Financial Instruments.* Hence, it mandates the transactions costs & premiums or discounts on the borrowed funds to be factored in	AS 16 does not mandate the usage of the effective interest method for calculation of borrowing cost.

	the calculation of interest by usage of the technique of effective interest.	
4.	Ind AS 23 mandates that exchange losses due to foreign currency borrowings should be treated as a modification to the figure of interest to the degree these losses do not exceed the variation between the value of borrowing in functional currency when linked to the cost of borrowing in a foreign currency.	AS 16 states that exchange differences on the principal amount of foreign currency debts to the tune of variation between the interest on local currency and foreign currency borrowings are considered as an adjustment to interest.
5.	As per provisions of Ind AS 23 there is absence of explanation for considerable period of time.	The term 'substantial period of time' which appears in the description of 'Qualifying Asset' under AS 16 is explained as twelve months.
6.	Under Ind AS 23 specifies that in case where Ind AS 29, *Financial Reporting in Hyperinflationary Economies* is applied, portion of the borrowing costs values that compensates for inflation should be expensed as per the details of that standard and not capitalised for that qualifying asset.	AS 16 does not provide a similar clarification in absence of any Standard on Financial Reporting in Hyperinflationary Economies under AS framework.
7.	Ind AS 23 specifies to compute weighted average of the borrowing charges in some circumstances by appropriately including all borrowings of the parent entity and its subsidiaries.	There is no such need in AS 16.

	It also suggests that in other circumstances, it is proper for each subsidiary to implement a weighted average of the charges of borrowing applicable to its own borrowings.	
8.	As per rules of Ind AS 23, a disclosure of capitalisation rate applied to evaluate the borrowing costs eligible for capitalisation is to be made.	There is no such disclosure requirement under AS 16.
9.	As per rules of Ind AS 23, in respect of computation of borrowing charges related to foreign currency borrowings, the difference is to be computed with reference to functional currency.	Under the guidelines of AS 16, read with AS 11 *The Effects of changes in Foreign Exchange Rates,* the difference is computed considering local currency and foreign currency.

Source: Researcher's own compilation

Thus, it is observed that there are many differences between Ind AS and AS. There are some issues on which extra guidance is prescribed under Ind AS 23 like capitalisation of borrowing charges for qualifying assets that are shown at fair value, disclosure requirement of capitalisation rate used to find the borrowing charges. The disclosures prescribed under Ind AS 23 are more comprehensive and elaborate.

3.8 IND AS 24 –RELATED PARTY DISCLOSURES

Under AS framework AS 18 *Related Party Disclosures* deals with reporting of related party transactions and under Ind AS, these aspects are covered under Ind AS 24 *Related Party Disclosures.* There are key changes between the two standards. The differences are enumerated in the table below.

Table 3.8: Table showing key differences between Ind AS 24 and AS 18

Sl. No.	Description provided as per Ind AS	Description provided as per AS
1.	Ind AS 24 (Para 9) mentions the para "a close member of that person's family". However, AS 18 mentions the term "relatives of an individual". The existing standard does not define the term close relative unlike Ind AS 24. As per principles of Ind AS 24, the term "Close members of the family" is defined as those fellows of family who may likely effect or be effected by, that person in their relations with the concern and it includes that person's kids or spouse or domestic partner, kids of that person's spouse or domestic partner and dependents of that persons spouse or domestic partner. Hence, the usage of relative has been widened as per new standard.	As per AS 18 relative in the context to an individual has been defined to include spouse, daughter, brother, son, sister, father, mother who may be expected to influence, or be effected by, that individual in his/her transactions with the reporting entity.
2.	Ind AS 24 comprises Post employment benefit plans for the advantage of workers of an entity or its related concern as related parties.	Under AS 18, Post employment benefit plans are not covered as related parties.
3.	Under provisions of new standard, two parties are treated as related if they are co-venturer	Under AS 18 co-venturer or co associates are not considered as related parties.

	or one of them is venturer and other one is an associate.	
4.	Under provisions of Ind AS 24, Key managerial person (KMP) of the parent entity of the reporting concern is also treated as a related party.	Under AS 18, key managerial person (KMP) of the reporting party is only considered as related party.
5.	Under new standards, compensation to Key managerial personnel is shown in total as well as separately for various categories prescribed therein.	Under AS 18, compensation to key managerial personnel is shown in total as total of all items of compensation unless a specific disclosure is essential for the same.
6.	Para 13 of new standard prescribes the reporting of the name of the next utmost senior parent which reports consolidated financials for use of the public.	There is no similar requirement under AS 18.
7.	Para 18(a) under Ind AS 24 requires the figure of transactions with related parties and also the amount of outstanding balances including commitments should be disclosed.	As per AS 18, the entity should disclose the volume of transactions either as an amount or as an appropriate proportion and amounts or appropriate proportions of the outstanding balances.
8.	Under the paras of Ind AS 24 prescribes certain minimum disclosures to be given by an entity related to government.	The earlier standard does not prescribe such minimum disclosures
9.	Ind AS 24 does not provide any text on the conditions which might be termed as control, substantial interest and important influence.	The conditions which might be termed as control, substantial interest and significant influence are specified or quantified in AS 18.

10.	The new standard does not specifically mention the requirement to evaluate the result of influences which does not lead to transactions.	As per AS 18, in the matter of inherent difficulty on the shoulders of the management to evaluate the effect of influences which does not lead to transactions, disclosures of such effects is not required.
11.	Ind AS 24 defines the item *'government related entity'* as an concern that is controlled, jointly controlled or expressively influenced by a government. Also, government here means government & their agencies and bodies similar to that, may be domestic or international. Thus, the explanation of government is further enlarged to include entities which are not in the hands of government but is either partially controlled or influenced by the government.	As per AS 18, a state controlled entity is an entity which is in the control of Central government and/or any state government (s).

Source: Researcher's own compilation

Thus, it is observed that there are many variations between the two set of standards. Some issues are there on which additional guidance is prescribed under new standard like prescribing minimum disclosures for Government related entities, treatment of KMP of parent entities etc. The disclosures prescribed under new regime are more comprehensive and elaborate. Also, the range of new standard has been enlarged to include more details on information pertaining to transactions with Related Parties.

3.9 IND AS 37: PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Ind AS 37 *Provisions, Contingent Liabilities and Contingent Assets* comprehends the financial treatment of provisions, assets of contingent nature and contingent liabilities. It is dealt with under AS 29 *Provisions, Contingent Liabilities and Contingent Assets*. The following table gives the overview of key differences.

Table 3.9: Table showing key differences between Ind AS 37 and AS 29

Sl. No.	Description provided as per Ind AS	Description provided as per AS
1.	Ind AS 37 does not relate to all financial instruments which are within the scope of Ind AS 109 *Financial Instruments*.	AS 29 does not deal with those financial instruments which are carried at fair value.
2.	Under Para 17 (b) and 72(a) of Ind AS 37, the concept of constructive obligation has been introduced. Constructive Obligation is an obligation that derives from an entity's actions whereby an obligation is created by an established pattern of past practice etc. Ind AS 37 specifically requires provision to be created for constructive obligations if other recognition criteria is met.	AS 29 does not recognise such concept of constructive obligation.
3.	The new standard defines the terms 'Legal obligation' and 'constructive obligation'.	These terms are not present in AS 29. Further, AS 29 defines the terms 'Present Obligation' and 'Possible obligation', which are not mentioned in Ind AS 37.
4.	Ind AS 37 provides detailed guidance on measurement of	Under AS 29, provisions are measured according to the best

	provision. It also employs the idea of expected value in estimating the settlement value of a provision.	estimates and there is no available guidance on measurement.
5.	Under Ind AS 37, time value of money is given due importance. As a result, provisions are maintained at discounted values under Ind AS 37.	AS 29 does not permit discounting the amounts of provisions.
6.	Restructuring provision under Ind AS 37 is made based on constructive obligation.	Under AS 29, restructuring provision is to be created based on legal obligation.
7.	Under Ind AS 37, for onerous contracts, the present obligation under the contract should be identified and measured as a provision. Further, before doing so the concern should recognise any impairment loss which has happened on the assets related to that contract.	Under AS 29, discounting of the provision of contracts which are onerous in nature is prohibited and there is nothing of a specific requirement of recognition of impairment loss on assets related to the contract.
8.	As per Para 34 & 89 of Ind AS 37, an asset of contingent nature is disclosed in the financials only when the inflow of economic benefits seems probable.	Under AS 29 presentation of contingent asset is prohibited in the financial statements. However, it can be disclosed in the Board Report only when inflow of economic benefits seems probable.
9.	Under the paras of Ind AS 37 there is a detailed guidance on Rights to Interests resulting from Restoration, Decommissioning,	There is no similar regulation in AS 29.

	and Environmental Rehabilitation Funds (Appendix A) and Liabilities arising from contributing in a Specific Market Waste Electrical and Electronic Equipment (Appendix B).	
10.	Ind AS 37 states that comparative information is not warranted for disclosures relating to movement of provisions.	AS 29 does not mention any exemption from disclosure of comparative information.

Source: Researcher's own compilation

Thus, it is observed that there are a number of variations between the set of standards. A number of issues are there on which additional guidance is prescribed under Ind AS 37 like Legal obligation and constructive obligation, treatment of provisions using discounting etc. The disclosures prescribed under new standards are more comprehensive and elaborate. Also, the space of new regime has been enlarged to include more details on information pertaining to Contingent Liabilities.

3.10 IND AS 38:- INTANGIBLE ASSETS

Intangible Assets are crucial as they represent a significant category of Assets for a wide scope of entities across diverse sectors. Different types of Intangible Assets like Corporate Identity or Brand, Intellectual Property rights, processes, customer contracts and relationships play as important role as their physical asset base and infrastructure in the success of entities. Ironically, for many entities, Intangible Assets play a more crucial role towards success than Items of PPE. This necessitates the presence of proper accounting framework for Intangible Assets.

Under the existing AS framework, AS 26 *Intangible Assets* deals with Intangible asset accounting. Under Ind AS, Ind AS 38 *Intangible Assets* considers the same.

Despite similarities, there are significant differences which exist between the two. The area of new standard is quite broader than AS 26. A detailed write up of variations between the two set of standards is presented in the table below.

Table 3.10: Table showing key differences between Ind AS 38 and AS 26

Sl. No.	Description provided as per Ind AS	Description provided as per AS
1.	Under Ind AS 38, cost to issue debt or equity securities are identified in accordance with Ind AS-109 *Financial Instruments* and Ind AS 32 *Financial Instruments*: Presentation, respectively.	Para 5 of AS 26 does not relate to accounting issues of specific nature that come up in the matter of accounting for discount or premium linking to debts and related values suffered in relation with arrangement of debts, share issue charges and discount permitted on shares issue. Thus, many Indian entities follow a practice to amortise these expenses over a period of 3 to 5 years.
2.	As per para 8 of new standard the requirement of the Asset to be kept for usage in the supply of goods or services or production, for giving on rental to others, or for administrative usage has been deleted from the definition of an intangible asset.	AS 26 recognises an Intangible Asset as "identifiable non-monetary Asset not having physical substance kept for usage in the supply of goods or services or production, for providing on rental to others, or for other administrative uses.
3.	Under para 25 of Ind AS 38, for separately procured intangibles, the basis criteria for its recognition as intangible i.e. expected inflow of anticipated future economic benefits is generally taken to be satisfied, even though there is no clarity with regard to the timings or the inflow figure.	AS 26 does not warrant any such similar provision.

4.	Ind AS 38 allows the usage of revenue based technique of amortisation of an Intangible asset, in a concise manner only. In Ind AS 38, it is presumed that an amortisation way based on revenue through a process that considers the usage of an Intangible asset is improper.	AS 26 excludes such revenue based amortisation method.
5.	Para 30 under Ind AS 38 contains specific guidance on discontinuation of capitalisation of expenditure. Hence, identification of costs in the carrying figure of an intangible asset ceases when the item of the asset is in the condition necessary for it to be capable of operating in the manner intended by the management.	There is no similar process in AS 26 on this.
6.	Under new standards we find detailed guidance on Intangible assets procured as a component of business combination under Para 35, 36 & 37 of new standard.	AS 26 refers to intangible assets acquired in the process of amalgamation in the category of purchase but does not relate to business combination.
7.	As per para 32 of Ind AS 38, the value of an intangible asset is its equivalent cash price at the date of recognition. If outflow is deferred beyond regular terms of credit, the variation between cash price considered equivalent and the aggregate payment is recorded as interest spread across the period of credit, unless such amount of interest is presented at the carrying value of the item as per provisions of Ind AS-23.	No such information is present in AS 26. The general practice is usually not to discount the future cash flows.

8.	As per para 45 of new standard, if an intangible asset is developed in interchange of a non-monetary asset, it has to be recorded at fair amount of the asset which is given up subject to certain exceptions provided in the para.	AS 26 refers to provisions of AS 10 Accounting for Fixed Assets, with respect to accounting for exchange of assets. As per para 22 of AS 10 when a fixed asset item is developed in exchange or in part interchange for another item of asset, the value of the asset taken up is recorded either at fair market value or at the net book value figure of the asset relinquished, adjusted for any remaining payment or receipt of other value or cash.
9.	Under the paras of new standard, when Intangible Assets are gained without any charge or at a low cost by way of grant & assistance from government, the entity should recognise the grant and the Intangible asset at fair value. This is in attune with the rules of Ind AS 20.	However, under AS, intangible assets gained free of cost of for nominal cost by means of government grant are recognised at nominal amount or at cost of acquisition and any expenditure which is attributable to prepare the asset ready for desired use.
10.	Under Ind AS 38 the value of acquisition of an in process R & D project either separately or in a business combination is recorded as an intangible asset.	AS 26 excludes any specific guidance on accounting for an acquisition of in process R & D Project.
11.	Under Ind AS 38 any expenditure on advertising & promotional activities is recorded as an item of expense when it is incurred. A business entity cannot defer	Under AS 26 entity normally recognise goods or services received for future advertising or promotional activities as an

	the recognition of advertising expenditure & promotional activities till these are delivered to the customers.	item of asset till these are delivered to the customers.
12.	Under the new standard an entity can choose either Cost Model or the model of revaluation as part of its policy of accounting for subsequent recording of intangible assets. Moreover, model of revaluation is permitted only in case of presence of a market which is active for the underlying intangible assets.	Under the principles of AS 26, an intangible asset after initial recognition is carried at cost minus any accumulated amortisation and impairment losses. Revaluation of intangible assets is prohibited under AS 26.
13.	Under the rules of Ind AS 38, the unit has to decide whether the useful period of an intangible asset is finite or infinite. There is no presumption regarding maximum useful time of an intangible asset.	Under AS 26 it is assumed that useful time of an intangible asset is always finite. There exists a rebuttable presumption that the useful tenure cannot be more than ten years from the point the asset is fit for use.
14.	As per new standard, the residual amount is scrutinised at least at end of every financial year.	Under AS 26 the residual amount is not subsequently increased for variations in prices or values.
15.	As per Ind AS, any modification in the method of amortisation would be a change in accounting estimate to be applied prospectively.	Under AS 26 modification in the amortisation method is a variation in accounting policy.

Source: Researcher’s own compilation

Thus, it is observed that there are many differences between Ind AS 38 and AS 26. There are several issues on which additional guidance is prescribed under Ind AS 38 like revenue based technique of an Intangible Asset amortisation, scrutiny of residual amount at the close of each financial year etc. The disclosures prescribed under new standard are more comprehensive and elaborate. Also, the area of Ind AS 38 has been enlarged to include more details on information pertaining to Intangibles and their treatment.

3.11 IND AS 101- FIRST TIME ADOPTION OF INDIAN ACCOUNTING STANDARDS

A good number of entities adopt Ind AS for the initial time. Although new accounting standards are adopted by entities under AS framework also but adopting Ind AS, an entirely different basis of accounting, poses certain problems. The overall magnitude of the efforts required in adopting a completely new set of standards is tremendous. Also, there are many differences in the rules of individual Ind AS when compared with AS framework. Thus, to ease the transition process from AS framework to new framework, the government notified Ind AS 101: *First Time Adoption of Indian Accounting Standards.* Ind AS 101 provides few exemptions from retrospective application of Ind AS. These exemptions are broadly in the character of mandatory as well as voluntary. The salient features of Ind AS 101 are discussed below.

a) Ind AS 101 prescribes business entity to present an Opening Ind AS Balance Sheet at its transition date which shall serve as beginning point for all subsequent accounting under Ind AS. Thus the concern shall provide the following:
   (i) Opening Ind AS Balance Sheet at the transition date.
   (ii) Comparative Ind AS compliant Balance Sheet, profit & loss statement, statement of changes in equity, cash flow statement and disclosures.
   (iii) Ind AS compliant Balance Sheet, profit and loss statement, statement of changes in equity, cash flow statement and disclosures for the present financial year.

b) As per Para 3 of new standard, an entity is mandated to give an *"explicit and unreserved"* statement on compliance with Ind AS in respect of the financials. There are certain exemptions provided in the standard from the need of full retrospective application of Ind AS considering the cost and benefits involved. Few of the availed exemptions are:
   (i) Share based Payments transactions

(ii) Insurance Contracts

(iii) Deemed Cost

(iv) Leases

(v) Cumulative differences of translation

(vi) Investment in subsidiaries, Joint ventures and associates

(vii) Compound Financial Instruments

(viii) Borrowing costs

(ix) Severe hyperinflation

(x) Arrangements of Service concession

(xi) Joint arrangements

(xii) Stripping cost in production stage of a surface mine

(xiii) Transfer of Assets from Customers

(xiv) Non- Current Assets meant for Sale & Discontinued Operations

(xv) Fair value measurement of financial assets or financial liabilities at initial recognition

(xvi) Designation of previously recognised financial instruments

(xvii) Extinguishing financial liabilities with equity instruments

c) As per Para 23 of Ind AS 101, every transiting company shall explain the variations in the financials due to transition. For this use the entity is mandated to report the significant differences in comprehensive income under the AS framework and Ind AS framework. Also it should prepare a reconciliation statement between equity & reserves under both framework as on the transition date.

d) As per Para 25 of Ind AS 101, if any concern submits Statement of Cash Flow for comparative period, it shall explain the material adjustments carried out, if any.

e) As per Para 8 of Ind AS 101, a concern shall apply the applicable version of any Ind AS. In case, it wishes to apply an Ind AS from the date prior to its applicable date, it can do so provided the same if permissible under the said standard.

f) Ind AS 101 prohibits retrospective application of Ind AS in some areas where retrospective application would warrant judgements by the management about past situations after the outcome of a particular transaction is already identified. These exceptions are:

(i) Estimates

(ii) De-recognition of Financial Assets and Financial Liabilities

(iii) Hedge Accounting

(iv) Non-Controlling Interests

(v) Classification & reporting of financial interests

(vi) Financial Assets impairment

(vii) Embedded Derivatives

(viii) Government Loans

g) As per Para 20 of Ind AS 101, presentation and disclosure requirements in other Ind AS are not exempted by Ind AS 101.

h) As per Para 27 of the standard, Ind AS 8 does not apply in an entity's first Ind AS Financials.

i) As per Para 27B, in case a concern applies the exemption of continuing with carrying figures of all its property, plant & equipment as presented in the financials, it shall mention the fact along with the accounting policy used until such time that significant block of assets is fully depreciated or derecognised from the entity's financials.

j) As per Para 28 of Ind AS 101, in case no financial statements were presented for the earlier period, the first Ind AS compliant financials shall disclose the same.

k) If an entity applies the exemption for Oil and Gas assets, it shall mention that fact and the methods on which carrying amounts determined under Previous AS were allocated.

l) If an entity applies the exemption for operations subject to rate regulation, the same shall be mentioned and also the source on which carrying amounts were determined under previous AS.

m) For business entity that adopts Ind AS for the first time, it should apply Ind AS 101 in each Interim Report prepared under Ind AS 34 *Interim Financial Reporting* for portion of the period covered by its first Ind AS Financials.

Thus an examination of the above standard gives an insight about the various exemptions, relaxations and guidance to initial time adoption of Ind AS to facilitate smooth and effective transition.