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Impact of Ind AS Implementation on Financial Performance and Position-II (Standard wise Analysis)

5.1 INTRODUCTION

Ind AS was made mandatorily applicable for the year 2016-2017. The list of 30 companies of BSE 30 Sensex as on 31st March 2017 (the first year of mandatory convergence to Ind AS) was taken from the BSE website (www.bseindia.com).

Out of the 39 (Thirty Nine) notified standards the researcher identified 10 (ten) numbers of Ind AS using judgement sampling as listed in Table 1.3 of Chapter 1. In this chapter, an attempt has been made to understand the Impact of Ind AS implementation on financial performance and position of the identified companies and the selected standards. The researcher has analysed the effect of the individual standard on each of the 21 (twenty one) selected companies.

5.2 IMPACT OF SELECTED IND AS UNDER STUDY ON FINANCIAL STATEMENTS

5.2.1 IND AS 101: FIRST TIME ADOPTION OF INDIAN ACCOUNTING STANDARDS

Ind AS 101 provides a suitable beginning point to the preparers of financials keeping in mind the cost & benefits involved. Initial application of Ind AS under guidance of Ind AS 101 helps an entity make an explicit and unreserved statement of compliance with the Ind AS framework.

There are certain mandatory exceptions and voluntary exemptions from doing retrospective effect of few aspects of new standards given in Ind AS 101.

In the below portion, the researcher has analysed the exemptions taken by the selected Companies in the course of adoption of Ind AS for the first time in their financials.

a) Bharti Airtel Limited

- (i) The Company has used the elective exemption of fair valuing the investments in certain subsidiaries for deriving the carrying figure of such investments.
- (ii) The company has not re recognised the financial liabilities or assets which were derecognised before the transition.
- (iii) The company did not revise the assessments made under earlier GAAP while adopting Ind AS (except for adjustments to show any variation arising in accounting policies).

b) ITC Limited

- (i) The Company has not used Ind AS 103 – Business Combinations retrospectively for business combinations prior to 01-04-2015.
- (ii) The Company has adopted the carrying value of PPE and Intangibles as per previous GAAP in the financials prepared using Ind AS as deemed value on the point of transition.
- (iii) The Company accumulated exchange differences from monetary items under the head foreign exchange translation reserve. Under new standards the entity has decided to continue presenting the same reserve under equity.
- (iv) The Company has adopted the carrying figure of Investments made in subsidiaries, joint ventures and associates as per previous GAAP in the financial statements prepared using new standards as deemed amount on the point of transition.
- (v) The company has used the exemption for accounting the fair value figure of unvested options at the point of transition as component of reserves.

- (vi) Certain Trademarks under paras of new standards having indefinite useful life are recognised in the year of transition and amortisation thereof considered earlier has been eliminated.
- (vii) The company has considered Sales tax deferment Loan which is interest free at value of cost as done earlier under previous GAAP.

c) Larsen & Toubro Limited

- (i) The concern has used the book value of PPE and Investment Property as per previous GAAP in the new financials as deemed value on the point of transition.
- (ii) The Company has not used Ind AS 102-Share based payment for the equity instruments in share based payment transactions which vested prior to 01-04-2015.
- (iii) The Company did not revise the estimates prepared under earlier GAAP at the time of adoption to Ind AS.

d) Maruti Suzuki India Limited

- (i) The Company has used the carrying value of PPE and other Intangible Assets as per previous GAAP in the new financials as deemed amount on the point of transition.
- (ii) The Company has taken the exemption under paras of Ind AS 101 to determine the applicability of Lease in an arrangement present on the point of transition on the availability of details existing on transition date rather than at the initiation of the arrangement.
- (iii) The Company has adopted to consider the earlier GAAP figure of Investments in subsidiaries, Joint ventures and associates in the new financial statements as deemed value on the transition point.
- (iv) The Company has designated its investment in the previously recognised financial instruments at Fair Value through OCI on the criteria of facts and details at the transition point.

e) NTPC Limited

- (i) The Company has identified the earlier value of PPE and Intangibles as per previous GAAP in the new financials as deemed value on the transition date.

- (ii) The Company has adopted to apply the method of Effective Interest as per provisions of Ind AS 109, prospectively as provided in Ind AS 101.
- (iii) The entity has not considered Ind AS 103 – Business Combinations retrospectively for business combinations prior to 01-04-2015.
- (iv) The Company has opted the exemption provided in Ind AS 101 to determine the applicability of Lease in an arrangement existing on the point of transition on the knowledge of conditions existing on transition point rather than availability at the start of the arrangement.
- (v) The Company has used the policy as per existing GAAP for accounting of exchange variations arising out of translation.
- (vi) The Company has considered not to revise the assessments made under earlier standards at the point of transition.

f) Oil & Natural Gas Corporation Limited

- (i) The concern has derecognised the financial liabilities and assets prospectively for periods starting from 01-04-2015, the transition time.
- (ii) The company has selected to apply the impairment details as per principles of new standards retrospectively.
- (iii) The entity has decided to apply the carrying figure of PPE, Gas Assets and Intangible assets as per previous GAAP in the Ind AS financials as deemed value on the time of transition.
- (iv) The Company has considered the old GAAP carrying figure of Investments in subsidiaries, Joint ventures and associates in the new financial statements as deemed value on the time of transition.
- (v) The Company has availed optional exemption for decommissioning costs included in Oil & Gas Assets. The necessary provision has been measured as per paras of Ind AS 37.

g) Sun Pharmaceutical Industries Limited

- (i) The concern has derecognised the financial liabilities & assets prospectively for period starting from 01-04-2015, the transition time.

- (ii) The entity has recorded all derivative instruments at fair value through Profit/loss and eliminated all deferred losses and gains arising thereof due to measurement under previous category of standards.
- (iii) The Company has adopted the book details of PPE and Intangible Assets as per previous GAAP in the Ind AS financials as deemed figure on the transition date.
- (iv) The entity has derecognised the financial liabilities & assets prospectively for periods starting from 01-04-2015, the transition date.
- (v) The entity has not considered Ind AS 103 – Business Combinations retrospectively to business combinations prior to 01-04-2015.
- (vi) The concern has availed the exemption for Non-Current Assets meant for sale and valued such assets at fair amount minus cost of sale at transition date and the variation between such amount and carrying value is recorded directly to retained earnings.

h) Tata Steel Limited

- (i) The company has opted for non-revision of estimates made under previous GAAP on the transition date, in the lack of objective proof of an error in such estimates.
- (ii) The company has considered to apply the fair value as deemed value in respect of certain items of PPE as on transition point.
- (iii) The company has considered to apply fair value as deemed figure for investments made in subsidiaries, joint ventures & associates as on transition date.
- (iv) The company has considered to designate its investments in equity instruments at fair value through OCI on the criteria of facts and conditions present on the transition to Ind AS.

i) Tata Consultancy Services Limited

- (i) The Company has adopted to consider the earlier GAAP carrying figure of Investments made in subsidiaries, Joint ventures and associates in the new financials as deemed figure on the transition time.

- (ii) The company has adopted to use Ind AS 103- Business Combinations, retrospectively to past combinations from 01-04-2013.

j) Asian Paints Limited

- (i) The Company has not used Ind AS 103 – Business Combinations retrospectively to business combinations prior to 01-04-2015.
- (ii) The company has elected to use fair value recognition prospectively for financial instruments wherein fair market values are not present.
- (iii) The Company has adopted the carrying value of PPE, Intangibles etc. as per earlier GAAP in the new financial statements as deemed value on the point of transition.
- (iv) The Company has adopted to take the previous AS carrying figure of Investments in subsidiaries and associates in the new financial statements as deemed figure on the point of transition.
- (v) The company has adopted to apply Ind AS 20-Accounting for Government grants and disclosure of government aid and Ind AS 109-Financial Instruments, prospectively. Hence the carrying value of Interest Free Debts as per the financials of companies is shown in the Opening Balance Sheet as per new standards.

k) Bajaj Auto Limited

- i) The Company has adopted to consider the earlier GAAP carrying figure of Investments in subsidiaries in the new financial statements as deemed figure on the transition.
- ii) The Company has considered the exemption given in Ind AS 101 to determine the applicability of Lease in an arrangement present on the time of transition on the basis of information & details present on transition point rather than at the starting of the arrangement.
- iii) The company has considered non-revision of estimates prepared under old GAAP on the transition point, in the absence of objective proof of an error in such estimates.
- iv) The company has adopted to use Ind AS 20-Accounting for Government grants and disclosure of government aid and Ind AS 109-Financial Instruments, prospectively. Hence the carrying figure of Sales Tax deferral Loan// incentive as per the financial reports of

corporates is shown in the Opening Balance Sheet as per new standards.

l) Hero MotoCorp Limited

- i) The Company has adopted to consider the earlier GAAP carrying figures of Investments in subsidiaries & Associates in the new financial statements as deemed figure on the transition time.
- ii) The company has considered for non-revision of estimates prepared under GAAP on the transition, in the absence of objective evidence of an error in such estimates.

m) Mahindra & Mahindra Limited

- i) The concern has not considered Ind AS 103 – Business Combinations retrospectively to business combinations prior to 01-04-2015.
- ii) The Company has adopted the carrying figures of PPE and Intangibles as per earlier GAAP in the Ind AS financials as deemed value on the point of transition.
- iii) The concern has applied mandatory exception of usage of Ind AS 20- Government Grants to loans received from government at under market interest rate after 01-04-2015.
- iv) The Company has considered the exclusion under Ind AS 101 to determine the applicability of Lease in an arrangement present on the point of transition on the basis of facts & details present on transition point rather than at the start of the arrangement.

n) Tata Motors Limited

- i) The company has considered to apply the fair value amount as deemed figure for certain items of PPE and its related intangible assets as on transition date.
- ii) The company has chosen to apply de recognition criteria retrospectively. Due to this certain Trade Receivables have been re recognised under Ind AS on 01-04-2015.

o) HCL Technologies Limited

- i) The company has not applied the optional exemption of setting cumulative translation reserve due to foreign exchange translation gains and losses to zero as at transition time.

- ii) The Company has not availed optional exemption for decommissioning costs forming component of the amount of PPE.
- iii) The company has not opted for de recognition requirements of financial liabilities and assets retrospectively for transactions on or after 01-04-2015.

p) Infosys Limited

- i) The company has opted to apply Ind AS 102- Share Based payments to instruments of equity that remain unvested as of the time of transition.
- ii) The company has considered to designate its equity instruments investments at fair amount through OCI considering details and circumstances present on the transition.

q) Tech Mahindra Limited

- i) The Company has not considered Ind AS 103 – Business Combinations retrospectively to business combinations prior to 01-04-2015.
- ii) The Company has adopted to consider the old GAAP carrying figure of Investments in subsidiaries & Associates in the Ind AS financial statements as deemed value on the transition date.
- iii) The company has not applied Ind AS 102-Share based payments to Employee Stock Options that vested prior the time of transition.

r) Hindustan Unilever Limited

- i) The Company has not considered Ind AS 103 – Business Combinations retrospectively to business combinations prior to 01-04-2015.
- ii) The Company has adopted the carrying figure of PPE and Intangibles as per previous GAAP in the new financial statements as deemed value on the transition date.
- iii) The company has considered to not apply Ind AS 102- Share Based payments to equity instruments already vested as on the transition time.
- iv) The Company did not revise the estimates prepared under GAAP at the transition time to Ind AS due to lack of objective evidence of an error in those estimates.

s) Vedanta Limited

- i) The company has considered to apply the fair value as deemed amount in respect of items of PPE as on point of transition.

- ii) The company has considered to continue its GAAP policy for accounting of exchange differences on long term monetary items in foreign currency.
- iii) The Company has adopted to treat the earlier GAAP carrying figure of Investments in subsidiaries, joint ventures & Associates in the Ind AS financial statements as deemed figure on the date of transition.
- iv) The company has elected non application of Ind AS 32 retrospectively to split the equity and liability portions of the instrument.
- v) The entity has considered to apply de recognition provisions prospectively from the point of transition.

t) Power Grid Corporation of India Limited

- i) The company has considered to measure its financial assets value at amortised amount or FV through OCI depending on information and position present on the transition to Ind AS.
- ii) The Company has adopted the carrying value of PPE and Intangibles as per previous GAAP in the new financial statements as deemed figure on the date of transition.
- iii) The Company has adopted to treat the earlier GAAP carrying figure of Investments in Joint ventures and Associates in the Ind AS financials as deemed cost on the transition date.

u) Reliance Industries Limited

- i) The Company has not applied Ind AS 103 – Business Combinations retrospectively to business combinations prior to 01-04-2015.
- ii) The concern has taken the optional exemption of setting cumulative translation reserve on account of foreign exchange translation gains and losses to zero as at the transition point.
- iii) The company has adopted to treat the GAAP carrying figure of Investments in Subsidiaries, Joint ventures and Associates in the Ind AS financials as deemed figure at the point of transition.
- iv) The company has elected to apply the transitional guidelines in connection with recognition of restoration, decommissioning and similar liabilities.

Thus, it can be observed that many companies implementing Ind AS have availed the exemptions provided under paras of Ind AS 101. A

summary of the number of exemptions utilised by the companies is shown in the Table below.

Table 5.1 Table showing number of exemptions availed by the selected companies under Ind AS 101

Sl. No.	Sample Company under Study	No. of exemptions availed
1	Bharti Airtel Limited	3
2	ITC Limited	7
3	Larsen & Toubro Limited	3
4	Maruti Suzuki India Limited	4
5	NTPC Limited	6
6	Oil & Natural Gas Corporation Limited	6
7	Sun Pharmaceutical Industries Limited	6
8	Tata Steel Limited	4
9	Tata Consultancy Services Limited	2
10	Asian Paints Limited	5
11	Bajaj Auto Limited	4
12	Hero MotoCorp Limited	2
13	Mahindra & Mahindra Limited	4
14	Tata Motors Limited	2
15	HCL Technologies Limited	3
16	Infosys Limited	2
17	Tech Mahindra Limited	3
18	Hindustan Unilever Limited	4
19	Vedanta Limited	5
20	Power Grid Corporation of India Limited	3
21	Reliance Industries Limited	4

Source: Published Annual Audited Financials of Sample Companies for 2016-2017

Thus one can see that all the concerns have availed the exemptions provided under new standard. Out of 21 selected companies, 11 companies have availed more than 4 exemptions and rest 10 companies have availed 4 or less than 4 exemptions as provided in new standard.

5.2.2 IND AS 1: PRESENTATION OF FINANCIAL STATEMENTS

This standard prescribes the overall details for the presentation of financials and it also prescribes guidance for their structure. The standard also prescribes the minimum disclosures that are to be considered in the financials and it also explains the basic features of financials. The standard being a disclosure & presentation based standard is qualitative in nature and its quantitative impact on the financials may not be identified. Hence the scholar has done a qualitative assessment by analysis of the degree of compliance done by the companies under study. For this purpose those paragraphs of the new standard are analysed which are newly incorporated in Ind AS 1 as equated to AS 1 which are already present in AS 1 but introduced in Ind AS 1 with some modifications. The table below presents the compliances met by the sample companies for Ind AS 1.

Table 5.2 Table showing extent of compliances done by selected companies for Ind AS 1

Sl. No.	Para No. of Ind AS 1	Sample Companies under Study																				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1	16	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	32	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	38A	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	40A	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	41	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	42	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
7	49	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	87	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	99	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	106	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
11	122	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
12	125	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
% of Compliance done		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Note:
Y = Yes
N = No

Source: Published Annual Audited Financial Statements of Selected Companies for 2016-2017

Sl. No. mentioned in above Table	Sample Company under Study	Sl. No. mentioned in above Table	Sample Company under Study
1	Bharti Airtel Limited	11	Bajaj Auto Limited
2	ITC Limited	12	Hero MotoCorp Limited
3	Larsen & Toubro Limited	13	Mahindra & Mahindra Limited
4	Maruti Suzuki India Limited	14	Tata Motors Limited
5	NTPC Limited	15	HCL Technologies Limited
6	Oil & Natural Gas Corporation Limited	16	Infosys Limited
7	Sun Pharmaceutical Industries Limited	17	Tech Mahindra Limited
8	Tata Steel Limited	18	Hindustan Unilever Limited
9	Tata Consultancy Services Limited	19	Vedanta Limited
10	Asian Paints Limited	20	Power Grid Corporation of India Limited
		21	Reliance Industries Limited

Thus from the qualitative analysis done above, the researcher found that all the companies have considered the presentation and disclosure requirements as formulated under new standard. There is a complete agreement with the presentation and disclosure requirements as suggested under new standard by all the companies.

5.2.3 IND AS 2: INVENTORIES

The new standard on Inventories did not have major impact on the companies selected under study. Although Ind AS 2 permitted usage of different cost formula that the concern may decide, however not many entities have opted to modify the system of valuation of inventories. Inventory values of few entities have been effected by usage of Ind AS, primarily due to presentation of Ind AS 16 resulting in spares being capitalised, use of Method of effective Interest Rate and reclassification from Inventory to items of Assets meant for sale.

Table 5.3 Table showing analysis of variation in Inventory amounts of sample companies

Company Name	Change in Inventory Value (₹ in Crores)	Reasons for Change
Bharti Airtel Limited	--	Not Applicable
ITC Limited	--	Not Applicable
Larsen & Toubro Limited	67.11	Projects executed through Un Incorporated Joint ventures (UJV) have been grouped under Ind AS 111 and the share of Company in Assets, Liabilities, Income & Expenses of such joint ventures has been consolidated on a one to one basis unlike as one value under AS. Also, Borrowing cost has been calculated following method of Effective Interest Rate prescribed.
Maruti Suzuki India Limited	--	Not Applicable
NTPC Limited	(-)182.16	Few Items of Spare Parts meeting definition of PPE under rules of new standard have been capitalised from Inventories
Oil & Natural Gas Corporation Limited	(-)16.49	Under Ind AS, Gas and Oil Assets have been modified by application of Para D21 of Ind AS 101 resulting in decrease in carrying figure of Oil and Gas Assets. Also, an amount of 1.23 Crores has been reclassified from Inventory to assets held for sale.
Sun Pharmaceutical Industries Limited	--	Not Applicable

Company Name	Change in Inventory Value (₹ in Crores)	Reasons for Change
Tata Steel Limited	53.57	Change in Inventory Valuation as a result of transition.
Tata Consultancy Services Limited	--	Not Applicable
Asian Paints Limited	--	Not Applicable
Bajaj Auto Limited	--	Not Applicable
Hero MotoCorp Limited	--	Not Applicable
Mahindra & Mahindra Limited	--	Not Applicable
Tata Motors Limited	215.72	Change in Inventory Valuation as a result of transition.
HCL Technologies Limited	--	Not Applicable
Infosys Limited	--	Not Applicable
Tech Mahindra Limited	--	Not Applicable
Hindustan Unilever Limited	--	Not Applicable
Vedanta Limited	202.52	Change in treatment of inventory of stores and spares related to exploration and development activities.

Company Name	Change in Inventory Value (₹ in Crores)	Reasons for Change
Power Grid Corporation of India Limited	(-)116.25	Under new standard spares have been capitalised meeting the parameters of qualifying assets.
Reliance Industries Limited	--	Not Applicable

Source: Published Annual Audited Financials of selected sample Companies for the financial year 2015-2016 & 2016-2017

From the above details it is observed that from the list of 21 companies, 7 companies have undergone the modifications in the Inventory figures while the other 14 companies were not impacted by the implementation of new standards so far as inventory figures are concerned. The major reasons attributable to the changes in Inventory values is the variation in the handling of Inventory owing to transition and handling of spares meeting the criteria of qualifying assets.

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

Ind AS 8 specifies the parameter for selection and change of policies of accounting and the accounting treatment and reporting of modification in accounting policies, modification in estimates of accounting and errors. The requirements are common to those of erstwhile AS 5 under Indian GAAP with changes in few areas. The standard being a presentation based standard is qualitative in nature and its quantitative impact on the financial reports could not be recorded. Thus the researcher has done a qualitative analysis of the standard by analysis of the compliance observed by the selected companies under study. For this consideration those paragraphs of the new regime are analysed which are afresh brought in Ind AS 8 in comparison to AS 5 under existing GAAP or which are already present in AS 5 but brought in Ind AS 8 with some modifications. The table below presents the compliances met by the companies for new standards.

Table 5.4 Table showing extent of compliances done by selected companies for Ind AS 8

Sl. No.	Para No. of Ind AS 8	Companies under Study																				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1	5	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	7	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	10, 11	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	12	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	13	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	14	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
7	17	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	28,29, 30	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	31	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	37	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
11	39	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
12	42	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	% of Compliance done	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Note:

Y = Yes

N = No

Source: Published Annual Audited Financials of selected Companies for the year 2016-2017

Sl. No. mentioned in above Table	Sample Company under Study	Sl. No. mentioned in above Table	Sample Company under Study
1	Bharti Airtel Limited	11	Bajaj Auto Limited
2	ITC Limited	12	Hero MotoCorp Limited
3	Larsen & Toubro Limited	13	Mahindra & Mahindra Limited
4	Maruti Suzuki India Limited	14	Tata Motors Limited
5	NTPC Limited	15	HCL Technologies Limited
6	Oil & Natural Gas Corporation Limited	16	Infosys Limited
7	Sun Pharmaceutical Industries Limited	17	Tech Mahindra Limited
8	Tata Steel Limited	18	Hindustan Unilever Limited
9	Tata Consultancy Services Limited	19	Vedanta Limited
10	Asian Paints Limited	20	Power Grid Corporation of India Limited
		21	Reliance Industries Limited

Thus from the qualitative analysis above, the study found that all the companies in sample have considered the requirements as prescribed under new standard. There is a complete compliance done for the presentation and disclosure requirements as prescribed under new standard by all the companies in the sample.

5.2.5 IND AS 10 –EVENTS AFTER THE REPORTING PERIOD

This standard deals with the handling of data pertaining to the period beyond the time frame of financial statements as there is always a time lag between the close of reporting date and the time of approval of financials for issue. The prime point of impact in the financial reports was observed due to usage of Para 12 of the Ind AS 10. As per said para, dividend declared for equity shareholders should not be recorded as a liability in the financial statements as it does not meet the criterion of present obligation according to the extant provisions of Ind AS. The same shall be shown in the notes to the financial statements as per new standards. However, under AS 4, dividend proposed shall be shown in the financials of the reporting period. A provision for such dividend to be provided in the books of the concern.

Additionally, there are certain disclosures prescribed under Ind AS 10 like the point when the financials were approved for release, the authority who gave such approval,

whether its owners or others have the power to amend the financial statements post issue. All the all the sample companies have complied with the requirements as prescribed under Ind AS 10.

Table 5.5 Table showing analysis of Ind AS 10 for sample companies

Company Name	Change (₹ in Crores)	Reason for Change
Bharti Airtel Limited	6,543.00	Adjustment for proposed dividend
ITC Limited	8,232.60	Adjustment for proposed dividend
Larsen & Toubro Limited	1,840.83	Adjustment for proposed dividend
Maruti Suzuki India Limited	12,725.00	Adjustment for proposed dividend
NTPC Limited	1,732.63	Adjustment for proposed dividend
Oil & Natural Gas Corporation Limited	11,453.34	Adjustment for proposed dividend
Sun Pharmaceutical Industries Limited	248.15	Adjustment for proposed dividend
Tata Steel Limited	937.46	Adjustment for proposed dividend
Tata Consultancy Services Limited	6,403.00	Adjustment for proposed dividend
Asian Paints Limited	611.24	Adjustment for proposed dividend
Bajaj Auto Limited	174.13	Adjustment for proposed dividend
Hero MotoCorp Limited	769.09	Adjustment for proposed dividend
Mahindra & Mahindra Limited	841.68	Adjustment for proposed dividend
Tata Motors Limited	73.00	Adjustment for proposed dividend
HCL Technologies Limited	4,068.73	Adjustment for proposed dividend
Infosys Limited	6,843.00	Adjustment for proposed dividend
Tech Mahindra Limited	5,807.00	Adjustment for proposed dividend
Hindustan Unilever Limited	2,475.00	Adjustment for proposed dividend
Vedanta Limited	271.58	Adjustment for proposed dividend
Power Grid Corporation of India Limited	949.33	Adjustment for proposed dividend
Reliance Industries Limited	4,164.00	Adjustment for proposed dividend

Source: Published Annual Audited Financial Statements of Sample Companies for the year 2015-2016 & 2016-2017

Thus it is found that treatment of proposed dividend as per Ind AS 10 is the sole factor for changes in requirements as per Ind AS 10. All the 21 selected companies were found to have impact due to above.

5.2.6. IND AS 16:- PROPERTY, PLANT & EQUIPMENT

Ind AS 16 on Property, Plant & Equipment deals with accounting treatment pertaining to Tangible Fixed Assets. There had been many differences between the two set of standards. The key area of impact in the financials was observed due to asset retirement obligations, spare parts capitalisation, foreign exchange differences, revaluation model of accounting etc. Further, certain relaxations were provided in Ind AS 101 with regard to initial usage of Ind AS 16 to financial statements.

Table 5.6 Table showing analysis of variation in Net Tangible Assets Value & Depreciation for sample companies

Company Name	Change in Net Tangible Assets Value (₹ in Crores)	Change in Depreciation Value (₹ in Crores)	Reason for Change
Bharti Airtel Limited	144.70	32.20	a) Changes in decommissioning, restoration & other liabilities. b) Decapitalisation of Foreign Exchange Gains/ Losses pursuant to usage of Ind AS 21.
ITC Limited	(-)306.47	(-)2.52	Leasehold properties treated as prepayments within non-current assets instead of PPE and amortised over the time frame of lease.
Larsen & Toubro Limited	11.83	(-)24.81	Application of Ind AS 111- Joint Ventures.
Maruti Suzuki India Limited	(-)257.80	(-)3.70	No Explanation given by the company in the financial reports.
NTPC Limited	133.09	(-)259.44	a) Capitalisation of key overhauls with corresponding reversal of repair & maintenance charges, transaction cost adjustment, amortisation of leased land considered as finance

				lease. b) Capitalisation of stores and spares and corresponding treatment of repair & maintenance expenses.
Oil & Natural Gas Corporation Limited	(-) 8,946.85	340.99		a) Application of discounting to decommissioning provisions. b) Classification of Leasehold Land for perpetual period as finance lease. c) Leasehold properties shown as prepayments within non-current assets instead of PPE and amortised over the duration of lease. d) Capitalisation of Dry Dock expenses.
Sun Pharmaceutical Industries Limited	1.11	(-)70.06		Decapitalisation of Foreign Exchange Gains/ Losses pursuant to use of Ind AS 21.
Tata Steel Limited	25,879.92	1,029.17		Treatment of fair Value as deemed value on transition date for certain Items of Property, Plant & Equipment resulting in uplift in carrying value & additional depreciation.
Tata Consultancy -Services Limited	(-)635.06	(-)99.84		Modification in method of depreciation from WDV to SLM. The same has been considered prospectively as a change in accounting estimate.
Asian Paints Limited	--	--		Not Applicable
Bajaj Auto Limited	--	--		Not Applicable
Hero MotoCorp Limited	(-)252.39	(-)3.76		Under Ind AS leasehold land has been considered as operating lease as opposed to fixed assets under AS. This has resulted in change in depreciation.
Mahindra & Mahindra Limited	(-)360.24	(-)40.51		Decapitalisation of Foreign Exchange Gains/ Losses pursuant to application of Ind AS 21.

Tata Motors Limited	5,408.71	86.67	Decapitalisation of Foreign Exchange Gains/ Losses pursuant to application of Ind AS 21.
HCL Technologies Limited	(-)251.51	(-)2.26	Classification of Leasehold Land as Operating lease has resulted in reclassification of expenses from depreciation to rent expense.
Infosys Limited	--	--	Not Applicable
Tech Mahindra Limited	(-)102.60	(-)3.70	Treatment of fair Value as deemed cost on transition date for certain Items of Property, Plant & Equipment resulting in uplift in carrying value and additional depreciation.
Hindustan Unilever Limited	--	--	Not Applicable
Vedanta Limited	10,764.32	3,306.89	a) Treatment of fair Value as deemed figure on transition date for certain Items of Property, Plant & Equipment resulting in uplift in carrying value and additional depreciation. b) Decapitalisation of Foreign Exchange Gains/ Losses pursuant to treatment as per Ind AS 21.
Power Grid Corporation of India Limited	9,628.89	(-)3.16	Bilateral Lines have been assessed as finance lease pursuant to use of Ind AS. The same were treated as component of PPE as per existing AS.
Reliance Industries Limited	10,159.00	(-)384.00	a) Under earlier AS the Asset Retiring obligations were recorded at Cost. The same is recorded at fair Value amount according to new standard.

Source: Published Annual Audited Financials of selected Companies for the year 2015-2016 & 2016-2017

Thus, it is found that 17 out of 21 companies were impacted due to use of Ind AS 16. The major factors contributing to the impact were spare parts capitalisation, foreign exchange differences and revaluation model of accounting etc.

5.2.7. IND AS 23:- BORROWING COSTS

Ind AS 23 on Borrowing Costs deals with accounting treatment pertaining to various aspects of the borrowings of entities and the charges incurred by business entities on such type of borrowings for the need of financing various business operations. There had been many differences between Ind AS 23, Borrowing Costs and existing AS 16, Borrowing Costs. The key area of impact in the financials was observed due to application of method of Effective rate of Interest as described in Ind AS 109, Financial Instruments and unwinding of discounting effect on certain Items.

Table 5.7 Table showing analysis of variation in Borrowing Costs for sample companies

Company Name	Change in Borrowing Costs Value (₹ in Crores)	Reason for Change
Bharti Airtel Limited	(-)652.70	<ol style="list-style-type: none">1. Asset Retirement Obligation has been recorded at the amount of present value and accordingly the consequent depreciation and finance cost has been identified.2. Effect of discounting on Non-current Financial Assets & Liabilities has been considered. Consequently the unwinding of discounting effect has been recorded.
ITC Limited	--	Not Applicable
Larsen & Toubro Limited	27.78	<ol style="list-style-type: none">1. Projects executed through Un Incorporated Joint ventures (UJV) have been treated under Ind AS 111 and the share of the entity in various items of such joint ventures has been consolidated on a one to one basis unlike as a single line item under AS.2. Borrowing cost has been calculated following method of Effective rate of Interest under Ind AS.
Maruti Suzuki India Limited	--	Not Applicable

NTPC Limited	66.05	<p>1. Under previous GAAP, transaction cost on borrowings have been charged to income statement or capitalised to PPE. Under new rules the same has been amortised as modification to interest charge over the period of loan applying the method of Effective rate of Interest.</p> <p>2. Under previous GAAP, liabilities payable for Capital Expenditure etc. are considered at cost and under Ind AS the same are considered as financial liabilities and recorded at amortised value. Also the cost on unwinding of discount being capitalised to the figure of PPE wherever permitted by Ind AS 23 or otherwise debited to the profit & loss statement.</p>
Oil & Natural Gas Corporation Limited	--	Not Applicable
Sun Pharmaceutical Industries Limited	--	Not Applicable
Tata Steel Limited	387.78	Borrowing cost has been calculated following method of Effective rate of Interest as per provisions of new standard.
Tata Consultancy Services Limited	--	Not Applicable
Asian Paints Limited	--	Not Applicable
Bajaj Auto Limited	--	Not Applicable
Hero MotoCorp Limited	--	Not Applicable
Mahindra & Mahindra Limited	30.76	Under previous GAAP, transaction cost on borrowings have been charged to income statement or capitalised to PPE. Under new standards the same has been amortised as an adjustment to interest charge over the time frame of loan applying Effective rate of Interest Method.
Tata Motors Limited	110.89	Borrowing cost has been calculated following Effective rate of Interest Method under the

		paras of new standard.
HCL Technologies Limited	--	Not Applicable
Infosys Limited	--	Not Applicable
Tech Mahindra Limited	--	Not Applicable
Hindustan Unilever Limited	--	Not Applicable
Vedanta Limited	25.61	Borrowing cost has been calculated following Effective rate of Interest Method under the paras of new standard.
Power Grid Corporation of India Limited	(-)47.76	Borrowing cost has been calculated following Effective rate of Interest Method under the paras of new standard.
Reliance Industries Limited	(-)54.00	Borrowing cost has been calculated following Effective rate of Interest Method under the paras of new standard.

Source: Published Annual Audited Financials of Sample Companies for the year 2015-2016 & 2016-2017

Thus it can be seen that out of 21 companies selected, 12 companies have no impact on borrowing costs and only 9 companies have an effect on the reported borrowing cost figures. The major factor behind the impact being application of Effective rate of Interest method as per provisions of new set of standards.

5.2.8. IND AS 24:- RELATED PARTY DISCLOSURES

Ind AS 24 specifies the various disclosures to be done by the Companies with regard to certain category of transactions with Related Entities as defined in the standard. There are some areas which were not discussed in the erstwhile Standard AS 18. The standard being a presentation based standard is qualitative in nature and its quantitative impact on the financial statements cannot be measured. Hence the researcher has done a qualitative analysis of the same by analysing the compliance done by the selected companies under study. For achieve this those paragraphs of the standard are analysed which are newly introduced in Ind AS 24 as compared to AS 18 under existing GAAP or which are already present in AS 18 but introduced in Ind AS 24 with some modifications. The below table presents the compliances done by the selected companies for Ind AS 24.

Table 5.8 Table showing extent of compliances done by selected companies for Ind AS 24

Sl. No.	Para No. of Ind AS 24	Sample Companies under Study																					
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
1	9	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
2	13	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
3	17	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
4	18(a)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	
5	26	N.A.	N.A.	N.A.	N.A.	Y	Y	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Y	N.A.
	% of Compliance done	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Note:

Y = Yes

N = No

N.A. = Not Applicable

Source: Published Annual Audited Financial Statements of Sample Companies for the year 2016-2017

Sl. No. mentioned in above Table	Sample Company under Study	Sl. No. mentioned in above Table	Sample Company under Study
1	Bharti Airtel Limited	11	Bajaj Auto Limited
2	ITC Limited	12	Hero MotoCorp Limited
3	Larsen & Toubro Limited	13	Mahindra & Mahindra Limited
4	Maruti Suzuki India Limited	14	Tata Motors Limited
5	NTPC Limited	15	HCL Technologies Limited
6	Oil & Natural Gas Corporation Limited	16	Infosys Limited
7	Sun Pharmaceutical Industries Limited	17	Tech Mahindra Limited
8	Tata Steel Limited	18	Hindustan Unilever Limited
9	Tata Consultancy Services Limited	19	Vedanta Limited
10	Asian Paints Limited	20	Power Grid Corporation of India Limited
		21	Reliance Industries Limited

Thus from the above qualitative analysis, the researcher found that all the selected entities have complied with the mandates as prescribed under paras of new standard wherever applicable. The companies have done complete compliance with the presentation and disclosure requirements as prescribed under new standards.

5.2.9. IND AS 37: PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

This standard lays the foundation so far as the principles for appropriate recognition, measurement and for the presentation of provisions are concerned. As per Ind AS 37 certain information pertaining to provisions, contingent Liabilities and Contingent Assets needs to be shown in the notes to help the users to understand the nature, timing and figure of such items. Further, appropriate disclosure is also essential for ensuring that the financial reports reflect the true & fair view of the financial performance and position of the concern.

On review of the financials of the selected companies under study, it was found that the companies have applied estimates in calculation of various figures in the financial

statements at several places and it was practically not possible for the researcher to compare & quantify those applications.

Hence, the researcher has highlighted the major areas where the new standard has affected the financials of the entities under review.

AREAS OF IMPACT:

1. Para 14 of new standard defines the recognition criteria of a provision. For manufacturing companies involving cases where the companies give warranties to the purchasers at the point of sale of its products, a provision is to be identified for the best estimate of the costs of making good under warranty products which are sold before the date of Balance Sheet. Hence, all such warranty provisions require the usage of new standard for making the calculations and appropriate disclosures in the notes of accounts.
2. Para 45 of new standard requires the usage of present value of the expenditures expected to be needed for the settlement of an obligation wherein the time value figure of money is material. Hence decommissioning, restoration, asset retiring and other similar obligations under new standard are to be considered at Fair value in the financial statements.
3. Disclosure requirements under new standard have increased manifold so far as the disclosure of Contingent Assets and Liabilities are concerned.

5.2.10. IND AS 38: INTANGIBLE ASSETS

Ind AS 38 specifically deals with accounting treatment for Intangible Assets that are not dealt in any other Ind AS. It also sets the criteria for recognition as well as disclosures applicable for Intangible Assets. There are various differences between AS 26, Intangible Assets and Ind AS 38, Intangible Assets. During the course of research it was found that few companies were impacted by the application of the new standard. Most of the companies enjoyed the exemptions provided in Ind AS 101. A brief detail of the impact of the usage of the standard is presented below.

Table 5.9 Table showing analysis of variation in Intangible Assets & Impairment values for sample companies

Name of the Entity	Change in Net Intangible Assets Value (₹ in Crores)	Change in Impairment Value (₹ in Crores)	Reasons for Change
Bharti Airtel Limited	--	--	Not Applicable
ITC Limited	31.25	(-)31.25	Reversal in amortisation of Intangible Assets with Indefinite life.
Larsen & Toubro Limited	0.18	0.15	Due to application of Ind AS 111, Joint Arrangements
Maruti Suzuki India Limited	--	--	Not Applicable
NTPC Limited	(-)0.10	(-)0.05	No explanation provided in the financials.
Oil & Natural Gas Corporation Limited	--	--	Not Applicable
Sun Pharmaceutical Industries Limited	5.34	0.20	Capitalisation of separately acquired Intangible Assets which were not permitted earlier.
Tata Steel Limited	--	--	Not Applicable
Tata Consultancy Services Limited	--	--	Not Applicable

Name of the Entity	Change in Net Intangible Assets Value (₹ in Crores)	Change in Impairment Value (₹ in Crores)	Reasons for Change
Asian Paints Limited	3.85	2.81	Due to application of Ind AS 103, Business Combinations and consequent fair value applications.
Bajaj Auto Limited	--	--	Not Applicable
Hero MotoCorp Limited	--	--	Not Applicable
Mahindra & Mahindra Limited	--	--	Not Applicable
Tata Motors Limited	(-)990.32	(-)47.79	Fair Value Applications on the transition date.
HCL Technologies Limited	--	--	Not Applicable
Infosys Limited	--	--	Not Applicable
Tech Mahindra Limited	--	--	Not Applicable
Hindustan Unilever Limited	--	--	Not Applicable
Vedanta Limited	14.60	9.08	Fair Value Applications on the transition date.
Power Grid Corporation of India Limited	(-)60.55	(-)6.76	No specific details provided by the Company.
Reliance Industries Limited	(-)20,724.00	(-)1,353.00	Application of fair Value as deemed figure of Assets.

Source: Published Annual Audited Financial Statements of Sample Companies for 2015-2016 & 2016-2017

Thus, it is found that out of 21 companies there is an impact in 9 companies only. The primary reason being application of Ind AS 103, Ind AS 111 and use of fair value in the process of accounting for Intangibles.

5.3 SUMMARY

From the above study it can be found that there are a many areas where individual standards have impacted the financial performance and position of the select companies under study. With the help of above analysis it is observed that every standard has significant points for each of the sample companies selected under study. A summary of findings of the study of Individual standards on the financial performance and position is presented in the table below.

Table 5.10 Table showing summary of impact of Individual standards on the financial performance and position of selected companies

Sl. No.	Name of the standard	No. of Companies having Impact	No. of Companies having no Impact	Major reasons for Impact
1	Ind AS 1- Presentation of Financial Statements	21	--	Requirements of the standard.
2	Ind AS 2- Inventories	7	14	Modification in the treatment of Inventory due to Ind AS transition and treatment of spare parts meeting the criteria of qualifying assets.
3	Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors	21	--	Requirements of the standard.
4	Ind AS 10- Events after the Reporting Period	21	--	Adjustments for proposed dividend.
5	Ind AS 16- Property, Plant & Equipment	17	4	Capitalisation of spare parts, foreign exchange differences and revaluation model of accounting.

Sl. No.	Name of the standard			No. of Companies having Impact	No. of Companies having no Impact	Major reasons for Impact
6	Ind AS 23-	AS	Borrowing Costs	9	12	Use of Effective Interest Rate method as per provisions of Ind AS 109.
7	Ind AS 24-	AS	Related Party Disclosures	21	--	Requirements of the standard.
8	Ind AS 37-	AS	Provisions, Contingent Liabilities and Contingent Assets.	21	--	Requirements of the standard.
9	Ind AS 38-	AS	Intangible Assets	9	12	Application of Ind AS 103, Ind AS 111 and use of fair value in the accounting for Intangibles.

Source: Researcher's Own Compilation