

## Introduction to Ind AS 101

This Ind AS prescribes transition requirements when an Entity adopts Ind AS for the first time, i.e. A move from AS (Previous GAAP) to Ind AS.

### Example:

A Ltd. has to prepare its Financial Statements as per Ind AS from 1.4.20x2

So, its first Ind AS Reporting Period is 1.4.20x2 to 31.3.20x3

It has to prepare its comparatives for Previous Years also as per Ind AS, i.e. 1.4.20x1 to 31.3.20x2

Now, Opening Ind AS Balance Sheet is also prepared at beginning of Previous Year, i.e. 1.4.20x1

[Date of Transition to Ind AS]

All adjustments for Transition are done on this date

## Accounting for Transition to Ind AS

(1) Entity shall apply all Ind AS retrospectively in the Opening Ind AS Balance Sheet on date of transition to Ind AS.

i.e. Opening Ind AS Balance Sheet should carry the balances as if Ind AS has always been applied by the Entity in the Past.

↓

Any difference arising due to above adjustments will be recognised through Retained Earnings [or OCI if Gain | Loss on such item is recorded through OCI].

(2) There are some Mandatory Exceptions to the Retrospective Application of Ind AS :-

### • Estimates:

Use previous estimates made as per AS [Previous GAAP]

### • Measurement of Financial Assets & Financial Liabilities:

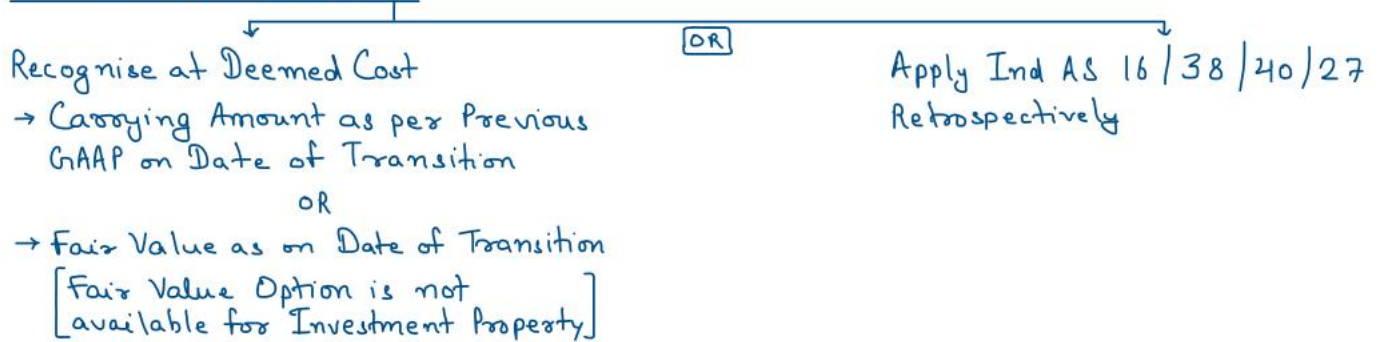
If it is Impracticable [No Proper Information Available] to apply Ind AS 109 retrospectively, then fair value as on the date of Transition to Ind AS will be the New Carrying Amount of that Financial Asset or Financial Liability at the Date of Transition to Ind AS.

### • Loan Received from Government at Less than Market Interest Rate:

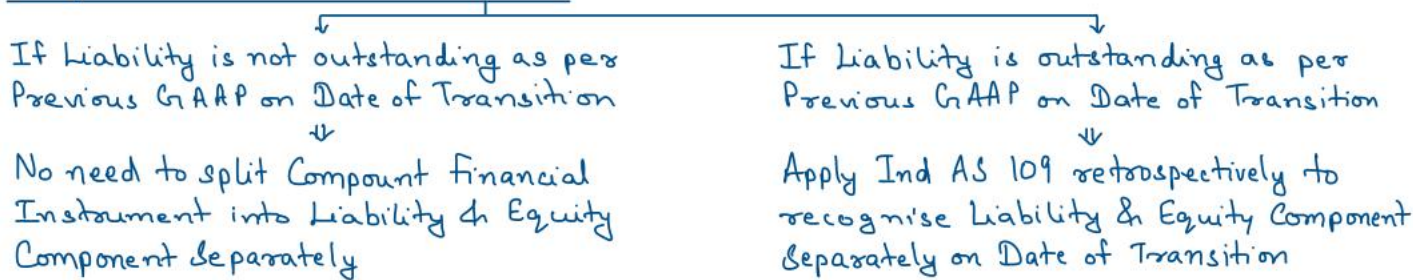
If it is Impracticable [No Proper Information Available] to apply Ind AS 109 & 20 retrospectively, then Previous GAAP Carrying Amount of Government Loan at the Date of Transition will be used as the Carrying Amount of such Government Loan in the Opening Ind AS Balance Sheet as on Date of Transition to Ind AS also and Entity shall apply Ind AS 109 [Calculate EIR] to measure such Government Loan after Date of Transition.

(3) Also There are Some Optional Exemptions from Retrospective Application of Ind AS :-

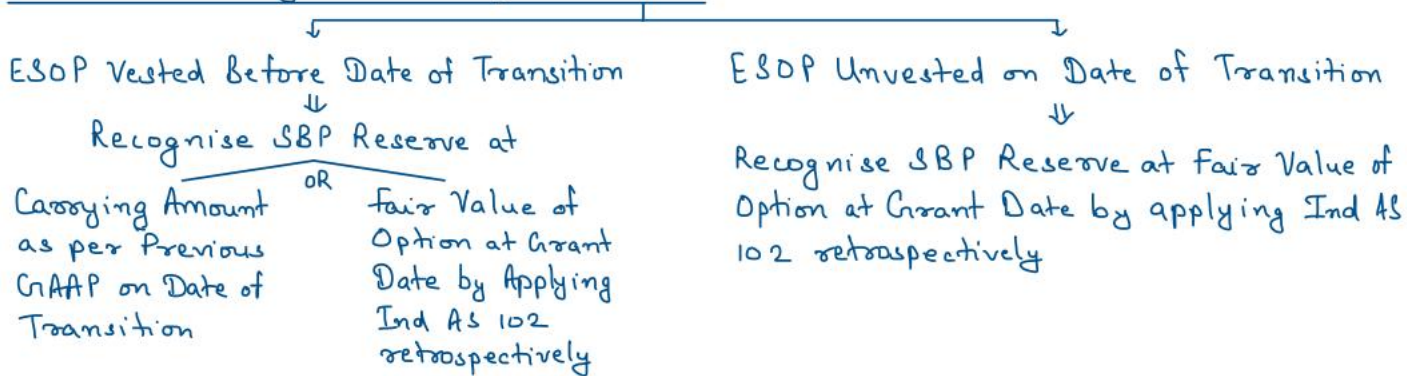
- PPE / Intangible Asset / Investment Property | Investment in Subsidiary, Associate or Joint Venture in SFS :



- Compound Financial Instruments :



- Share Based Payment [ESOP] Transaction :



- Cumulative Translation Difference on Foreign Operation :



- Business Combination :

No need to apply Ind AS 103 retrospectively on Business Combinations before Date of Transition.

- Investment in Joint Venture in CFS :

It is to be accounted as per Equity Method according to Ind AS 111 but according to Previous GAAP, It is to be accounted as per Proportionate Consolidation Method

↓

Hence, Transition is done from Proportionate Consolidation Method to Equity Method by Recognising Investment in Joint Venture Alc in CFS on Date of Transition & Derecognising Proportionate Share of Assets & Liabilities of Joint Venture from respective Assets & Liabilities

$\leftarrow \hspace{10em} \rightarrow$   
 Recognise Investment in Joint Venture in CFS at Deemed Cost on Date of Transition Apply Ind AS 111 Retrospectively  
 =

Carrying Amount of Net Assets of Joint Venture consolidated in CFS as per Previous GAAP on Date of Transition

(+) Proportionate Goodwill of Joint Venture

$$\left[ \begin{array}{l} \text{Total Goodwill on} \\ \text{Consolidation of} \\ \text{Subsidiary \& Joint} \\ \text{Venture in CFS} \end{array} \times \frac{\begin{array}{l} \text{Carrying Amount of Net Assets of} \\ \text{Joint Venture consolidated in CFS} \end{array}}{\begin{array}{l} \text{Carrying Amount of Total Relative Net} \\ \text{Assets including Total Goodwill in CFS} \end{array}} \right]$$

Reconciliation between Total Equity as per AS and Ind AS to be presented in the Opening Ind AS Balance Sheet

Share Capital [Equity + Preference]	xxx
Reserves & Surplus	xxx
Total Equity as per AS	xxx
(-) Preference Share Capital [if classified as financial Liability]	(xxx)
(±) Transition Adjustments in Retained Earnings or OCI	xxx / (xxx)
Total Equity as per Ind AS	xxx