IND AS TRANSITION- KEY ASPECTS

India is a sixth largest economy in the world and has a significant role to play on the global platform. Indian economy is expected to grow at more than 7% in the fiscal year 2017-18 compared to world GDP which is 3.4% in 2017. The growth generally comes from streamlining business procedures, structuring tax regimes, formalising the accounting standards to bring uniformity in financial reporting and many other reforms introduced by Government time to time. Indian Accounting Standards 'Ind-AS' is one of the key step in that direction.

Ind-AS has replaced the existing Accounting Standards in India with effect from April 1, 2016. Few companies are already covered under Ind-AS regime and others will fall under the category soon in upcoming year(s) as defined by the Government in the phased manner. It is a reality now and is going to affect the accounting processes of companies operating in our country.

The first-time implementation of Ind-AS is crucial for the companies and during this transition period, companies need to give special attention on some of the aspects for betterment and minimizing the time and efforts on implementation process.

Some are mentioned below:

1. Identification the GAAP differences and its impact
2. Use the exemptions given in First Time adoption
3. Parallel exercise at Subsidiary, Joint Venture and Associates Companies
4. Integrated the Changes in accounting software
5. Composition of resources and training

Let's discuss these in detail:

1. Identify the GAAP differences and its impact

Before preparing the first-time Ind-AS financial statements, it is important that companies carried out a study to identify the difference between Indian GAAP and IFRS and its impact on their financial statements. This study will help the companies to identify the accounting adjustments and its impact on various accounting heads. Accordingly, the accounting adjustment entries can be passed in the financial statements.

2. Use the exemptions given in First Time adoption

Ind AS-101, 'First time adoption' provides certain transitional exemptions to the companies. It is important to understand the relevance of those relaxation and exemptions as it might result in saving a lot of time and effort during the transitions period. Some of the exemptions are mandatory in nature while some of them are optional. Optional exemption allows the companies to continue the use of existing policy as per the previous GAAP.

Few of the optional exemptions are are as follows:

• Exemption from full retrospective application of use of policy related to Business Combination, Leases, Cumulative translation differences, service concession arrangements etc.

• Consider the existing carrying amount of property, plant and equipment, intangible assets and investment property as it is (without any adjustment) in the opening IndAS Balance i.e. transition date balance sheet.

• Carried forward the deferred exchange fluctuation loss/gain on long term foreign currency monetary items

3. Parallel exercise at Subsidiary, Joint Venture and Associates Companies

Time is of the essence. Companies will get limited time to prepare and present the financial statements. Therefore, the simple rule to follow is Start early and Finish early.

The companies which require to prepare the consolidated financial statements should ensure that Ind-AS transition process starts at their Subsidiary, Joint Venture and Associates companies simultaneously. Any delay from their side, will directly impact the timelines of consolidated financial statements.

The parallel exercise on Subsidiary, Joint Venture and Associates companies will not only help the parent company to save the transition time but also provide time to synchronise the accounting policies at group level, making necessary adjustments and eliminate the inter-company transactions.

4. Integrated the Changes in accounting software

Ind-AS adoption have cascading effects beyond accounting. For example, implementing Ind-AS is likely to impact key performance metrics, Internal budgeting requiring thoughtful communication with the board of directors, shareholders and other stakeholders.

Therefore, companies are required to integrate the changes into existing accounting software for the smooth integration of various accounting adjustments and changes in business operations. These changes can be related to Ind-AS chart of accounts, management reports, useful life of assets, discounting rates, internal budgeting or other internal control processes. Again, here also the timing of integration is important. The delay in integration of changes in accounting software will lead to more and more manual workings and calculation and will enhance the risk. While the integration process will ensure the controls for future working to certain extent.

5. Composition of resources and training

Every company need to assess what level of in-house experience or expertise they have. Successful Ind AS implementation will require a thorough strategic assessment, a robust step-by-step planning, alignment of resources and training and effective project management. Hence, the resources need to be deployed should be experienced and well versed with the Ind-AS provisions. The company need to ensure about their regular training sessions and knowledge updates so as they can be updated about the recent changes.

If the resources deployed on the project are not competent or experience, it will not only delay the project but also impact the quality of the financial statements and might also hamper the image of the company.

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