

Highlights of Amendments to IND AS

I. Amendment to First-time Adoption Standard (Ind AS 101)

The Standard governing the first-time adoption of Indian Accounting Standards (Ind AS 101) has been amended to introduce several clarifications designed to facilitate a smoother transition for companies switching to these standards. Specifically, these changes refine how companies handle transitional provisions for joint arrangements and leases. For instance, entities can assess lease agreements based on facts at the transition date. This includes exemptions for first-time adopters acting as lessors, allowing them to apply lease accounting standard without full retrospective restatement, and removing outdated items to streamline the process.

Impact:

For companies adopting INDAS for the first time, these amendments reduce the complexity and potential errors in the initial setup of their financial reporting. Entities with significant joint ventures or lease portfolios, such as real estate firms or conglomerates, will benefit from clearer guidelines. Thorough review of existing contracts is required to ensure proper classification, potentially leading to adjustments in opening balances. Overall, this enhances the reliability and comparability of financial statements.

II. Amendment to Financial Instrument Disclosures (Ind AS 107)

These amendments expand the disclosure requirements for financial instruments under Ind AS 107, with a strong emphasis on supplier finance arrangements. Companies are now required to provide detailed information about setups where third parties (finance providers) pay suppliers on the company's behalf, including the terms of such arrangements, how debts are settled (e.g., via cash, shares, or netting agreements), and any associated risks. This includes aggregating data on financial liabilities involved in these arrangements and explaining their impact on the entity's financial position.

Impact:

Entities adopting INDAS, particularly those reliant on supply chain financing like manufacturers or retailers, will face increased transparency obligations, necessitating higher internal tracking systems to compile and report this data accurately.

III. Amendments to Financial Instrument Standard (Ind AS 109)

The updates to Ind AS 109 involve the removal of certain provisions that are deemed irrelevant in the Indian context, while preserving the overall structure and numbering to maintain alignment with international standards. This ensures that the Standard for recognizing, measuring, and impairing financial instruments remain consistent globally without incorporating elements that do not apply locally.

Impact:

This amendment simplifies the standard by eliminating unnecessary complexities, making it easier to apply the standard to financial assets and liabilities like loans or investments. Companies with cross-border operations, such as multinational corporations, will appreciate the reduced global reporting, which can streamline audits and regulatory filings. The impact is largely positive with no significant changes to day-to-day accounting.

IV. Amendments to Lease Accounting Standard (Ind AS 116)

The amendments to lease accounting standard under Ind AS 116 refine the guidance provided in supporting notes and tables, focusing on how entities should reassess lease terms, handle variable payments, or classify lease

components. Although specifics may vary, these changes aim to provide more precise instructions for dealing with evolving lease agreements, ensuring consistency in how leases are recorded as assets and liabilities.

Impact:

Entities with substantial lease commitments, such as airlines, retailers, or property developers, will find these updates helpful in accurately capturing lease obligations. This could lead to more precise balance sheets, affecting key metrics like debt ratios and influencing borrowing terms.

V. Amendments to Financial Statement Presentation (Ind AS 1)

The extensive updates to Ind AS 1 revolve around improving the classification of liabilities as short-term (current) or long-term (non-current), with detailed clarifications on an entity's right to defer settlement and the role of loan conditions (covenants). New paragraphs elaborate on scenarios like covenant breaches, grace periods, and settlement options (e.g., via cash, goods, or shares), requiring retrospective application starting from April 1, 2025, or 2026 for certain aspects. This includes mandatory disclosures about risks if liabilities could become due early due to non-compliance.

Impact:

Entities, especially those with debt-heavy balance sheets like infrastructure or manufacturing companies, these amendments demand a rigorous evaluation of loan agreements during the transition. This could result in reclassifications that alter liquidity ratios, impacting covenant compliance with lenders. While the added disclosures increase reporting workload, they enhance the usefulness of financial statements.

VI. Amendments to Cash Flow Statement Standard (Ind AS 7)

Under Ind AS 7, the amendments introduce new disclosure mandates for supplier finance arrangements in cash flow statements, covering aspects like arrangement terms, outstanding amounts, payment timelines, and any non-cash impacts (e.g., from business combinations). Transitional relief exempts comparative data in the first year of application, easing the initial rollout.

Impact:

Entities availing supplier financing, common in sectors like automotive or consumer goods, will need to integrate these disclosures into their cash flow reporting. The impact includes more transparent cash flow narratives, aiding investor analysis, though it could initially complicate the adoption process by necessitating reviews of financing contracts and potential restatements of cash flow categories.

VII. Amendments to Interim Financial Reporting (Ind AS 34)

The changes to Ind AS 34 align interim financial reports with the updated standard on liability classification from annual standards, replacing terms like "provision" with "covenant" and ensuring consistency in how short-term and long-term debts are presented, effective from April 1, 2025.

Impact:

Listed entities who are mandated to declare quarterly results must now apply updated current/non-current rules, potentially accelerating disclosures of breaches. This could accelerate the identification of issues like covenant breaches, enhancing timely stakeholder communication but increasing the consistency of interim reporting.

VIII. Amendments to Income Tax Standard (Ind AS 12)

The amendments to Ind AS 12 provide an exemption from recognizing certain tax assets and liabilities arising from global tax reforms, which impose minimum taxes on multinational profits. Entities must disclose their application of this exemption, separate tax expenses related to these Standard.

Impact:

Multinational entities adopting INDAS will benefit from the simplified tax accounting, avoiding complex calculations that could distort financial positions during transition. The disclosure requirements may impact tax strategies.

IX. Amendments to Investments in Associates and Joint Ventures (Ind AS 28)

These amendments clarify that certain exemptions linked to insurance contracts are omitted, as a related standard is under development, while maintaining structural consistency with international Standard.

Impact:

No significant impact.

X. Amendments to Financial Instrument Presentation (Ind AS 32)

The update to Ind AS 32 refines the heading for sections dealing with a company's own shares (treasury shares), improving clarity in the standard's navigation.

Impact :

For entities engaging in share repurchases, this minor clarification eases makes the Standard more user-friendly, without affecting the substance of how equity instruments are presented. The impact is negligible on financial outcomes but supports accurate reporting.

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