Companies (Indian Accounting Standards) Amendment Rules, 2023

Notified by Ministry of Corporate Affairs on 31 March 2023

Effective for annual reporting periods beginning on or after 1 April 2023

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Introduction

- Ind AS 1 – Presentation of Financial Statements
  - The amendment seeks to replace significant accounting policies with material accounting policy information and provides guidance on material accounting policy information.
- Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
  - The amendment replaces the definition of changes in accounting estimates with a new definition of accounting estimates and provides guidance on that definition, what are regarded as changes in accounting estimates and how to apply changes in accounting estimates.
- Ind AS 12 – Income Taxes
  - The amendment clarifies that in case where there at the time of initial recognition, both asset and liability are recognised for equal amounts, the initial recognition exemption does not apply and the company shall recognise deferred tax liability and deferred tax asset on gross basis on that date of initial recognition.
- Rest of the Amendments are consequential

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Amendments to Ind AS 1

Material Accounting Policy Information can reduce the accounting policy disclosure by more than one-half

Need for the Amendment

- Ind AS 1 required disclosure of accounting policies. However, it did not define ‘accounting policies’ as such.
- The amendments to Ind AS 1 seek to address the issue of boiler plate disclosures as significant accounting policies wherein companies simply reproduced the requirements of the standard in brief.
- A company’s significant accounting policy disclosure was the best reference material to understand summarily the requirements of Ind AS. Such disclosure did not provide any information on how the company applies the requirements of the standard to its own circumstances. This made the disclosure of accounting policies not relevant to users and thus reduced the understandability of financial statements.

Need for the Amendment

- It was a lingering question as what policy could be considered as significant. Whether a transaction, event or condition reported in financial statements would make the accounting policy for the same significant to be disclosed.

- Ind AS do not define the term ‘significant’. However, the use of the term ‘significant’ is not limited to accounting policies. Ind AS also contain ‘insignificant’ being used in number of places. Ind AS does not define ‘insignificant’ too. An attempt to define ‘significant’ could result in unforeseen consequences as the use of the same term could be with some other meaning in other places. Further, a definition of significant would mean that the term ‘insignificant’ is also being defined.

Definition of Material (Paragraph 7 of Ind AS 1)

- **Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.**
- Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Amendment to paragraph 117 of Ind AS 1

- As the term ‘material’ is defined and well understood by all stakeholders, it was decided to change from significant accounting policy to material accounting policy.

- On change to material accounting policy, the same question arose as to what material accounting policies are and whether the materiality of a transaction, event or conditions necessarily makes its accounting policy also material to be disclosed.

- To address this problem, paragraph 117 of Ind AS 1 has been amended to define ‘material accounting policy’ as follows:
  - **Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.**

Difference between material transactions and accounting policy

- Though the definition of material accounting policy appears to be similar to the definition of material in paragraph 7, there is thin line of difference.
- Information is considered to be material if its omission or misstatement could reasonably be expected to influence economic decisions of users.
    - The test here is if a transaction is omitted or misstated or obscured, whether that would influence the economic decisions of users. This test ensures that more transactions get reported.
- An accounting policy is considered to be material if its inclusion in the manner and form in which it is specified could reasonably be expected to influence economic decisions of users.
    - The test here is if an accounting policy is specified, whether its inclusion would influence the economic decisions of users. This test ensures that limited policies are disclosed.

Connection with paragraph 8 of Ind AS 8

- Paragraph 8 of Ind AS 8:
    - Ind ASs set out accounting policies that result in financial statements containing relevant and reliable information about the transactions, other events and conditions to which they apply. Those policies need not be applied when the effect of applying them is immaterial…
- When this requirement is applied to the disclosure of accounting policy, the statement will change to those policies shall be disclosed only if the effect of disclosing them is material.
- Para 16 of Ind AS 1 requires an entity to make an explicit and unreserved statement of compliance with Ind AS
- Therefore, explanation of the requirements of a standard summarily in the form of accounting policy is only an elaboration of the explicit and unreserved statement of compliance with Ind AS
- Such reproduction though relating to material transactions, events and conditions obscures users from material information

Insertion of new paragraphs to Ind AS 1

- 117A. Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

- 117C. Accounting policy information that focuses on how an entity has applied the requirements of the Ind ASs to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the Ind ASs.

- 117D. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

- 117E. An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other Ind ASs.

When is an accounting policy material (Para 117B)

- Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:
  - the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
  - the entity chose the accounting policy from one or more options permitted by Ind ASs;
  - the accounting policy was developed in accordance with Ind AS 8 in the absence of an Ind AS that specifically applies;
  - the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 122 and 125; or
  - the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions— such a situation could arise if an entity applies more than one Ind AS to a class of material transactions.

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Policy on Recognition and Measurement of Property, Plant and Equipment

- Freehold Land is carried at historical cost. All other items of Property Plant & Equipment are stated at cost of acquisition, less accumulated depreciation and accumulated impairment losses, if any. Direct costs are capitalised until the assets are ready for use and includes freight, duties, taxes and expenses incidental to acquisition and installation. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of profit and loss during the reporting period in which they are incurred. Subsequent expenditures related to an item of Property Plant & Equipment are added to its carrying value only when it is probable that the future economic benefits from the asset will flow to the Company and cost can be reliably measured.

  Losses arising from the retirement of, and gains or losses arising from disposal of Property, Plant and Equipment are recognised in the Statement of Profit and Loss.

Assessment of the policy

- The above policy needs to assessed whether users need it to understand other material information in the financial statements in the form and manner it is specified.
- On reviewing this policy, it is observed that the policy simply reproduces the requirements of Ind AS 16 in summary form except for first two sentences.
- In fact, while reproducing it has made errors with regard to subsequent expenditure and loss on retirement

Application of the Amendments

- Whether the policy relates to material transactions, events or conditions
  - Yes – Omission or misstatement in recognition and measurement of PPE could influence the economic decisions of users
- As the above condition is met, the company tests the policy for other conditions
- Whether the company has changed its accounting policy and the change has a material effect
  - No
- Whether the policy was chosen from one or more options permitted by Ind AS
  - Yes – Ind AS 16 requires an entity to choose either cost model or revaluation model;
- The moment the company meets one more condition, the policy is considered as material accounting policy that must be disclosed by the company

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Application of the Amendments

- Policy on Recognition and Measurement of PPE that may be disclosed as material accounting policy information
  - Items of property, plant and equipment are measured at cost less accumulated depreciation, and accumulated impairment except for freehold land which is not depreciated as its useful life is determined to be indefinite.

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Policy on Cash and Cash Equivalents

- Cash and cash equivalents include cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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Application of the Amendments

- Whether the policy relates to material transactions, events or conditions
  - Yes – Omission or misstatement of cash and cash equivalents could influence the economic decisions of users
- As the above condition is met, the company tests the policy for other conditions
- Whether the company has changed its accounting policy and the change has a material effect
  - No
- Whether the policy was chosen from one or more options permitted by Ind AS
  - No
- Whether the company developed the accounting policy applying para 10-12 of Ind AS 8
  - No
- Whether the policy requires judgements or assumption disclosed in accordance with para 122 or 125 of Ind AS 1
  - No
- Whether the company is required to apply more than one Ind AS
  - No

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Application of the Amendments

- As only one condition is met, the accounting policy on cash and cash equivalents is not considered material and therefore, the company shall not disclose that policy from annual reporting periods beginning on or after 1 April 2023
- The explicit and unreserved statement of compliance with Ind AS and the disclosure of components of cash and cash equivalents in para 45 of Ind AS 7 make it amply clear that cash and cash equivalents have been identified in accordance with Ind AS 7

Policy on Current and Non-current classification

2.3 Current and non-current Classification

The Company presents assets and liabilities in the Balance Sheet based on current/ non-current classification. An asset is treated as current by the Company when:

(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within twelve months after the reporting period; or

(d) the asset is cash or a cash equivalent (as defined in Ind AS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is treated as current by the Company when:

(a) it expects to settle the liability in its normal operating cycle;

(b) it holds the liability primarily for the purpose of trading;

(c) the liability is due to be settled within twelve months after the reporting period; or

(d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

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Application of the Amendments

- Whether the policy relates to material transactions, events or conditions
  - Yes – Misstatement in such classification can influence the economic decisions of users
- As the above condition is met, the company tests the policy for other conditions
- Whether the company has changed its accounting policy and the change has a material effect
  - No
- Whether the policy was chosen from one or more options permitted by Ind AS
  - No
- Whether the company developed the accounting policy applying para 10-12 of Ind AS 8
  - No
- Whether the policy requires judgements or assumption disclosed in accordance with para 122 or 125 of Ind AS 1
  - No
- Whether the company is required to apply more than one Ind AS
  - No

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Application of the Amendments

- As only one condition is met, the accounting policy on current and non-current is not considered material and therefore, the company shall not disclose that policy from annual reporting periods beginning on or after 1 April 2023
- The explicit and unreserved statement of compliance is enough to make it clear that assets and liabilities have been classified as current and non-current in accordance with Ind AS 1

Policy on Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to Equity Shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted Earning per Share, the net profit or loss for the period attributable to Equity Shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

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Application of the Amendments

- Whether the policy relates to material transactions, events or conditions
  - Yes – Earnings per share information is material as its omission or misstatement could influence the economic decisions of users of financial statements
- As the above condition is met, the company tests the policy for other conditions
- Whether the company has changed its accounting policy and the change has a material effect
  - No
- Whether the policy was chosen from one or more options permitted by Ind AS
  - No
- Whether the company developed the accounting policy applying para 10-12 of Ind AS 8
  - No
- Whether the policy requires judgements or assumption disclosed in accordance with para 122 or 125 of Ind AS 1
  - No
- Whether the company is required to apply more than one Ind AS
  - No

Application of the Amendments

- As only one condition is met, the accounting policy on earnings per share is not considered material and therefore, the company shall not disclose that policy from annual reporting periods beginning on or after 1 April 2023
- The explicit and unreserved statement of compliance with Ind AS makes it clear that EPS information is disclosed in accordance with Ind AS 33.

Amendments to Ind AS 8

Defines Accounting Estimates

Need for the Amendment

- Ind AS 8 deals with selection of accounting policy, accounting for change in accounting policies, accounting for changes in accounting estimates and accounting for rectification of prior period errors.
- In this regard, it defined accounting policies, prior period errors and changes in accounting estimates.
- However, it did not define accounting estimates.

What are the Amendments

- The amendments
  - define accounting estimate which was not there in Ind AS 8
  - explains the interaction between accounting policy and accounting estimates
  - clarifies what can be regarded as change in accounting estimates
  - how to apply changes in accounting estimates.

What are the Amendments

- The amendments replace the definition of changes in accounting estimates with a definition on accounting estimates.
- Paragraph 5 of Ind AS 8 now includes a definition of accounting estimates as follows:
  - **Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.**
- Conceptual Framework for Financial Reporting issued by The Institute of Chartered Accountants of India defines measurement uncertainty as follows:
  - Uncertainty that arises when monetary amounts in financial reports cannot be observed directly and must instead be estimated.

What are the Amendments

- Paragraph 32 of Ind AS 8 has been amended to explain the interaction between accounting policy and accounting estimates as follows:

- An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty—that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy.

What are the Amendments

- Paragraph 32 provides the following examples of accounting estimates to further explain the interaction:

  a loss allowance for expected credit losses, applying Ind AS 109, Financial Instruments;

  the net realisable value of an item of inventory, applying Ind AS 2 Inventories;

  the fair value of an asset or liability, applying Ind AS 113, Fair Value Measurement;

  the depreciation expense for an item of property, plant and equipment, applying Ind AS 16; and

  a provision for warranty obligations, applying Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.

What are the Amendments

- Paragraph 32A has been inserted in Ind AS 8 to clarify that measurement techniques and inputs are used to develop an accounting estimate. Measurement techniques are estimation techniques and valuation techniques. Example of Estimation techniques include those applied to measure loss allowance for expected credit losses and example of valuation techniques include those applied to measure fair value of an asset or liability.
- Paragraph 32B clarifies that the term ‘estimate’ has been used widely in Ind AS and all such references do not necessarily mean accounting estimate as defined in paragraph 5 of Ind AS 8. A reference to an estimate could be a reference to an input used in developing an accounting estimate.

Need to Change an Accounting Estimate

- The need to change an accounting estimate arises from change in the circumstances on which the accounting estimate was based or on new information being available due to new developments or through experience
- A change in an accounting estimate does not relate to prior period and therefore, is not rectification of prior period error
- Ind AS 16, Property, Plant and Equipment, is clear that a change in method of measuring depreciation is a change in accounting estimate (See paragraph 61 of Ind AS 16)
- Therefore, a company can change method of measuring depreciation only if there a change in the pattern of consumption of the benefits generated from the item of property, plant and equipment

Change an Accounting Estimate vis-à-vis Change in Accounting Policy

- Paragraph 34A and 35 provides guidance on differentiating change in accounting policy and change in accounting estimates

- The effects on an accounting estimate of a change in input or change in measurement technique are changes in accounting estimates unless they result from the correction of prior period errors

- The standard retains paragraph 35 which explains that a change in measurement basis is a change in accounting policy and is not a change in accounting estimate. Paragraph 35 also retains the requirement that when it is difficult to distinguish a change in an accounting policy from a change in accounting estimate, the change shall be treated as a change in accounting estimate

- Therefore, the question remains whether change from FIFO to Weighted Average is a change in measurement basis or a change in measurement technique.

Change from FIFO to Weighted Average or Vice Versa

- Paragraph 25 of Ind AS 2, Inventories:
    - **The cost of inventories, other than those dealt with in paragraph 23, shall be assigned by using the first-in, first-out (FIFO) or weighted average cost formula. An entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified.**
- Ind AS 2 does not require review of the cost formula used to measure inventory unlike depreciation method
- Ind AS 2 differentiates cost formula and measurement techniques such as standard cost method or retail method
- Paragraph 36(a) of Ind AS 2 requires disclosure of accounting policies adopted in measuring inventories, including the cost formula used.
- Therefore, Ind AS 2 regards the cost formula as the measurement basis and not the measurement technique. Accordingly, a change from FIFO to Weighted Average or Vice Versa is a change in accounting policy and not a change in accounting estimate

Impact of the Amendments

- The amendments are not expected to have any material impact on financial statements
- The amendments will enable companies to make better judgement on whether a change is a change in accounting policy or change in accounting estimate or correction of prior period error.

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Amendments to Ind AS 12

Reduces scope of initial recognition exemption | Search Issue Id: 4053 or search issue by paragraph 22A in Issue Repository on https://gaapadvisors.com

Need for the Amendment

- The amendments to the initial recognition exemption arose from the question as to whether a company should recognise DTA and DTL in case of initial recognition of lease liability and right-of-use asset because the DTL and DTA neither arises from business combination nor the transaction affects accounting profit nor taxable profit on initial recognition. The amendments also applies to decommissioning obligations that are added to the cost of the item of PPE.

Para 15 before the Amendment

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- A DTL shall be recognised for all taxable temporary differences, except to the extent that the DTL arises from
  - (a) the initial recognition of goodwill; or
  - (b) the initial recognition of an asset or liability in a transaction which:
  - (i) is not a business combination; and
  - (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, a deferred tax liability shall be recognised in accordance with paragraph 39

Para 15 before the Amendment

- Reading paragraph 15, one can observe that condition (b) uses the word “or”. Therefore, one may conclude that when taxable temporary differences arise on initial recognition of an asset and liability, the initial recognition exemption should not apply. (See Issue Id: 4053)
- However, this interpretation was not clear and diverse practices were followed. Some companies recognised both DTA and DTL on gross basis, some interpreted the initial recognition exemption giving rise to DTA or DTL on net basis and some interpreted the initial recognition exemption to apply even when the transaction resulted in initial recognition of both asset and liability.
- To remove this diversity in practice, Ind AS 12 has been amended to narrow the scope of initial recognition exemption requirements such that the exemption would apply only if the initial recognition does not give rise to equal amounts of taxable and deductible temporary differences.

Para 15 after the Amendment

- A DTL shall be recognised for all taxable temporary differences, except to the extent that the DTL arises from:

  (a) the initial recognition of goodwill; or

  (b) the initial recognition of an asset or liability in a transaction which:

  (i) is not a business combination;

  (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and

  (iii) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

- However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, a deferred tax liability shall be recognised in accordance with paragraph 39.

Para 24 Amendment

- A similar amendment has been made to the requirements of paragraph 24 which deals with deductible temporary differences.
- However, the amendments to paragraph 15 and paragraph 24 do not clarify whether the deferred tax liability and deferred tax asset must be recognised on gross basis or net basis.

Gross / Net Deferred Tax (Para 22A)

- Paragraph 22A has been inserted in Ind AS 12 which states as follows:
- A transaction that is not a business combination may lead to the initial recognition of an asset and a liability and, at the time of the transaction, affect neither accounting profit nor taxable profit. For example, at the commencement date of a lease, a lessee typically recognises a lease liability and the corresponding amount as part of the cost of a right-of-use asset. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in such a transaction. The exemption provided by paragraphs 15 and 24 does not apply to such temporary differences and an entity recognises any resulting deferred tax liability and asset.

Tax Base

- Paragraph 5 of Ind AS 12 defines temporary differences as differences between the carrying amount of an asset or liability in the balance sheet and its tax base.
- Therefore, when the transaction gives rise to equal amounts of asset and liability, it becomes important to consider whether the tax base relates to the asset or the liability.
- Paragraph 5 of Ind AS 12 defines tax base as the amount attributed for tax purposes. Usually, tax law permits tax deductions on lease payment being made that is on cash basis. In such situation, the company must determine whether those tax deductions are attributable to:
  - the right-of-use asset (and interest expense) – that is the deductions relate to depreciation and interest expense; or
  - the lease liability – that is the deductions relate to interest expense and the repayment of lease liability.

Tax Base

- Paragraph 7 of Ind AS 12 states as follows:
  - The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.
- Paragraph 8 of Ind AS 12 states as follows:
  - The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods…

Tax Base

- When the company determines that the tax deductions that it will receive for the lease relates to the right-of-use asset –

    a. the amount deductible for tax purposes will be limited to carrying amount of right-of-use asset and therefore, the tax base of right-of-use asset shall be equal to its carrying amount; and

    b. the amount that will be deductible for tax purposes in respect of lease liability in future periods will be NIL and therefore, the tax base of the lease liability will also be equal to the carrying amount of the lease liability.

- Therefore, when the company determines that the deductions, relate to right-of-use asset, no temporary difference arises on initial recognition.

Tax Base

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- Now, let us consider the situation when the company determines that the tax deductions that it will receive for the lease relates to the lease liability. In such a case –

  a. no amount will be deductible for tax purposes when the company recovers the carrying amount of right-of-use asset resulting in tax base of right-of-use being zero giving rise to taxable temporary differences equal to the carrying amount of the right-of-use asset; and

  b. all amount of lease liability will be deductible for tax purposes resulting in tax base of the lease liability being zero giving rise to deductible temporary differences equal to the carrying amount of the lease liability.

- Accordingly, deferred tax liability and deferred tax asset arise on initial recognition only if the company determines that the tax deductions it will receive for the lease relates to the lease liability.
- Under the Income tax law in India, the tax base will be determined as related to liability. Therefore, a company in India shall recognise deferred tax liability and deferred tax asset

Unequal amount of Deferred Tax

- Paragraph 24 of Ind AS 12 requires a company to recognise deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised whereas paragraph 15 of Ind AS 12 requires a company to recognise deferred tax liability for all taxable temporary differences. This might result in different amount of deferred tax asset and deferred tax liability being recognised on initial recognition.
- However, this difference does not increase the scope of initial recognition exemption as paragraph 15, 22A and 24 refer to equal amount of taxable and deductible temporary differences and not to equal amount of deferred tax liability and deferred tax asset.

Effect of Para 28 on Para 24

- *It is probable that taxable profit will be available against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse:*

  (a) in the same period as the expected reversal of the deductible temporary difference; or

  (b) in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

- *In such circumstances, the deferred tax asset is recognised in the period in which the deductible temporary differences arise.*

- Accordingly, the company while recognising deferred tax asset in accordance with paragraph 24 shall consider whether the conditions in paragraph 28 are met. If the conditions in paragraph 28 are met, the company recognises deferred tax liability and deferred tax asset for equal amounts.

Recognition of Difference

- Any difference is an income or expense as defined in the conceptual framework for financial reporting issued by The Institute of Chartered Accountants of India.
- Paragraph 88 of Ind AS 1 requires all items of income or expense to be recognised in profit or loss unless a standard requires or permits otherwise.
- Accordingly, any difference in the amount of deferred tax liability and deferred tax asset is recognised as per the requirements of Ind AS 12 and where Ind AS 12 does not prohibit such difference to be recognised, the same is recognised in profit or loss.

Prepaid Lease Rentals

- Usually in lease agreements, a lessee is required to make lease payments in advance and may also incur initial direct costs. Ind AS 116 requires such payments to be added to the cost of right-of-use asset.
- This would give rise to unequal amounts of taxable and deductible temporary differences.
- If those lease payments affect taxable profit, the initial recognition exemption will not apply. The company shall recognise the difference between deferred tax liability and deferred tax asset in such a case in profit or loss.
- However, where the lease payments and initial direct costs do not affect taxable profit, the initial recognition exemption will apply to those lease payments. The company shall not recognise deferred tax on those lease payments till the termination of the lease.

Transitional Requirements (98J, 98K and 98L)

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- 98J. Deferred Tax related to Assets and Liabilities arising from a Single Transaction, amended paragraphs 15, 22 and 24 and added paragraph 22A. An entity shall apply these amendments in accordance with paragraphs 98K–98L for annual reporting periods beginning on or after 1 April 2023.

- 98K. An entity shall apply Deferred Tax related to Assets and Liabilities arising from a Single Transaction to transactions that occur on or after the beginning of the earliest comparative period presented.

Transitional Requirements (98J, 98K and 98L)

- 98L. An entity applying Deferred Tax related to Assets and Liabilities arising from a Single Transaction shall also, at the beginning of the earliest comparative period presented:

(a) recognise a deferred tax asset—to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised—and a deferred tax liability for all deductible and taxable temporary differences associated with:

(i) right-of-use assets and lease liabilities; and

(ii) decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset; and

(b) recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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Companies (Indian Accounting Standards) Amendment Rules, 2023

Para No. Amended	Existing Requirements	Amended Requirements	Applicability	Explanation	Impact
Ind AS 101 – First-time Adoption of Indian Accounting Standards					
Inserted new Paragraph 39AH	Not Applicable	Deferred Tax related to Assets and Liabilities arising from a Single Transaction, amended paragraph B1 and added paragraph B14. An entity shall apply these amendments for annual reporting periods beginning on or after 1 April 2023.	Recognition on Transition Date falling on or after 1 April 2022	This paragraph specifies the effective date of the amendments to paragraph B1 and insertion of paragraph B14 pf Ind AS 101	No impact on companies already following Ind AS
Inserted item (i) in paragraph B1	Not Applicable	(i) deferred tax related to leases and decommissioning, restoration and similar liabilities (paragraph B14).	As specified in paragraph 39AH	This paragraph lists the exceptions from retrospective application	No impact on companies already following Ind AS
Inserted paragraph B14	Not Applicable	**Deferred tax related to leases and decommissioning, restoration and similar liabilities** Paragraphs 15 and 24 of Ind AS 12, Income Taxes exempt an entity from recognising a deferred tax asset or liability in particular circumstances. Despite this exemption, at the date of transition to Ind ASs, a first-time adopter shall recognise a deferred tax asset—to the extent that it is	As specified in paragraph 39AH	Requires deferred tax assets and deferred tax liabilities to be recognised for all temporary differences associated with: (a) right-of-use assets and lease liabilities; and (b) decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.	No impact on companies already following Ind AS

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Para No. Amended	Existing Requirements	Amended Requirements	Applicability	Explanation	Impact
		probable that taxable profit will be available against which the deductible temporary difference can be utilised—and a deferred tax liability for all deductible and taxable temporary differences associated with: (a) right-of-use assets and lease liabilities; and (b) decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.			

Ind AS 102 – Share-based Payments					
Footnote to paragraph 24 is now footnote to paragraph 23	Footnote to paragraph 24 read as under: For example, in case of share options granted to employees, the credit given to an appropriate equity account, say, 'share options outstanding account' (upon receiving the services) may be transferred to another appropriate equity account, say, 'General Reserves' when the options are not exercised.	Footnote to paragraph 24 moved as footnote to paragraph 23	Retrospective	This is a clerical amendment.	No Impact

Ind AS 103 – Business Combinations					
Para 13 of Appendix C	The following disclosures shall be made in the first financial statements following the business combination: (a) names and general nature of business of the combining entities; (b) the date on which the transferor obtains control of the transferee; (c) description and number of shares issued, together with the percentage of each entity's equity shares exchanged to effect the business combination; and (d) the amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof.	The following disclosures shall be made in the first financial statements following the business combination: (a) names and general nature of business of the combining entities; (b) the date on which the transferee obtains control of the transferor; (c) description and number of shares issued, together with the percentage of each entity's equity shares exchanged to effect the business combination; and (d) the amount of any difference between the consideration and the value of net identifiable assets acquired, and the treatment thereof.	Retrospective	This is a clerical amendment.	No Impact

Ind AS 107 – Financial Instruments: Disclosures					
Paragraph 21 of Ind AS 107	In accordance with paragraph 117 of Ind AS 1, Presentation of Financial Statements, an entity discloses its significant accounting policies, comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.	In accordance with paragraph 117 of Ind AS 1, Presentation of Financial Statements, an entity discloses material accounting policy information. Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information.	Prospective	This is consequential amendment due to amendment in Ind AS 1 related to change from significant accounting policies to material accounting policy information	Impact discussed in Ind AS 1
Paragraph B5 of Appendix B of Ind AS 107	Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:	Paragraph 21 requires disclosure of material accounting policy information, which is expected to include information about the measurement basis (or bases) for financial instruments used in preparing the financial statements. For financial instruments, such disclosure may include:	As specified in paragraph 44II of Ind AS 107	This is consequential amendment due to amendment in Ind AS 1 related to change from significant accounting policies to material accounting policy information	Impact discussed in Ind AS 1

	(a) for financial liabilities designated as at fair value through profit or loss: (i) the nature of the financial liabilities the entity has designated as at fair value through profit or loss; (ii) the criteria for so designating such financial liabilities on initial recognition; and (iii) how the entity has satisfied the conditions in paragraph 4.2.2 of Ind AS 109 for such designation. (aa) for financial assets designated as measured at fair value through profit or loss: (i) the nature of the financial assets the entity has designated as measured at fair value	(a) for financial liabilities designated as at fair value through profit or loss: (i) the nature of the financial liabilities the entity has designated as at fair value through profit or loss; (ii) the criteria for so designating such financial liabilities on initial recognition; and (iii) how the entity has satisfied the conditions in paragraph 4.2.2 of Ind AS 109 for such designation. (aa) for financial assets designated as measured at fair value through profit or loss: (i) the nature of the financial assets the entity has designated as measured at fair value through profit or loss; and (ii) how the entity has satisfied the criteria in paragraph 4.1.5 of Ind AS 109 for such designation. (b) Deleted			

Ind AS 107 – Financial Instruments: Disclosures

	through profit or loss; and (ii) how the entity has satisfied the criteria in paragraph 4.1.5 of Ind AS 109 for such designation. (b) Deleted (c) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 3.1.2 of Ind AS 109). (d) Deleted (e) how net gains or net losses on each category of financial instrument are determined (see paragraph 20(a)), for example, whether the net gains or net losses on items at fair value through profit or loss	(c) whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 3.1.2 of Ind AS 109). (d) Deleted (e) how net gains or net losses on each category of financial instrument are determined (see paragraph 20(a)), for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend income. (f)-(g) Deleted Paragraph 122 of Ind AS 1 also requires entities to disclose, along with material accounting policy information or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies			

	include interest or dividend income. (f)-(g) Deleted Paragraph 122 of Ind AS 1 also requires entities to disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.	and that have the most significant effect on the amounts recognised in the financial statements.			
Insertion of paragraph 44II	Not Applicable	Disclosure of Accounting Policies, which amends Ind AS 1 amended paragraphs 21 and B5. An entity shall apply that amendment for annual	Prospective from 1 April 2023	This is consequential amendment due to amendment in Ind AS 1 related to change from significant accounting policies to material accounting policy information	Impact discussed in Ind AS 1

		reporting periods beginning on or after 1 April 2023.			

Ind AS 109 – Financial Instruments					
Paragraph B4.3.12	Paragraph B4.3.12 of Ind AS 109 was amended vide this notification. Before the notification, paragraph B4.3.12 of Ind AS 109 read as under: Paragraph B4.3.11 does not apply to embedded derivatives in contracts acquired in: (a) a business combination (as defined in Ind AS 103 Business Combinations); (b) a combination of entities or businesses under common control as described in paragraphs B1–B4 of Ind AS 103; or (c) the formation of a joint venture as defined in Ind AS 111 Joint Arrangements or their possible reassessment at the date of acquisition.	Paragraph B4.3.11 does not apply to embedded derivatives in contracts acquired in: (a) a business combination (as defined in Ind AS 103 Business Combinations); (b) a combination of entities or businesses under common control as described in Appendix C of Ind AS 103; or (c) the formation of a joint venture as defined in Ind AS 111 Joint Arrangements or their possible reassessment at the date of acquisition.	Prospective from 1st April 2023	This is a clerical amendment	No Impact

Ind AS 1 – Presentation of Financial Statements					
Paragraph 7	Not Applicable	***Accounting policies*** **are defined in paragraph 5 of Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and the term is used in this Standard with the same meaning.**	As specified in paragraph 139V of Ind AS 1	Paragraph 7 of Ind AS 1 has been amended to include a reference to the definition of Accounting Policies contained in paragraph 5 of Ind AS 8	No impact
Paragraph 10	**(e) notes, comprising significant accounting policies and other explanatory information;**	**(e) notes, comprising material accounting policy information and other explanatory information;**	As specified in paragraph 139V of Ind AS 1	Replacement of significant accounting policies by material accounting policy information	No Impact
Paragraph 114	(ii) significant accounting policies applied (see paragraph 117);	(ii) material accounting policy information (see paragraph 117);	As specified in paragraph 139V of Ind AS 1	Replacement of significant accounting policies by material accounting policy information	No Impact
Paragraph 117	Disclosure of accounting policies **An entity shall disclose its significant accounting policies comprising:** **(a) the measurement basis (or bases) used in preparing the financial statements; and** **(b) the other accounting policies used that are relevant to an**	Disclosure of Accounting Policy information **An entity shall disclose material accounting policy information (see paragraph 7). Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements**	As specified in paragraph 139V of Ind AS 1	Companies to disclose material accounting policies and not significant accounting policies	Requires thorough review of accounting policies to ensure that only material accounting policies are disclosed. Paragraph 117A to 117E provide guidance on what are regarded as material accounting policies

	understanding of the financial statements.	**make on the basis of those financial statements.**			
Insertion of paragraph 117A	Not Applicable	Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.	As specified in paragraph 139V of Ind AS 1	This paragraph clarifies that accounting policy information could be material even if the amounts are immaterial because of the nature of the related transactions, other events or conditions. Further, this paragraph also says that just because a transaction is material does not make an accounting policy related to that transaction material in itself	Requires thorough review of accounting policies to ensure that only material accounting policy information is disclosed
Insertion of paragraph 117B	Not Applicable	Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy	As specified in paragraph 139V of Ind AS 1	This paragraph explains what accounting policy could be regarded as material accounting policy. It may be noted that the conditions are for material transactions, other events and conditions. Thus, simply because a transaction, event or condition is material, accounting policy related to that transaction, event	Requires thorough review of accounting policies to ensure that only material accounting policy information is disclosed

		information material to its financial statements if that information relates to material transactions, other events or conditions and: (a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements; (b) the entity chose the accounting policy from one or more options permitted by Ind ASs; (c) the accounting policy was developed in accordance with Ind AS 8 in the absence of an Ind AS that specifically applies; (d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in		or condition does not become material unless if meets one of the conditions specified in this paragraph	

		accordance with paragraphs 122 and 125; or (e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions— such a situation could arise if an entity applies more than one Ind AS to a class of material transactions.			
Insertion of paragraph 117C	Not Applicable	Accounting policy information that focuses on how an entity has applied the requirements of the Ind ASs to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the Ind ASs.	As specified in paragraph 139V of Ind AS 1	This paragraph clarifies that accounting policy must focus on how an entity applied the requirements of Ind AS to its own specific information rather than duplicating the requirements of a standard	Requires thorough review of accounting policies to ensure that only material accounting policy information is disclosed
Insertion of paragraph 117D	Not Applicable	If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.	As specified in paragraph 139V of Ind AS 1	The first reading of this paragraph gives an impression that disclosure of immaterial accounting policies is permitted. However, a careful reading reveals that disclosure of	Requires thorough review of accounting policies to ensure that only material accounting

				immaterial accounting policies must be such that they obscure material accounting policies	policy information is disclosed
Insertion of paragraph 117E	Not Applicable	An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other Ind ASs.	As specified in paragraph 139V of Ind AS 1	This puts to rest a fear mentality that if a company does not disclose accounting policy for all notified standards whether material or immaterial or the accounting policy is an accounting manual of the company and therefore must be disclosed regardless of its materiality. If a company decides that an accounting policy is not material and does not disclose the same, the same shall not be regarded as non-compliance even if other standards require disclosure of the such accounting policy	Requires thorough review of accounting policies to ensure that only material accounting policy information is disclosed
Deletion of Paragraph 118	It is important for an entity to inform users of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares	Deleted	As specified in paragraph 139V of Ind AS 1	This paragraph is not relevant consequent to the change to material accounting policy and therefore deleted	No Impact

	the financial statements significantly affects users' analysis. When an entity uses more than one measurement basis in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.				
Deletion of paragraph 119	In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. Each entity considers the nature of its operations and policies that the users of	Deleted	As specified in paragraph 139V of Ind AS 1	This paragraph is not relevant consequent to the change to material accounting policy and therefore deleted	No Impact

	its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Ind ASs. An example is disclosure of a regular way purchase or sale of financial assets using either trade date accounting or settlement date accounting (see Ind AS 109, Financial Instruments). Some Ind ASs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, Ind AS 16 requires disclosure of the measurement bases used for classes of				

	property, plant and equipment.				
Deletion of paragraph 121	An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by Ind ASs but the entity selects and applies in accordance with Ind AS 8.	Deleted	As specified in paragraph 139V of Ind AS 1	This paragraph is not relevant consequent to the change to material accounting policy and therefore deleted	No Impact
Paragraph 122	**An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's**	**An entity shall disclose, along with material accounting policy information or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and**	As specified in paragraph 139V of Ind AS 1	Replacement of significant accounting policies with material accounting policy information	No Impact

	accounting policies and that have the most significant effect on the amounts recognised in the financial statements.	**that have the most significant effect on the amounts recognised in the financial statements.**			
Insertion of paragraph 139V	Not Applicable	Disclosure of Accounting Policies, amended paragraphs 7, 10, 114, 117 and 122, added paragraphs 117A–117E and deleted paragraphs 118, 119 and 121. An entity shall apply the amendments to Ind AS 1 for annual reporting periods beginning on or after 1 April 2023.	Prospective for accounting periods beginning on or after 1 April 2023	This specifies that the change to material accounting policy is not to effected in the financial statements for the year ended 31 March 2023. However, this still requires a review of those policies to specify the possible impact in accordance with the requirements of paragraph 30 and 31 of Ind AS 8. The company may state that it is in the process of thorough review of accounting policies to determine material accounting policy information to be disclosure going forward. Hence, there could be significant changes to the accounting policies disclosed in these financial statements.	No Impact in financial statements for the year ended 31 March 2023

Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors					
Paragraph 5	**A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.**	**Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.**	As specified in paragraph 54I of Ind AS 8	The definition of 'change in accounting estimates' has been replace with the definition of 'accounting estimates'	No Impact
Paragraph 32	Changes in Accounting Estimates As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves	Accounting Estimates An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty—that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must	As specified in paragraph 54I of Ind AS 8	Clarifies what is an accounting estimate	No Impact

	judgements based on the latest available, reliable information. For example, estimates may be required of: (a) bad debts; (b) inventory obsolescence; (c) the fair value of financial assets or financial liabilities; (d) the useful lives of, or expected pattern of consumption of the future economic benefits embodied in, depreciable assets; and (e) warranty obligations.	instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. Examples of accounting estimates include: (a) a loss allowance for expected credit losses, applying Ind AS 109, Financial Instruments; (b) the net realisable value of an item of inventory, applying Ind AS 2 Inventories; (c) the fair value of an asset or liability, applying Ind AS 113, Fair Value Measurement; (d) the depreciation expense for an item of property, plant and equipment, applying Ind AS 16; and (e) a provision for warranty obligations, applying Ind AS 37, Provisions, Contingent			

		Liabilities and Contingent Assets.			
Insertion of paragraph 32A	Not Applicable	An entity uses measurement techniques and inputs to develop an accounting estimate. Measurement techniques include estimation techniques (for example, techniques used to measure a loss allowance for expected credit losses applying Ind AS 109) and valuation techniques (for example, techniques used to measure the fair value of an asset or liability applying Ind AS 113).	As specified in paragraph 54I of Ind AS 8	This paragraph silently confesses that change in cost of inventories could be change in estimate. However Ind AS 2 regards FIFO and Weighted Average as measurement basis. Therefore, change from FIFO to Weighted Average is a change in accounting policy and not a change in accounting estimate	This could impact if there a change in measurement of inventory from FIFO to Weighted Average or vice versa
Insertion of paragraph 32B	Not Applicable	The term 'estimate' in Ind AS sometimes refers to an estimate that is not an accounting estimate as defined in this Standard. For example, it sometimes refers to an input used in developing accounting estimates.	As specified in paragraph 54I of Ind AS 8	This paragraph clarifies that every reference to estimate in Ind AS must not be understood as a reference to accounting estimate	No Impact
Paragraph 34	An estimate may need revision if changes occur in the circumstances on which the estimate was based or	An entity may need to change an accounting estimate if changes occur in the circumstances on which the	As specified in paragraph 54I of Ind AS 8	Replaces the word 'revision' with 'change' and further clarifies the need to change an accounting estimate	No Impact

Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

	as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error.	accounting estimate was based or as a result of new information, new developments or more experience. By its nature, a change in an accounting estimate does not relate to prior periods and is not the correction of an error.			
Insertion of Paragraph 34A	Not Applicable	The effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.	As specified in paragraph 54I of Ind AS 8	This further clarifies what are changes in accounting estimates while keeping silence on whether change from FIFO to Weighted Average is a change in accounting estimate or change in accounting policy. As Ind AS 2 regards FIFO and Weighted Average as the measurement basis, any change in the same is change in accounting policy	This could impact if the there a change in measurement of inventory from FIFO to Weighted Average or vice versa
Paragraph 36	Changes in Accounting Estimates	Applying changes in Accounting Estimates	As specified in paragraph 54I of Ind AS 8	This changes the heading to paragraph 36, 37 and 38 from 'changes in accounting estimates' to 'Applying changes in accounting estimates'	No Impact
Paragraph 38	Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to	Prospective recognition of the effect of a change in an accounting estimate means that the change is applied to	As specified in paragraph 54I of Ind AS 8	This is to make the examples given in paragraph 38 relevant after Ind AS 109 introducing	No Impact

	transactions, other events and conditions from the date of the change in estimate. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. For example, a change in the estimate of the amount of bad debts affects only the current period's profit or loss and therefore is recognised in the current period. However, a change in the estimated useful life of, or the expected pattern of consumption of the future economic benefits embodied in, a depreciable asset affects depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the	transactions, other events and conditions from the date of that change. A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. For example, a change in a loss allowance for expected credit losses affects only the current period's profit or loss and therefore is recognised in the current period. However, a change in the estimated useful life of, or the expected pattern of consumption of the future economic benefits embodied in, a depreciable asset affects depreciation expense for the current period and for each future period during the asset's remaining useful life. In both cases, the effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income		expected credit loss model of impairment	

	current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.	or expense in those future periods.			
Paragraph 48	Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need revision as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.	Corrections of errors are distinguished from changes in accounting estimates. Accounting estimates by their nature are approximations that may need changing as additional information becomes known. For example, the gain or loss recognised on the outcome of a contingency is not the correction of an error.	As specified in paragraph 54I of Ind AS 8	Revision of estimate replaced with changes in estimates	No Impact
Insertion of paragraph 54I	Not Applicable	Definition of Accounting Estimates, amended paragraphs 5, 32, 34, 38 and 48 and added paragraphs 32A, 32B and 34A. An entity shall apply these amendments for annual reporting periods beginning on or after 1 April 2023. An entity shall apply	Prospective from 1 April 2023. Previous changes regarded as change in accounting policies or	This specifies the effective date and transition for the change to the definition of accounting estimates and other amendments to Ind AS 8. No change for the year ended 31 March 2023	No Impact

		the amendments to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period in which it applies the amendments.	change in accounting estimates not affected		

Ind AS 12 - Income Taxes					
Paragraph 15	**A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:** **(a) the initial recognition of goodwill; or** **(b) the initial recognition of an asset or liability in a transaction which:** **(i) is not a business combination; and** **(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).** **However, for taxable temporary differences associated with investments in subsidiaries, branches**	**A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:** **(a) the initial recognition of goodwill; or** **(b) the initial recognition of an asset or liability in a transaction which:** **(i) is not a business combination;** **(ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and** **(iii) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.** **However, for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, a**	As specified in paragraph 98J, 98K and 98L of Ind AS 12	Paragraph 15 has been amended to clarify that in cases of transactions where equal amounts of assets and liabilities are recognised on initial recognition, the initial recognition exemption does not apply. A company shall, therefore, must recognise deferred tax asset and deferred tax liability in all such cases.	If the company has not yet recognised deferred tax asset and deferred tax liability on right-of-use assets and lease liabilities or has recognised deferred tax asset or deferred tax liability on net basis, that company shall have to recognise deferred tax assets and deferred tax liabilities on gross basis based on the carrying amount of right-of-use assets and lease liabilities existing at the beginning of 1 April 2022.

	and associates, and interests in joint arrangements, a deferred tax liability shall be recognised in accordance with paragraph 39.	**deferred tax liability shall be recognised in accordance with paragraph 39.**			
Paragraph 22	A temporary difference may arise on initial recognition of an asset or liability, for example if part or all of the cost of an asset will not be deductible for tax purposes. The method of accounting for such a temporary difference depends on the nature of the transaction that led to the initial recognition of the asset or liability: (a) in a business combination, an entity recognises any deferred tax liability or asset and this affects the amount of goodwill or bargain	A temporary difference may arise on initial recognition of an asset or liability, for example if part or all of the cost of an asset will not be deductible for tax purposes. The method of accounting for such a temporary difference depends on the nature of the transaction that led to the initial recognition of the asset or liability: (a) in a business combination, an entity recognises any deferred tax liability or asset and this affects the amount of goodwill or bargain purchase gain it recognises (see paragraph 19); (b) if the transaction affects either accounting profit or	As specified in paragraph 98J, 98K and 98L of Ind AS 12	Paragraph 22 has been amended to clarify that in cases of transactions where equal amounts of assets and liabilities are recognised on initial recognition, the initial recognition exemption does not apply. A company shall, therefore, must recognise deferred tax asset and deferred tax liability in all such cases.	If the company has not yet recognised deferred tax asset and deferred tax liability on right-of-use assets and lease liabilities or has recognised deferred tax asset or deferred tax liability on net basis, that company shall have to recognise deferred tax assets and deferred tax liabilities on gross basis based on the carrying amount of right-of-use assets and lease liabilities existing at the

	purchase gain it recognises (see paragraph 19); (b) if the transaction affects either accounting profit or taxable profit, an entity recognises any deferred tax liability or asset and recognises the resulting deferred tax expense or income in profit or loss (see paragraph 59); (c) if the transaction is not a business combination, and affects neither accounting profit nor taxable profit, an entity would, in the absence of the exemption provided by paragraphs 15 and 24, recognise the resulting deferred tax liability or asset and adjust the carrying amount of the asset or liability by the same amount. Such	taxable profit, or gives rise to equal taxable and deductible temporary differences, an entity recognises any deferred tax liability or asset and recognises the resulting deferred tax expense or income in profit or loss (see paragraph 59); (c) if the transaction is not a business combination, affects neither accounting profit nor taxable profit and does not give rise to equal taxable and deductible temporary differences, an entity would, in the absence of the exemption provided by paragraphs 15 and 24, recognise the resulting deferred tax liability or asset and adjust the carrying amount of the asset or liability by the same amount. Such adjustments would make the financial statements less transparent. Therefore, this Standard does not permit an entity to recognise the			beginning of 1 April 2022.

	adjustments would make the financial statements less transparent. Therefore, this Standard does not permit an entity to recognise the resulting deferred tax liability or asset, either on initial recognition or subsequently (see example below). Furthermore, an entity does not recognise subsequent changes in the unrecognised deferred tax liability or asset as the asset is depreciated. **Example illustrating paragraph 22(c)** An entity intends to use an asset which cost Rs. 1,000 throughout its useful life of five years and then dispose of it for a residual value of nil. The tax rate is 40%. Depreciation of the asset is not deductible	resulting deferred tax liability or asset, either on initial recognition or subsequently (see example below). Furthermore, an entity does not recognise subsequent changes in the unrecognised deferred tax liability or asset as the asset is depreciated. **Example illustrating paragraph 22(c)** An entity intends to use an asset which cost Rs. 1,000 throughout its useful life of five years and then dispose of it for a residual value of nil. The tax rate is 40%. Depreciation of the asset is not deductible for tax purposes. On disposal, any capital gain would not be taxable and any capital loss would not be deductible. As it recovers the carrying amount of the asset, the entity will earn taxable income of Rs. 1,000 and pay tax of Rs.			

	for tax purposes. On disposal, any capital gain would not be taxable and any capital loss would not be deductible. As it recovers the carrying amount of the asset, the entity will earn taxable income of Rs. 1,000 and pay tax of Rs. 400. The entity does not recognise the resulting deferred tax liability of Rs.400 because it results from the initial recognition of the asset. In the following year, the carrying amount of the asset is Rs. 800. In earning taxable income of Rs. 800, the entity will pay tax of Rs. 320. The entity does not recognise the deferred tax liability	400. The entity does not recognise the resulting deferred tax liability of Rs.400 because it results from the initial recognition of the asset. In the following year, the carrying amount of the asset is Rs. 800. In earning taxable income of Rs. 800, the entity will pay tax of Rs. 320. The entity does not recognise the deferred tax liability of Rs. 320 because it results from the initial recognition of the asset.			

Ind AS 12 - Income Taxes

	of Rs. 320 because it results from the initial recognition of the asset.				
Insertion of paragraph 22A	Not Applicable	A transaction that is not a business combination may lead to the initial recognition of an asset and a liability and, at the time of the transaction, affect neither accounting profit nor taxable profit. For example, at the commencement date of a lease, a lessee typically recognises a lease liability and the corresponding amount as part of the cost of a right-of-use asset. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of the asset and liability in such a transaction. The exemption provided by paragraphs 15 and 24 does not apply to such temporary differences and an entity recognises any resulting deferred tax liability and asset.	As specified in paragraph 98J, 98K and 98L of Ind AS 12	Paragraph 22A has been inserted in Ind AS 12 to clarify that a company shall recognise both deferred tax asset and deferred tax liability on gross basis	If the company has not yet recognised deferred tax asset and deferred tax liability on right-of-use assets and lease liabilities or has recognised deferred tax asset or deferred tax liability on net basis, that company shall have to recognise deferred tax assets and deferred tax liabilities on gross basis based on the carrying amount of right-of-use assets and lease liabilities existing at the beginning of 1 April 2022.
Paragraph 24	**A deferred tax asset shall be recognised for**	**A deferred tax asset shall be recognised for all deductible**	As specified in paragraph	Paragraph 24 has been amended to clarify that in cases of	If the company has not yet recognised

	all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that: **(a) is not a business combination; and** **(b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).** **However, for deductible temporary differences associated with investments in**	**temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:** **(a) is not a business combination;** **(b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and** **(c) at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.** **However, for deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, a**	98J, 98K and 98L of Ind AS 12	transactions where equal amounts of assets and liabilities are recognised on initial recognition, the initial recognition exemption does not apply. A company shall, therefore, must recognise deferred tax asset and deferred tax liability in all such cases.	deferred tax asset and deferred tax liability on right-of-use assets and lease liabilities or has recognised deferred tax asset or deferred tax liability on net basis, that company shall have to recognise deferred tax assets and deferred tax liabilities on gross basis based on the carrying amount of right-of-use assets and lease liabilities existing at the beginning of 1 April 2022.

	subsidiaries, branches and associates, and interests in joint arrangements, a deferred tax asset shall be recognised in accordance with paragraph 44.	**deferred tax asset shall be recognised in accordance with paragraph 44.**			
Insertion of paragraph 98J	Not Applicable	Deferred Tax related to Assets and Liabilities arising from a Single Transaction, amended paragraphs 15, 22 and 24 and added paragraph 22A. An entity shall apply these amendments in accordance with paragraphs 98K–98L for annual reporting periods beginning on or after 1 April 2023.	As specified in paragraphs 98K-98L for annual periods beginning on or after 1 April 2023	This paragraphs refers to paragraph 98K and 98L of Ind AS 12 to understand application of the amendments. It requires that the amendments shall apply for annual reporting periods beginning on or after 1 April 2023	No Impact
Insertion of paragraph 98K	Not Applicable	An entity shall apply Deferred Tax related to Assets and Liabilities arising from a Single Transaction to transactions that occur on or after the beginning of the earliest comparative period presented.	Prospective to transactions that occur on or after 1 April 2022	This paragraph makes the amendments applicable to transactions that occur on or after 1 April 2022	If the company has not yet recognised deferred tax asset and deferred tax liability on right-of-use assets and lease liabilities or has recognised deferred tax asset or deferred tax liability

					on net basis, that company shall have to recognise deferred tax assets and deferred tax liabilities on gross basis based on the carrying amount of right-of-use assets and lease liabilities existing at the beginning of 1 April 2022.
Insertion of paragraph 98L	Not Applicable	An entity applying Deferred Tax related to Assets and Liabilities arising from a Single Transaction shall also, at the beginning of the earliest comparative period presented: (a) recognise a deferred tax asset—to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised—and a deferred tax liability for all deductible and	On assets and liabilities existing on 1 April 2022	This paragraph requires the company to apply the amendments on assets and liabilities existing as on 1 April 2022 and recognise the effect of such application in retained earnings or revaluation surplus if the right-of-use asset has been revalued	If the company has not yet recognised deferred tax asset and deferred tax liability on right-of-use assets and lease liabilities or has recognised deferred tax asset or deferred tax liability on net basis, that company shall have to recognise deferred tax assets and deferred tax liabilities on gross

Ind AS 12 - Income Taxes					
		taxable temporary differences associated with: (i) right-of-use assets and lease liabilities; and (ii) decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset; and (b) recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.			basis based on the carrying amount of right-of-use assets and lease liabilities existing at the beginning of 1 April 2022.

Ind AS 34 – Interim Financial Reporting					
Paragraph 5(e)	(e) notes, comprising significant accounting policies and other explanatory information;	(e) notes, comprising material accounting policy information and other explanatory information;	As specified in paragraph 60 of Ind AS 34	This amendment is consequential to the amendments in Ind AS 1 relacing significant accounting policy with material accounting policy information	No Impact
Insertion of paragraph 60	Not Applicable	Disclosure of Accounting Policies, which amends Ind AS 1, amended paragraph 5. An entity shall apply that amendment for annual reporting periods beginning on or after 1 April 2023.	Prospective for annual reporting periods beginning or after 1 April 2023	This paragraph specifies the prospective application of the amendments to Ind AS 34 consequential to the amendments to Ind AS 1 replacing significant accounting policy with material accounting policy information	See Ind AS 1 to understand the impact

All the above amendments have been duly incorporated in active standards referencer.

See Issue Id: 4053 in Issue Repository on https://gaapadvisors.com to understand practical application of the amendments to Ind AS 12, Income Taxes