

Comments on

Exposure Draft of Initial Application of Ind AS 117 and Ind AS 109— Comparative Information (Amendments to Ind AS 117, Insurance Contracts)

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Proposed amendments are transitional options inserted in Ind AS 117. It is obvious that transitional provisions of any Ind AS are not applicable for first-time adopters of Ind ASs, unless permitted or required in Ind AS 101. The proposed amendments to Ind AS 117 are, therefore, applicable only to regular users of Ind AS subject to the fact that Ind AS 109 would have been adopted on first-time adoption of Ind ASs only. Situation of first-time adoption of all Ind ASs including Ind AS 109 and Ind AS 117 is not relevant for the Exposure Draft.

In the case of regular users of Ind ASs, it is not possible to visualise a situation of entities first applying both Ind AS 109 and Ind AS 117 (new paragraphs C2A-C28E) at the same time. Hence, in my view, situation of entities applying Ind AS 109 before transition to Ind AS 117 (new paragraph C33A) alone is relevant in India. At the same time, for this situation, the requirements of new paragraphs C28B to C28E should be *adapted* (new paragraph C33A).

Hence, two possible approaches are suggested below:

1.Approach 1: Recommended

Append a footnote to the heading above new paragraph C28A on the following lines:

At present, the situation of entities that first Ind AS 117 and Ind AS 109 at the same time is unlikely to arise. However, the paragraphs under this heading are retained, since, paragraph C33A requires that paragraphs C28B-C28E should adapted for the situation of entities that had applied Ind AS 109 to annual reporting periods before the initial application of Ind AS 117.

2.Approach 2 (Not recommended):

Approach 2 is suggested below merely for sake of complete discussion and not recommended for two reasons. Firstly, it involves interpretation. Secondly, if in some IFRS, cross-reference is made to paragraphs C28A-C28E and/or C33A of IFRS 17, making corresponding amendments to corresponding Ind AS will be difficult, unless Approach 2 is tracked on a continuously.

Paragraph C33A should be redrafted as below:

C33A For a financial asset derecognised between the transition date and date of initial application of Ind AS 117, an entity may apply paragraphs C33AA–C33AE (classification overlay) for the purpose of presenting comparative information as if paragraph C29 had been applied to that asset.

C33AA An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of Ind AS 109 had been applied to that financial asset. The entity shall use reasonable and supportable information available at the transition date (see paragraph C2(b)) to determine how the entity expects the financial asset would be classified and measured on initial application of Ind AS 117.

C33AB In applying the classification overlay to a financial asset, an entity **is required to** apply the impairment requirements in Section 5.5 of Ind AS 109, if, based on the classification determined applying paragraph C33AA, the financial asset would be subject to the impairment requirements in Section 5.5 of Ind AS 109. Otherwise, any amounts already recognised shall be reversed.

C33AC Any difference between the previous carrying amount of a financial asset and the carrying amount at the transition date that results from applying paragraphs C33AA–C33AB shall be recognised in opening retained earnings (or other component of equity, as appropriate) at the transition date.

C33AD An entity that applies paragraphs C33AB–C33AC shall:

- (a) disclose qualitative information that enables users of financial statements to understand:
 - (i) the extent to which the classification overlay has been applied (for example, whether it has been applied to all financial assets derecognised in the comparative period);
 - (ii) **whether any impairment requirements in Section 5.5 of Ind AS 109 have been applied** (see paragraph C33AB); and
- (b) **only apply those paragraphs to comparative information for reporting periods between the transition date to Ind AS 117 and the date of initial application of Ind AS 117 (see paragraphs C2 and C25), which is the deemed date of initial application of Ind AS 109 for the purposes of paragraph C29(see paragraph C30);**

Consequential changes

(i) In new paragraph C2A, reference to paragraph C33A occurring at both places should be expanded as C33A and C33AA-C33AD.

(ii) The contents of new paragraphs C28C to C28E should appear as [Refer Appendix 1].

(iii) Appendix 1 should state the following:

Paragraphs C28A to 28E are not relevant in the Indian context and hence have not been included in this Standard. However, in order to maintain consistency with paragraph numbers of Ind AS 117, these paragraph numbers are retained in Ind AS 117. Consequently, paragraph C33A has been amended and new paragraphs C33AA-C33AD have been added.