



Outlook

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**Re: Exposure Draft of Ind AS 118, Presentation and Disclosure in Financial Statements, for comments**

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From ICAI BANGALORE <bangalore@icai.org>

Date Tue 1/7/2025 3:08 PM

To asb@icai.in <asb@icai.in>

**The Chairman  
Accounting Standards Board, ICAI**

Dear Sir,

Please find herein the below comments received from the Bengaluru Branch (SIRC) Members for your kind perusal and consideration.

Kindly acknowledge the receipt of the same.

**1. General Comments****1. Enhanced Comparability:**

- The introduction of structured subtotals like "Operating Profit or Loss" and "Profit or Loss Before Financing and Income Taxes" enhances comparability across entities. However, the draft lacks clarity on how these subtotals interact with industry-specific practices, particularly for financial institutions and conglomerates.
- **Recommendation:** Provide detailed guidance for sector-specific subtotals, ensuring consistent application in industries like banking, insurance, and manufacturing.

**2. Role of Management-Defined Performance Measures (MPMs):**

- While introducing disclosures for MPMs is essential for transparency, potential overlap with regulatory measures or non-GAAP metrics needs better alignment.
- **Recommendation:** Include examples clarifying the boundaries between MPMs and other performance measures used in public reporting.

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**2. Presentation and Disclosure in Profit or Loss****1. Mixed Presentation Approach:**

- The mixed presentation requirement (nature/function) is practical but raises concerns about consistency in applying the approach across reporting periods.
- **Recommendation:** Include explicit criteria or examples for determining when mixed presentation provides the "most useful structured summary."

**2. Subtotals in Operating Category:**

- The requirement to present disaggregated line items such as employee benefits and depreciation under functional classification imposes additional costs on preparers.
- **Recommendation:** Introduce transition provisions or exemptions for smaller entities to alleviate compliance costs.

### 3. Aggregation and Disaggregation

#### 1. Principles for Aggregation:

- The standard mandates aggregation or disaggregation based on shared characteristics. However, it lacks precise criteria for distinguishing when aggregation may obscure material information.
- **Recommendation:** Provide quantitative thresholds or illustrative cases where aggregation would not suffice, enhancing clarity.

#### 2. Restrictive Use of "Other" Label:

- Mandating a more precise description for items categorized under "Other" is a positive step. However, companies might face practical challenges in finding specific terms for residual items.
- **Recommendation:** Allow flexibility for preparers to explain "Other" categories with appropriate disclosures in the notes.

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### 4. Alignment with Global Standards

#### 1. Comparison with IFRS 18:

- The proposal aligns closely with IFRS 18 but omits considerations for companies transitioning from previous standards.
- **Recommendation:** Address transitional challenges by providing reconciliation templates or illustrative disclosures for entities moving from Ind AS 1 to Ind AS 118.

#### 2. Consistency with Ind AS 7 and Ind AS 34:

- The draft proposes consequential amendments to related standards like Ind AS 7 and Ind AS 34 but lacks detailed explanations for the rationale behind certain changes.
- **Recommendation:** Include a comparative table outlining key differences between the current and revised requirements for clarity.

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### 5. Management-Defined Performance Measures (MPMs)

#### 1. Reconciliation Requirements:

- The draft requires reconciling MPMs to subtotals in Ind AS 118, but detailed guidance on reconciling non-financial metrics (e.g., customer retention) is absent.
- **Recommendation:** Provide specific instructions or illustrative examples for reconciling MPMs derived from non-financial inputs.

#### 2. Change in Calculation of MPMs:

- Requiring retrospective disclosures when an MPM's calculation changes may be impractical for some entities.
- **Recommendation:** Permit prospective application of revised MPMs when retrospective adjustments are unfeasible.

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### 6. Cash Flow and Capital Disclosures

#### 1. Operating Profit Subtotal as a Starting Point:

- The alignment of cash flow reporting with operating profit is commendable. However, entities may face challenges reconciling this subtotal with historical cash flow practices.
- **Recommendation:** Provide transition guidance for entities to implement this change smoothly.

#### 2. Enhanced Capital Management Disclosures:

- The requirement to disclose changes in externally imposed capital requirements is valuable but burdensome for entities operating in multiple jurisdictions.
- **Recommendation:** Simplify disclosures by allowing entities to aggregate capital requirements within similar regulatory regimes.

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## 7. Effective Date and Transition

### 1. Proposed Implementation Timeline:

- The proposed effective date of April 1, 2027, provides sufficient time for implementation. However, aligning the timeline with IFRS 18 (effective January 1, 2027) would reduce inconsistencies for multinational entities.
- **Recommendation:** Synchronize the effective date of Ind AS 118 with IFRS 18.

### 2. Simplified Transition Requirements:

- Full retrospective application could be onerous for entities transitioning to Ind AS 118.
- **Recommendation:** Allow a modified retrospective approach, permitting adjustments only to the opening balance of retained earnings in the transition year.

**Thanks & Regards,**

CA. Pramod R Hegde  
Chairman

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On Mon, 6 Jan 2025 at 17:39, [asb@icai.in](mailto:asb@icai.in) <[asb@icai.in](mailto:asb@icai.in)> wrote:

Dear Sir/Madam,

**Sub: Exposure Draft of Ind AS 118, *Presentation and Disclosure in Financial Statements*, for comments**

As you are kindly aware that the Indian Accounting Standards (Ind AS) are based on the IFRS Accounting Standards issued by the International Accounting Standards Board (IASB). In this regard, it may be noted that IFRS Accounting Standards are being issued/revised by the IASB from time to time. As a part of convergence with IFRS Accounting Standards, the Ind AS may be issued/revised corresponding to the IFRS Accounting Standards.

In April 2024, the IASB issued a new IFRS viz. IFRS 18, *Presentation and Disclosure in Financial Statements* to improve how companies communicate in their financial statements, with a focus on information about financial performance in the profit or loss. IFRS 18 introduces five categories for classifying income and expenses viz. operating, investing, financing, income taxes and discontinued operations. It also requires presentation of new defined subtotals in the profit or loss; disclosures about management-defined performance measures, and enhances principles for grouping (aggregation and disaggregation) of information.

IFRS 18 replaces IAS 1, *Presentation of Financial Statements* and made consequential amendments to other IFRS Accounting Standards. Requirements in IAS 1 that are unchanged have been transferred to IFRS 18 and other

Standards. Globally, IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. Accordingly, Ind AS 118, *Presentation and Disclosure in Financial Statements*, has been formulated on the basis of IFRS 18. The proposed effective date of the standard is for annual reporting periods beginning on or after April 1, 2027.

The Accounting Standards Board (ASB) considered the draft of Ind AS 118 and decided to issue Exposure Draft of the said standard. Accordingly, the Exposure Draft has been issued for public comments with the last date of comments as **April 6, 2025**, for public comments.

- **Exposure Draft of Ind AS 118, *Presentation and Disclosure in Financial Statements*** - The downloadable version is available at <https://www.icai.org/post/asb-ed-indas118-pdfs>

Comments on the abovementioned Exposure Draft may be submitted through any of the following modes:

- 1 Electronically: Click on <http://www.icai.org/comments/asb/> to submit comment online (Preferred method)
- 2 Email: Comments can be sent to: [commentsasb@icai.in](mailto:commentsasb@icai.in)
- 3 Postal: Secretary, Accounting Standards Board,  
The Institute of Chartered Accountants of India,  
ICAI Bhawan, Post Box No. 7100,  
Indraprastha Marg, New Delhi 110 002

You are also requested to give the aforesaid Exposure Draft the widest possible publicity in your area. Further clarifications on the Exposure Draft may be sought by e-mail to [asb@icai.in](mailto:asb@icai.in).

Thanking You,

Yours sincerely,

Chairman

लेखा मानक बोर्ड

Accounting Standards Board

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