

The Chairman

Accounting Standards Board, ICAI

Dear Sir,

Please find herein the below comments received from the Vijayawada Branch (SIRC) Members.

### **Comments – Exposure Draft of Ind AS 118**

Exposure Draft of the proposed new standard Ind AS 118, Presentation and Disclosure in Financial Statements

#### **1. General Comments:**

We appreciate the initiative taken by the Accounting Standards Board (ASB) to align Ind AS 118 with IFRS 18 and improve financial statement presentation and disclosure. The emphasis on enhancing comparability, transparency, and relevance is commendable. However, we would like to present the following comments and suggestions for consideration:

#### **2. Specific Comments**

##### **2.1 Classification and Presentation of Expenses in the Operating Category (Paragraphs 78-85 and B80-B85)**

- Support for Flexibility: We agree with the proposal to classify and present expenses using the most useful structured summary (nature, function, or a mix of both). This flexibility allows entities to provide meaningful insights into their financial performance.
- Guidance on Mixed Presentation: The standard should provide additional guidance on scenarios where a mixed presentation is appropriate. This will help ensure consistency in practice.
- Comparability Concerns: While the flexibility is beneficial, it may reduce comparability across entities. ASB may consider requiring additional disclosures explaining the rationale for the chosen classification approach.
- Disclosure of Function-Based Expenses: We support the requirement to disclose key expenses (depreciation, amortization, employee benefits, impairment losses, etc.) in function-based presentation. This enhances transparency for investors and stakeholders.

## 2.2 Introduction of Defined Subtotals in Profit or Loss

- Support for Operating Profit or Loss Subtotal: The addition of 'operating profit or loss' as a mandatory subtotal is a welcome change that will improve financial statement comparability.
- Clarification on Profit or Loss Before Financing and Income Taxes: Further clarification is required on the exclusions and exceptions related to this subtotal. Clear examples should be provided to aid implementation.

## 2.3 Disclosures on Management-Defined Performance Measures (MPMs)

- Transparency and Standardization: We appreciate the move towards greater transparency of MPMs by requiring reconciliations to IFRS-defined measures.
- Guidance on Selection of MPMs: Entities should be required to justify their choice of MPMs, ensuring that they are not misleading.
- Exemptions for Certain Entities: Some industries (e.g., startups, technology companies) may use unique performance measures. A practical exemption or industry-specific guidance should be considered.

## 2.4 Aggregation and Disaggregation of Information

- Use of 'Other' Label: The restriction on using the term 'other' unless no better alternative exists is a positive step to avoid obscuring material information.
- Guidance on Aggregation: Clearer criteria should be provided for when aggregation is permitted to avoid excessive summarization.

## 2.5 Consequential Amendments to Other Ind ASs

- Alignment with Ind AS 7: The proposed amendments align Ind AS 7 with IAS 7, ensuring consistency in cash flow classification.
- Changes to Ind AS 33 and Ind AS 34: We support the amendments that restrict additional earnings per share (EPS) disclosures to predefined or management-defined performance measures.

### **3. Conclusion**

Overall, we support the proposed changes in Ind AS 118 as they enhance comparability, transparency, and structure in financial reporting. However, we recommend additional guidance and clarifications on mixed presentation, MPMs, and aggregation/disaggregation principles to facilitate smooth implementation.

We appreciate the opportunity to provide our comments and are available for any further discussion or clarification.

VIJAYAWADA BRANCH OF SIRC OF ICAI

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