



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

KOTTAYAM BRANCH (SIRC)

To

The Chairman

Accounting Standards Board , ICAI

Objective : To provide specific suggestions for improving the drafting and implementation of the Ind AS 118 exposure draft:

1. Presentation and Disclosure of Expenses

- **Clarity in Guidance:** The draft proposes that entities classify and present expenses in the operating category in a way that provides the most useful structured summary, using characteristics of nature or function or a mixed presentation. To improve this, provide more detailed guidance with specific examples for various industries. For instance, illustrate how a manufacturing company, a service provider, and a technology firm might apply this principle.
- **Decision-Making Framework:** Develop a clearer decision-making framework to help entities determine what constitutes the "most useful structured summary." This framework could include factors to weigh, such as the primary users of the financial statements, the complexity of the business, and industry norms.
- **Consistency and Comparability:** Emphasize the importance of consistency in expense presentation over time to enhance comparability. While the draft mentions this, reinforce it with practical examples and explain the circumstances under which a change in presentation would be warranted.

2. Management-Defined Performance Measures (MPMs)

- **Detailed Guidance on Calculation:** Provide detailed guidance on calculating and reconciling MPMs. Include examples of common MPMs and illustrate how to reconcile them with Ind AS subtotals.
- **Materiality Threshold:** Define a materiality threshold for disclosing MPMs. This will prevent companies from having to disclose every single internal metric, focusing disclosure on those that are truly significant to external users.



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- **Audit Considerations:** Address the audit implications of MPMs. Provide guidance on the auditor's responsibility for verifying MPMs and ensuring that they are not misleading.

3. Aggregation and Disaggregation

- **Practical Examples:** Supplement the principles of aggregation and disaggregation with more practical examples. For instance, demonstrate how these principles would apply to different asset classes, revenue streams, or types of liabilities.
- **Glossary of Terms:** Include a glossary of terms related to aggregation and disaggregation to ensure consistent understanding and application.

4. Transition and Implementation

- **Illustrative Examples:** Provide illustrative examples of how to apply the new standard in the first year of adoption, including comparative information.
- **Technology Implications:** Acknowledge the technology changes that companies may need to make to comply with Ind AS 118. Offer guidance on how to efficiently implement these changes.
- **Training and Education:** Emphasize the need for training and education for preparers and users of financial statements to ensure a smooth transition and proper understanding of the new requirements.

By incorporating these suggestions, the final Ind AS 118 can be made more robust, practical, and effective, ultimately leading to improved financial reporting in India.

Thanks & Regards,

CA.Ramya N
Chairperson