

To
The Secretary,
Accounting Standards Board,
The Institute of Chartered Accountants of India,
ICAI Bhawan, Post Box No. 7100,
Indraprastha Marg, New Delhi – 110 002.

Subject: Comments on Exposure Draft – Ind AS 118, Presentation and Disclosure in Financial Statements

Dear Sir/Madam,

The Bhopal Branch of ICAI welcomes the initiative to converge Ind AS 118 with IFRS 18 and appreciates the efforts of the Accounting Standards Board in enhancing the relevance, comparability, and transparency of financial reporting in India.

After reviewing the Exposure Draft and discussing it among various stakeholders, we respectfully submit the following consolidated comments and recommendations for your consideration:

1. Overall Alignment and Objectives

We appreciate the introduction of well-defined subtotals such as “Operating Profit or Loss” and “Profit or Loss Before Financing and Income Taxes,” which will enhance the structured understanding of financial performance. The alignment with global standards reflects a thoughtful and progressive step, although practical application will require careful consideration of industry-specific challenges.

2. Presentation of Expenses – Nature, Function, or Mixed

We support the proposal for a mixed presentation approach that allows classification by both nature and function, depending on what provides the most useful structured summary.

- **Recommendation:** Clear criteria should be provided to guide entities in selecting and applying the appropriate method. This should include illustrative examples of permissible mixed presentations and guidelines for consistency and comparability across periods.
- **Practical Concern:** Entities currently following nature-wise classification as mandated under Schedule III of the Companies Act may face reconciliation and compliance challenges.
- **Suggestion:** The Board should clarify the precedence and integration of Ind AS 118 with Schedule III, particularly where contradictions arise.

3. Defined Subtotals and Operating Category

While the proposed subtotals are welcome, there are challenges in categorizing certain items (e.g., FX differences, goodwill impairments, restructuring costs) into a specific function or nature.

- **Recommendation:** Provide guidance or a mapping of common line items to recommended categories to ensure consistent application across industries.
 - **Concern:** For conglomerates and entities with multiple business verticals, a residual definition of operating profit may dilute relevance.
 - **Suggestion:** Allow for disaggregation based on reportable segments or strategic units within the operating category.
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4. Aggregation, Disaggregation, and the Use of “Other”

The principles for disaggregation are critical to enhance clarity but may result in complexity and data overload.

- **Recommendation:** The Board may introduce a quantitative threshold or materiality-based guidance to assess the level of disaggregation.
 - **Suggestion:** Allow flexibility in labelling “Other” items but require mandatory disclosure of their material constituents in the notes when balances are significant.
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5. Management-Defined Performance Measures (MPMs)

We support the standard's approach to MPMs, particularly its aim to improve transparency and reliability. However, implementation may be cumbersome for some preparers.

- **Recommendation:** Include clear distinctions between MPMs and Alternative Performance Measures (APMs), and guidance on how to reconcile non-financial or regulatory metrics with those presented in financial statements.
 - **Concern:** The rebuttable presumption regarding MPMs used in public communications may widen the scope unintentionally.
 - **Suggestion:** Clarify scenarios in which the presumption can be rebutted with examples tailored for highly regulated industries.
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6. Transition and Implementation

We acknowledge the proposed effective date of April 1, 2027, and find it reasonable.

- **Recommendation:** Permit a **modified retrospective application** where full retrospective application is impracticable. Provide **transition relief and templates** for SMEs and first-time adopters.
- **Suggestion:** Synchronize the effective date with IFRS 18 (January 1, 2027) to reduce inconsistencies for multinational filers.

7. Industry-Specific Impacts

The impact of the proposed standard on **insurance, banking, IT services**, and **manufacturing** sectors may vary significantly.

- **Recommendation:** Provide industry-specific implementation guidance, particularly in areas like cost of sales disaggregation, FX gain/loss treatment, and insurance service expense presentation.

8. System and Compliance Costs

While the enhanced disclosures and disaggregation support user needs, we foresee **significant costs** for entities, especially those with legacy systems or undergoing business transitions.

- **Suggestion:** Allow use of estimates or proxies where actual disaggregation is impractical, and recognize undue cost and effort as a valid exemption in limited cases.

Conclusion

The Bhopal Branch of ICAI supports the fundamental objectives of Ind AS 118 but recommends that the final standard balance transparency with practical feasibility, ensuring that the cost of compliance does not outweigh its benefits—particularly for smaller entities or those in complex industries.

We trust that our comments and suggestions will be of value in finalizing the standard.

Yours faithfully,
ICAI Bhopal Branch of CIRC
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