

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

To
The Secretary,

Accounting Standards Board (ASB),

The Institute of Chartered Accountants of India,

ICAI Bhawan, Indraprastha Marg, New Delhi – 110002.

Respected Sir/Madam,

I am grateful for the opportunity to present my comments on the Exposure Draft (ED) of Indian Accounting Standard (Ind AS) 118, titled “Presentation and Disclosure in Financial Statements,” issued by the Accounting Standards Board of the ICAI.

The proposed standard is a significant step toward aligning India’s financial reporting practices with global best practices, particularly the recently issued IFRS 18. I commend the Board for its efforts in promoting transparency, consistency, and comparability in financial reporting. However, I believe certain practical considerations must be addressed to ensure the smooth and effective implementation of this standard within the Indian context.

My detailed observations, comparative analysis with existing Indian laws and international frameworks, as well as specific recommendations for sectoral implementation, are enclosed herewith for your kind consideration.

I trust these comments will contribute meaningfully to the standard-setting process.

Thank you for the opportunity to contribute.

Warm regards,

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While largely converged with IFRS 18, Ind AS 118 mandates a single statement of profit and loss (Para 12), unlike the IFRS's allowance for two-statement format. Terminology has been indigenized—e.g., 'Balance Sheet' in Para 96 instead of 'Statement of Financial Position'. Subtotals in Para 69 are aligned with IFRS 18. The requirement for MPMs (Management-defined Performance Measures) under Paras 117–125 mirrors international practices, promoting consistency and transparency.

Recommendations and Suggestions for Effective Implementation of Ind AS 118

1 Sector-Specific Implementation Guidance

ICAI should release industry-specific guidance notes (GNs) under Ind AS 118 for classification of revenue, finance costs, derivatives, and fair value changes. Refer Para B42 (operating category), Para 65 (entities with specified business activity). Example: RBI's master circular may conflict with Ind AS classification of net interest margin in banking.

2 Standardization of Operating Profit

ICAI should define a standard calculation method for 'Operating Profit' and provide illustrative formats. Refer Paras 69–71. Example: In FMCG, marketing expenses are sometimes excluded from Operating Profit, leading to mismatches across peers.

3 Clarity on Nature vs. Function Presentation

Provide a decision-tree or judgment framework and require consistency across periods (Para 30). Example: Manufacturing entities may report cost of goods sold (function), whereas IT companies may prefer nature-wise disclosure.

4 Assurance on Management-Defined Performance Measures (MPMs)

Mandatory auditor review or limited assurance on MPMs to enhance investor confidence. Refer Paras 117–125. Example: Zomato and Paytm report Adjusted EBITDA publicly, which must reconcile with operating profit.

5 Disaggregation of Line Items

Define thresholds for when disaggregation is mandatory (e.g., any single item >5% of subtotal). Refer Paras 41–43 and B79. Example: Separate disclosure of 'Employee Benefits' (Para 83) should be provided even if not a primary line item.

6 Cash Flow Statement Revisions

Clarify treatment of lease payments, interest, and dividends in indirect method statements. Specify if retrospective restatement is needed. Refer Ind AS 7 (as amended), Para 6 of Ind AS 118. Example: Power companies may need to reclassify lease rentals under revised operating cash flows.

7 Transitional Relief and Roadmap

Allow phased or voluntary early adoption. Provide sample formats of P&L and cash flow with new categories. Offer training to ERP/software vendors and preparers. Refer Para 37–40 and Ind AS 8. Example: Global IT service firms with contracts under multiple GAAPs need reconciliation formats.

8 Coordination with Regulators

ICAI should coordinate with SEBI, RBI, IRDAI, and MCA for harmonized implementation. Helps prevent regulatory conflicts and improve user confidence.

9 Illustrative Case Studies and FAQs

Develop sector-specific illustrative examples on subtotals, reclassification, and note disclosures. Helps small and mid-sized companies align faster.

Warm regards,

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