Chapter V

Implementation of Indian Accounting Standards by Government Companies

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5.1 Introduction

The Ministry of Corporate Affairs (MCA), Government of India (GoI) notified (February 2015) the Indian Accounting Standards (Ind AS), under Section 133 of the Companies Act 2013 vide Companies (Indian Accounting Standards) Rules, 2015 keeping the Indian economic and legal environment in view and by referring to International Financial Reporting Standards (IFRS). The Ind AS was modelled on the IFRS which was different from the Indian Generally Accepted Accounting Principles (IGAAP) framework on three aspects *i.e.* fair valuation, substance over legal form and emphasis on the Balance Sheet.

The MCA from time to time notifies changes[79] in the Ind AS to keep in line with the IFRS through amendments in Companies (Indian Accounting Standards) Rules, 2015. The 39 Ind AS that were notified by MCA, GoI under Ind AS Rules and applicable as on 31 March 2023 are given in ***Appendix - 15***.

5.2 Implementation of Ind AS

The Companies (Indian Accounting Standards) Rules, 2015 (Ind AS Rules), as amended up to 31 March 2023, have laid down a roadmap for implementation of Ind AS in a phased manner. Rule 4 of these rules provided that the companies and their auditors shall comply with the Ind AS specified in these rules, in preparation of their financial statements and audit respectively. As per Rule 4 (9), once a company starts reporting as per the Ind AS either voluntarily or mandatorily, it cannot revert to IGAAP.

The different types / phases for implementation of Ind AS is as follows:

Voluntary adoption

5.2.1 As per Rule 4 (i) of Ind AS Rules any company may comply with the Ind AS for the financial statements beginning on or after 1 April 2015, with comparatives for the periods ending on 31 March 2015, or thereafter.

Phase-wise adoption of Ind AS

5.2.2 Rule 4 (ii) of Ind AS Rules states that the following companies shall comply with the Ind AS for the financial statements beginning on or after 1 April 2016 (Phase-I) and beginning on or after 1 April 2017 (Phase-II) respectively as detailed in **Chart No.5.1**.

[79] Ind AS Rules, 2015 originally notified on 16.02.2015 have been amended from time to time between 30.03.2016 and 31.03.2023.

Chart No 5.1: Rule position for following IND AS

Phase I

- **(a) companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of rupees five hundred crore or more,**
- **(b) companies other than those covered by above category and having net worth of rupees five hundred crore or more,**
- **(c) holding, subsidiary, joint venture or associate companies of above companies**

Phase II

- **(a) companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than rupees five hundred crore,**
- **(b) unlisted companies having net worth between rupees two hundred and fifty crore and rupess five hundred crore,**
- **(c) holding, subsidiary, joint venture or associate companies of above companies**

5.3 Scope and Coverage of Audit

Audit Objectives

5.3.1 The Audit Objectives are devised to assess:

- The compliance with provisions related to Ind AS implementation by respective SPSEs at the time of adoption of Ind AS and
- The impact of implementation of Ind AS in their financial statements.

Scope of audit

5.3.2 As on 31 March 2023, there were 121 Government / Government Controlled Companies. Of these, 33 SPSEs[80] have adopted Ind AS as on 31 March 2023 (details in ***Appendix - 16***).

The phase-wise adoption of Ind AS by these SPSEs is given in **Table 5.1** below:

Table No. 5.1: Details of adoption of Ind AS by 33 SPSEs

Sl. No.	Particulars	No of SPSEs
1	Number of SPSEs who have adopted Ind AS under Phase I during FY 2016-17 (with transition date of 01.04.2015 - 11 SPSEs and first accounts – three SPSEs)	**14**
2	Number of SPSEs who have adopted Ind AS under Phase II during FY 2017-18 (with transition date of 01.04.2016 - nine SPSEs and first accounts – one SPSE)	**10**
3	Number of SPSEs who have adopted Ind AS in subsequent years (with transition date of 01.04.2017 - seven SPSEs during FY 2018-19 and others during year in which criteria was met – two SPSEs)	**09**

Source: Data compiled by Audit

[80] Include four SPSEs (DSCL, VJNL, BSCL-Belagavi and TSCL) who were incorporated after notification of Ind AS Rules, 2015 and adopted Ind AS in their first accounts.

Audit Methodology

5.3.3 Standalone financial statements of 29 SPSEs, which have transitioned from IGAAP framework to Ind AS framework, were reviewed in Audit. The compliance of various provisions of Ind AS and disclosures made in financial statements of SPSEs on the impact of implementation of Ind AS (with reference to changes because of adoption of Ind AS) on the revenues, profit after tax (PAT), net worth and total assets of the Government Companies were also analysed.

5.4 Review of first-time adoption of Ind AS

Exemptions to the retrospective application

5.4.1 The underlying principle of Ind AS 101 is that a first-time adopter should prepare financial statements as if it had always applied Ind AS. However, the Standard permitted two types of exemptions to the principle of full retrospective application of Ind AS. These exemptions are classified as mandatory exemptions and voluntary exemptions.

Mandatory Exemptions: Paragraph 13 of Ind AS 101 prohibits retrospective application of some specific aspects of other Ind AS, as set out in paragraphs 14-17 and Appendix B, *viz*. Ind AS 10 (Events after the Reporting Period), Ind AS 109 (Financial Instruments) and Ind AS 110 (Consolidated Financial Statements), etc.

Optional Exemptions: Provisions of Ind AS 101 grant exceptions/ exemptions from specific requirements of other Ind AS. Appendix B to Ind AS 101 specifies the exceptions available for retrospective application of other Ind ASs. As per Paragraph 18 of Ind AS 101, an entity may elect to use one or more of the exemptions contained in Appendix C (exemptions for business combinations) and Appendix D (exemptions from other Ind ASs) to Ind AS 101.

Audit analysis of disclosures by 29 SPSEs revealed that ten SPSEs (CNNL, HGML, MCA, MSIL, PCKL, CBIC-Tumkur, FKL, KBJNL, KFCSCL and RPCL) did not make separate disclosure of optional exemptions availed on Ind AS adoption and one SPSE (KTCPL) had disclosed that it had not availed any optional exemptions. Remaining 18 SPSEs have availed one or more optional exemptions in preparation of their financial statements at the time of adoption of Ind AS. The SPSE-wise details of optional exemptions availed are given in ***Appendix - 17*** and the abstract is tabulated in **Table 5.2** below:

Table No. 5.2: Statement of optional exemptions availed by SPSEs

Sl. No.	Optional exemption reference	No of SPSEs
01	**Ind AS 16- Property, Plant and Equipment (PPE), Ind AS 38- Intangible Assets and Ind AS 40- Investment Property:** Paragraphs D5 /D6 of Appendix D to Ind AS 101 permits a first-time adopter to elect to measure its assets viz. PPE, intangible assets, and investment property, at the date of transition to Ind AS at its fair value and use that fair value as its deemed cost at that date or may continue to measure at their IGAAP carrying value after making necessary adjustments for decommissioning liabilities.	**18 SPSEs**

Sl. No.	Optional exemption reference	No of SPSEs
	As per Paragraph D7, the provisions of paragraphs D5 / D6 are also available for investment property, accounted for in accordance with the cost model in Ind AS 40, Investment Property; and the intangible assets that meets recognition / revaluation criteria in Ind AS 38.	
02	**Ind AS 17- Lease**[81] Paragraphs D9 of Appendix D to Ind AS 101 permits the first-time adopter to evaluate whether an arrangement existing at the date of transition contains a lease on the basis of facts and circumstances existing at the date of transition, except where the effect is expected to be not material.	**04 SPSEs**
03	**Ind AS 20- Government Grants and disclosure of Government Assistance** Paragraphs B10 of Appendix B to Ind AS 101 permits the first-time adopter to classify the benefit of a Government loan at a below-market rate of interest as a government grant prospectively.	**02 SPSEs**
04	**Ind AS 21- Long Term Foreign Currency Monetary Items** As per paragraphs D13AA of Ind AS 101, first-time adopter may continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP.	**01 SPSE**
05	**Ind AS 27- Separate Financial Statement** As per paragraphs D14 / D15 of Ind AS 101, in case of separate financial statements, Ind AS 27 requires an entity to account for its investments in subsidiaries, jointly controlled entities and associates either at cost or in accordance with Ind AS 109 (Financial Instruments). If a first-time adopter measures such an investment at cost in accordance with Ind AS 27, then it shall measure that investment either at cost or at deemed cost in its separate opening Ind AS Balance Sheet	**05 SPSEs**
06	**Ind AS 103 – Business Combinations** Paragraph C1 of Appendix C to Ind AS 101 permits a first-time adopter may elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind AS).	**02 SPSEs**
07	**Ind AS 109- Financial Instruments (Designate financial asset / investment)** Ind AS 101 permits an entity to designate a financial asset as measured at fair value through profit or loss (D19A) and investment in equity instrument measured at fair value through other comprehensive income (D19B) in accordance with the provisions of Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.	**04 SPSEs**
	Ind AS 109- Financial Instruments (Impairment of financial assets) Ind AS 101 (B8D/B8E) dealing with retrospective application of impairment requirements of Ind AS 109 permits use of reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised to compare that to the credit risk at the date of transition to Ind AS. An entity is also not required to undertake an exhaustive search for information when determining, at the date of transition to Ind ASs, whether there have been significant increases in credit risk since initial recognition.	**02 SPSEs**

Source: Data compiled by Audit

Disclosure of reconciliation statements on first time adoption

5.4.2 Paragraph 23 of Ind AS 101 requires an entity to explain how the transition from previous GAAP to Ind ASs affected its reported Balance sheet, financial performance and cash flows. To comply with the requirement, Paragraph 24 of

[81] Ind AS 17 – Lease has since been superseded by Ind AS 116 – Leases in March 2019.

Ind AS 101 stipulates inclusion of a statement of reconciliation of its equity in the first Ind AS financial statement of an entity for both (i) the date of transition to Ind AS and (ii) the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP. Further, an entity is also required to include a statement of reconciliation to its total comprehensive income in accordance with Ind ASs for the latest period in the entity's most recent annual financial statements. Para 25 of Ind AS 101 states that if an entity presented a statement of cash flows under its previous GAAP, it shall also explain the material adjustments to the statement of cash flows.

Audit analysis of disclosures by 29 SPSEs revealed that (i) three SPSEs (KPTCL, KREDL and RPCL) were not required to prepare reconciliation statements as their transition to Ind AS had no impact on the financial position (ii) the first Ind AS financial statements of five SPSEs (CNNL, HGML, MCA, MSIL and PCKL) did not include all three reconciliation statements and (iii) the statement on impact of Ind AS adoption on cash flows was not included by 11 SPSEs[82].

Only CNNL had disclosed that comparative figures for statement of profit and loss were not available as the same was prepared for the first time since its inception.

5.5 Impact of implementation of Ind AS on selected key areas

The implementation of various provisions of Ind AS can impact the valuation of Profit after Tax (PAT), Revenues, Total Assets and Net Worth. The values may increase or decrease depending on the options availed by the SPSE at the time of adoption of Ind AS.

As indicated in ***Paragraph 5.4.2***, three SPSEs stated that that transition to Ind AS had no impact on their financial position and five SPSEs failed to comply with the disclosure requirements. In one SPSE (TPL), the net impact of transition to Ind AS on both equity as well as total comprehensive income was 'NIL'.

Audit analysis of disclosures made by remaining 20 SPSES revealed that separate disclosure on the impact of transition to Ind AS on entity's financial statements was not made by seven SPSEs[83].

Impact on Profit after Tax (PAT)

5.5.1 The impact of adoption of Ind AS on Profits after Tax (PAT) was insignificant in one SPSE (KAMCPL: ₹ 0.03 lakh) and was NIL in two SPSEs (KTCPL and MESCOM). The remaining 17 SPSEs reported a net impact of decrease in PAT by ₹ 9,614.05 crore as given in **Table No. 5.3**.

[82] BESCOM, BRADCL, CBIC-Tumkur, KBJNL, KPCGPCL, KPCL, KSBCL. KSDL, KSIIDC, KSMCL and MESCOM.
[83] BESCOM, BRADCL, CBIC-Tumkur, FKL, KFCSCL, KSIIDC AND KSMCL.

Table No. 5.3: Statement showing SPSE-wise impact on Profit after Tax (PAT)

Sl. No.	Name of the SPSE	Impact	Amount (₹ in crore)
1	Dr.B.R. Ambedkar Development Corporation Limited (BRADCL)	Decrease in PAT	(19.57)
2	CBIC Tumakuru Industrial Township Limited (CBIC Tumkur)	Decrease in PAT	(0.02)
3	Chamundeshwari Electricity Supply Corporation Limited (CESC)	Decrease in PAT	(2.17)
4	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL[84])	Decrease in PAT	(20.62)
5	Karnataka State Minerals Corporation Limited (KSMCL)	Decrease in PAT	(9,531.94)
6	Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC)	Decrease in PAT	(335.10)
7	Bangalore Electricity Supply Company Limited (BESCOM)	Increase in Loss	19.44
8	Krishna Bhagya Jala Nigam Limited (KBJNL)	Increase in Loss	32.95
9	KPC Gas Power Corporation Limited (KPCGPCL)	Increase in Loss	0.01
Net decrease in PAT			**(9,961.82)**
10	Food Karnataka Limited (FKL)	Increase in PAT	0.08
11	Karnataka Forest Development Corporation Limited (KFDCL)	Increase in PAT	11.42
12	Karnataka Power Corporation Limited (KPCL)	Increase in PAT	226.88
13	Karnataka Rural Infrastructure Development Limited (KRIDL)	Increase in PAT	12.62
14	Karnataka State Beverages Corporation Limited (KSBCL)	Increase in PAT	0.08
15	Karnataka Soaps and Detergents Limited (KSDL)	Increase in PAT	14.93
16	Gulbarga Electricity Supply Company Limited (GESCOM)	Decrease in Loss	(45.78)
17	Karnataka Neeravari Nigam Limited (KNNL)	Decrease in Loss	(35.98)
Net increase in PAT			**347.77**
Net impact (Decrease in PAT)			**(9,614.05)**

Source: Data compiled by Audit

The significant impact due to transition from IGAAP to Ind AS was seen in KSMCL (decrease in PAT by ₹ 9,531.94 crore) and KPCL (increase in PAT by ₹ 226.88 crore).

Factors contributing to increase / decrease in Profit or Loss

5.5.2 The changes in valuation of different items of revenue, expenditure, assets and liabilities due to adoption of Ind AS can materially affect the PAT of an entity. The following factors, to the extent specifically disclosed in the Ind AS financial statements or, contributed to increase/ decrease in PAT.

Prior Period errors or Omissions

5.5.3 As required under IND AS 8, if errors and omissions relating to prior periods are material, they have to be adjusted by restating the opening balances of assets, liabilities and equity for the earliest prior periods presented.

[84] The statutory auditors have adversely qualified that the disclosure by KFCSCL is improper and an inadequate compliance of Ind AS 101 provisions.

The following changes occurred due to recognition of prior period errors and omissions:

- KNNL recorded a decrease in loss by ₹ 37.51 crore.
- KPCGPCL recorded an increase in loss by ₹ 0.01 crore.
- KPCL recorded an increase in profit by ₹ 3.83 crore.
- KRIDL recorded a net increase in profit by ₹ 13.46 crore
- GESCOM recorded a decrease in loss by ₹ 45.78 crore.
- CESC recorded a net decrease in profit by ₹ 0.96 crore.
- KSBCL recorded an increase in profit by ₹ 0.23 crore.

Increase/decrease due to recognition of deferred taxes

5.5.4 Ind AS 12 (Income Taxes) focuses on accounting of temporary difference between the carrying amount of an asset or liability in the balance sheet and its tax base whereas deferred tax accounting under IGAAP focuses on difference between taxable profit and accounting profit for the period.

Due to recognition of deferred tax as per Ind AS, two SPSEs, KPCL and KRIDL recorded increase in profit by ₹ 3.41 crore and ₹ 1.24 crore respectively.

Change in valuation of liabilities towards post- employment benefits

5.5.5 Under IGAAP, entire cost including actuarial gain/loss forms part of the profit or loss for the year whereas under Ind AS 19, such measurements are recognized under other comprehensive income. The following changes occurred due to changes in valuation of liabilities towards post- employment benefits under Ind AS:

- KPCL recorded an increase in profit by ₹ 228.72 crore due to re-measurement of actuarial loss and reversal of past service cost.
- KRIDL recorded a net decrease in profit by ₹ 2.08 crore.
- CESC recorded a decrease in profit by ₹ 1.21 crore.

Increase / decrease due to other factors

5.5.6 Apart from the above, other factors that contributed to the increase / decrease in profit in three SPSEs are as detailed below:

- KPCL recorded an increase in profit by ₹ 5.04 crore due to proportionate adjustment of depreciation and decrease in profit by ₹ 14.34 crore due to de-capitalisation of administrative overheads.
- KSDL recorded an increase in profit by ₹ 14.93 crore due to impact on

valuation gain in assets not passed through Profit and Loss account.

- KBJNL recorded an increase in loss by ₹ 32.95 crore due to increase in other expenses because of derecognition of expenses on assets held for transfer to Government and increase in depreciation cost due to derecognition of grants for fixed assets.

Impact on Revenue

5.5.7 Under erstwhile[85] Ind AS 18 (Revenue), which was applicable during first time adoption of Ind AS, 'Revenue' is the gross inflow of economic benefits that arise in the ordinary course of activities of an entity which results in increase in equity, other than increases relating to contributions from equity participants. As per the IGAAP (AS 9 – Revenue Recognition), Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an entity from the sale of goods, from the rendering of services and from the use by others of entity resources yielding interest, royalties and dividends.

Audit analysis of disclosures revealed that only five SPSEs had carried out adjustments to revenues during adoption of Ind AS, of which only one SPSE (KPCL) reported significant decrease (₹ 134.60 crore) in revenue whereas the remaining four SPSEs reported an increase of ₹ 59.46 crore in revenue as indicated in **Table No. 5.4** below:

Table No. 5.4: Statement showing SPSE-wise impact on Revenue

Sl. No.	Name of the SPSE	Impact	Amount (₹ in crore)
1	CBIC Tumakuru Industrial Township Limited (CBIC Tumkur)	Increase in revenue	0.01
2	Food Karnataka Limited (FKL)		0.24
3	Karnataka Neeravari Nigam Limited (KNNL)		0.13
4	Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC)		59.08
			59.46
5	Karnataka Power Corporation Limited (KPCL)	Decrease in revenue	(134.60)
	Net decrease in revenue		**(75.14)**

Source: Data compiled by Audit

Factors contributing to increase / decrease in revenue

5.5.8 None of the SPSEs made disclosure, as required under Ind AS 101, explaining the impact of transition to Ind AS specifically affected on revenue.

Impact on Value of Total Assets

5.5.9 Paragraph D5 / D6 of Appendix D to Ind AS 101 provides optional exemption to entities (***referred to at Sl. No. 1 of Table 5.2 – Para 5.4.1***) towards valuation of assets under under Ind AS 16 – Property, Plant and Equipment

[85] Ind AS 18 – Revenue has since been substituted by Ind AS 115 – Revenue from contract with customers wherein the terms revenue and income have been defined separately.

(PPE), Ind AS 38 – Intangible assets, Ind AS 32 – Financial Instruments: Presentation, Ind AS 109 – Financial Instruments and Ind AS 40 – Investment Property. Total value of assets is impacted upon implementation of Ind AS due to difference in methods of accounting prescribed thereon, when compared to IGAAP.

Audit analysis revealed that 14 SPSEs recorded increase / decrease in total value of assets, with corresponding increase / decrease in liabilities after transition to Ind AS. Impact was found to be insignificant in two SPSEs (KAMCPL-reduction by ₹ 0.02 lakh and KSBCL – increase by ₹ 0.11 lakh) and six SPSEs have recorded an increase (₹ 2728.23 crore) and decrease (₹ 921.07 crore) in value of assets respectively as stated in **Table No. 5.5** below:

Table No. 5.5: Statement showing SPSE-wise impact on total value of assets and liabilities

Sl. No.	Name of the SPSE	Impact	Amount (₹ in crore)
1	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL[86])	Decrease in value of assets	(472.42)
2	Karnataka State Minerals Corporation Limited (KSMCL)		(423.29)
3	Food Karnataka Limited (FKL)		(16.33)
4	Bangalore Electricity Supply Company Limited (BESCOM)		(7.09)
5	Karnataka Rural Infrastructure Development Limited (KRIDL)		(1.92)
6	Karnataka Trustee Company Private Limited (KTCPL)		(0.02)
Net decrease (A)			**(921.07)**
7	Karnataka Forest Development Corporation Limited (KFDCL)	Increase in value of assets	14.73
8	Mangalore Electricity Supply Company Limited (MESCOM)		46.70
9	Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC)		285.92
10	Karnataka Soaps and Detergents Limited (KSDL)		314.85
11	Gulbarga Electricity Supply Company Limited (GESCOM)		905.38
12	Karnataka Power Corporation Limited (KPCL)		1160.65
Net increase (B)			**2,728.23**
Net impact (increase in value of assets) (B-A)			**1,807.16**

Source: Data compiled by Audit

The maximum increase in the value of assets and liabilities was seen in KPCL at ₹ 1,160.65 crore and significant decrease in the value of assets and liabilities was seen in two SPSEs viz., KFCSCL (₹ 472.42 crore) and KSMCL (₹ 423.29 crore).

5.6 Factors contributing to increase / decrease in value of Total Assets

Audit scrutiny of disclosures made by SPSEs revealed that factors related to change in policy towards recognition of government grants, deferred taxes, PPE, investment at fair value and various other reasons have contributed to increase / decrease in value of total assets as discussed below:

[86] The statutory auditors have adversely qualified that the disclosure by KFCSCL is improper and an inadequate compliance of Ind AS 101 provisions.

Change in policy for recognition of Government Grants

5.6.1 As per Ind AS 20, Gross accounting of government grant is required to be followed and net accounting is prohibited. Audit observed that due to adoption of Ind AS, One SPSE (KPCL) has adjusted the value of Property, Plant, and equipment (including the value of capital work in progress) to the extent of ₹ 1159.59 crore, of which ₹ 7.65 crore was towards adjustment of government grant as on the transition date.

Change in policy of deferred tax

5.6.2 Under Ind AS, an entity is required to follow the balance sheet approach for recognising deferred taxes, while Indian GAAP mandates income statement approach in recognising deferred taxes. Difference between tax base and book base of property, plant and equipment and employee benefits have been recognised due to proportionate depreciation provided for the assets purchased. In view of this:

- GESCOM recorded a decrease in deferred tax assets (net) by ₹ 8.99 crore.
- KRIDL recorded a decrease in deferred tax assets (net) by ₹ 1.92 crore.

Change in policy for recognition of Property, Plant and Equipment

5.6.3 Audit observed that:

- On transition, the deemed cost of land was restated at ₹ 1,193.88 crore due to valuation of free-hold land at fair value, in KPCL.
- GESCOM has revalued the entire class of land and credited revaluation reserve by ₹ 914.37 crore by adopting a fair value based on the local market surveys and from market enquiries/valuation of lands by independent valuers considering the rates fixed by the State Government, the municipal limits where the respective lands are situated, considering the proximity/connectivity's to the towns/cities and availability of similar kind of properties as duly assessed in the active markets.
- KFDCL(Forest) reported a decrease in value of PPE by ₹ 3.33 crore.
- MESCOM recorded an increase in value of PPE by ₹ 46.70 crore.

Recognition of investment at fair value

5.6.4 Under the IGAAP, investment is recognized at cost whereas the same is recognized at fair value as per Ind AS. Due to adoption of Ind AS, one SPSE (KFDCL (Forest)) recorded an increase in Investment property by ₹ 0.66 crore.

Increase/decrease due to other factors

5.6.5 The other reasons for change in value of total assets were as under:

- KFDCL (Forest) recorded a net increase in biological assets by ₹ 16.30 crore due to reclassification. Further, it recorded an increase in Non-current assets held for sale by ₹ 1.35 crore due to fair valuation. It also recorded a decrease in Investment by ₹ 0.26 crore.
- KRIDL recorded an increase in Investment property by ₹ 10.73 crore and corresponding decrease in property, plant and equipment due to reclassification.
- KSDL recorded an increase of ₹ 299.92 crore due to impact on account of reinstatement of previous period because of valuation gain, non-repayable interest free loan taken to other reserves and deferred taxes. It also recorded an increase of ₹ 14.93 crore due to impact on account of valuation gain in assets or liabilities that did not pass through P&L account.
- KTCPL recorded a decrease in other current assets by ₹ 0.02 crore.

5.7 Impact on Net Worth

Net worth is the difference between the value of assets and the liabilities of a company. Net worth is arrived at by reducing from the aggregate value of the paid-up share capital, free reserves and securities premium account, the aggregate value of accumulated losses, deferred expenditure and miscellaneous expenditure not written off. Free reserves do not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.

Adoption of Ind AS mandates preparation of an opening Ind AS Balance Sheet at the date of transition to Ind ASs. The accounting policies that an entity uses in its opening Ind AS Balance Sheet may differ from those that it used for the same date using IGAAP.

None of the SPSEs had assessed and disclosed the impact of transition to Ind AS on their net worth and factors responsible for such impact in their first Ind AS financial statements. As such, the impact of transition on net worth for relevant accounting periods could not be commented upon.

5.8 Non-compliance of disclosure requirements by new SPSEs

Para 28 of Ind AS 101 on first time adoption of Ind AS requires an entity to disclose the factual position in its first Ind AS financial statements if it does not present financial statements for previous periods.

Out of four new SPSEs (DSCL, VJNL, BSCL-Belagavi and TSCL) incorporated between May 2016 and February 2017 (after notification of Ind AS Rules, 2015), two SPSEs (DSCL and BSCL-Belagavi) did not disclose the factual position on non-presentation of comparative figures. The SPSEs attributed this to the fact that it was the first time that first financial statements were prepared according to Ind AS.