

**Exposure Draft**

**Annual Improvements to Ind AS (2024)**

**(Corresponding to *Annual Improvements to IFRS Standards Volume 11* issued by the IASB)**

**(Last Date for comments: October 23, 2024)**



**Issued by**  
**Accounting Standards Board**  
**The Institute of Chartered Accountants of India**





**Summary of amendments**

<b>Accounting Standard</b>	<b>Subject of amendments</b>
Ind AS 101 <i>First-time Adoption of Indian Accounting Standards</i>	Hedge accounting by a first-time adopter
Ind AS 107 <i>Financial Instruments: Disclosures</i>	Gain or loss on derecognition
Ind AS 109 <i>Financial Instruments</i>	Derecognition of lease liabilities
	Transaction price
Ind AS 110 <i>Consolidated Financial Statements</i>	Determination of a 'de facto agent'
Ind AS 7 <i>Statement of Cash Flows</i>	Equity method and Cost method

## Amendments to Ind AS 101, *First-time Adoption of Indian Accounting Standards*

Paragraphs 39AI- 39AK is added.

### Effective date

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39AI-39AJ [Refer Appendix 1]

39AK Annual Improvements to Ind AS (2024), amended paragraphs B5-B6. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2024.

## Appendix B

### Exceptions to the retrospective application of other Ind AS

Paragraphs B5–B6 are amended. New text is underlined and deleted text is struck through.

#### Hedge accounting

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- B5 An entity shall not reflect in its opening Ind AS Balance Sheet a hedging relationship of a type that does not qualify for hedge accounting in accordance with Ind AS 109 (for example, many hedging relationships where the hedging instrument is a stand-alone written option or a net written option; or where the hedged item is a net position in a cash flow hedge for another risk than foreign currency risk) (see paragraph 6.4.1(a) of Ind AS 109). However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with Ind ASs an individual item within that net position, or a net position if that meets the requirements in paragraph 6.6.1 of Ind AS 109, provided that it does so no later than the date of transition to Ind ASs.
- B6 If, before the date of transition to Ind ASs, an entity had designated a transaction as a hedge but the hedge does not meet the qualifying criteria ~~conditions~~ for hedge accounting in paragraph 6.4.1(b)–(c) of Ind AS 109, the entity shall apply paragraphs 6.5.6 and 6.5.7 of Ind AS 109 to discontinue hedge accounting. Transactions entered into before the date of transition to Ind ASs shall not be retrospectively designated as hedges.

#### Annexure 1

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14. Paragraphs 34 to 39W and 39Y to 39AB and 39AD of IFRS 1 have not been included in Ind AS 101 as these paragraphs relate to effective date and are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IFRS 1, these paragraph numbers have been retained in Ind AS 101. Paragraph 39AI of IFRS 1 has not been included since it relates to amendments due to issuance of IFRS 18 for which corresponding Ind AS is under formulation. Further paragraph 39AJ of IFRS 1 has not been included since it relates to amendments due to issuance of amendments to IAS 21 Lack of Exchangeability for which corresponding amendments to Ind AS 21 are under formulation. However, in order to maintain consistency with paragraph numbering of IFRS 1, the paragraph numbers have been retained in Ind AS101.

## Amendments to Ind AS 107 *Financial Instruments: Disclosures*

Paragraph 44NN is added.

### Effective date and transition

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[44JJ-44KK](#) [Refer Appendix 1].

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[44NN](#) *Annual Improvements to Ind AS (2024)*, -amended paragraph B38. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2026.

## Appendix B Application guidance

Paragraph B38 is amended. New text is underlined and deleted text is struck through.

### Derecognition (paragraphs 42C–42H)

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#### Gain or loss on derecognition (paragraph 42G(a))

B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant unobservable inputs ~~that were not based on observable market data~~, as described in paragraphs 72–73 of Ind AS 113~~paragraph 27A~~.

### Appendix 1

5 Paragraphs 42I-42S of IFRS 7 have not been included in Ind AS 107 as these paragraphs relate to initial application of IFRS 9 which are not relevant in Indian context. Paragraphs 43-44BB related to effective date and transition given in IFRS 7 have not been given in Ind AS 107 since it is not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IFRS 7, these paragraph numbers are retained in Ind AS 107. Paragraph 44JJ relates to amendments to Ind AS 7 Supplier finance arrangements, for which corresponding amendments to Ind AS are under formulation. Paragraph 44KK relates to IFRS 18 Presentation and Disclosure in Financial Statements for which corresponding Ind AS 118 is under formulation. However, in order to maintain consistency with paragraph numbering of IFRS 7, the paragraph numbers have been retained in Ind AS 107.



## Amendments to Ind AS 109 *Financial Instruments*

### Chapter 2 Scope

Paragraph 2.1(b)(ii) is amended. Paragraph 2.1(b)(i) is not amended but is included for ease of reference. New text is underlined and deleted text is struck through.

- 2.1 This Standard shall be applied by all entities to all types of financial instruments except:
- ...
- (b) rights and obligations under leases to which Ind AS 116 *Leases* applies. However:
- (i) finance lease receivables (i.e. net investments in finance leases) and operating lease receivables recognised by a lessor are subject to the derecognition and impairment requirements of this Standard;
  - (ii) lease liabilities recognised by a lessee are subject to the derecognition requirements in ~~paragraphs~~ paragraph 3.3.1 and 3.3.3 of this Standard; and
- ...

## Chapter 5 Measurement

Paragraph 5.1.3 is amended. Paragraphs 5.1.1–5.1.2 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

### 5.1 Initial measurement

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- 5.1.1 Except for trade receivables within the scope of paragraph 5.1.3, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the acquisition or issue of the financial asset or financial liability.
- 5.1.1A However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an entity shall apply paragraph B5.1.2A.
- 5.1.2 When an entity uses settlement date accounting for an asset that is subsequently measured at amortised cost, the asset is recognised initially at its fair value on the trade date (see paragraphs B3.1.3–B3.1.6).
- 5.1.3 Despite the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables at the amount determined by applying their transaction price (as defined in Ind AS 115) if the trade receivables do not contain a significant financing component in accordance with Ind AS 115 (or when the entity applies the practical expedient in accordance with paragraph 63 of Ind AS 115).

## Chapter 7 Effective date and transition

Paragraphs 7.1.11-7.1.14 and 7.2.47-7.2.50 and the subheading before paragraph 7.2.50 are added.

### 7.1 Effective date

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7.1.11 [Refer Appendix 1]

7.1.12 ....

7.1.13 [Refer Appendix 1]

7.1.14 Annual Improvements to Ind AS (2024), amended paragraph 2.1(b)(ii), paragraph 5.1.3 and Appendix A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2026.

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### 7.2 Transition

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7.2.47-7.2.49 [Refer Appendix 1]

#### Transition for Annual Improvements to Ind AS (2024)

7.2.50 An entity shall apply the amendment to paragraph 2.1(b)(ii) made by Annual Improvements to Ind AS (2024) to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

## Appendix A Defined terms

The last paragraph of Appendix A is amended. New text is underlined and deleted text is struck through. Footnotes to the text are not reproduced.

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The following terms are defined in paragraph 11 of Ind AS 32, Appendix A of Ind AS 107; or Appendix A of Ind AS 113 ~~or Appendix A of Ind AS 15~~ and are used in this Standard with the meanings specified in Ind AS 32, Ind AS 107, or Ind AS 113 ~~or Ind AS 15~~:

- (a) credit risk;
- (b) equity instrument;
- (c) fair value;
- (d) financial asset;
- (e) financial instrument; and
- (f) financial liability;;
- ~~(g) transaction price.~~

## Appendix 1 Comparison with IFRS 9, Financial Instruments, IFRIC 16 and IFRIC 19

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3. Paragraphs 7.1.1 to 7.1.3 of IFRS 9 related to effective date have not been included in Ind AS 109 as these paragraphs are not relevant in Indian context. ~~Paragraph 7.1.9 has not been included as it refers to amendments to paragraph B3.3.6 of IFRS 9, for which corresponding amendments to Ind AS 109 are under formulation. Paragraph 7.1.11 has not been included since it relates to amendments due to issuance of IFRS 18, *Presentation and Disclosure in Financial Statements*, for which corresponding Ind AS is under formulation. Paragraph 7.1.13 which is in context of early application of the amendments to the Classification and Measurement of Financial Instruments, has not been included.~~ However, in order to maintain consistency with paragraph numbers of IFRS 9, these paragraph numbers are retained in Ind AS 109.

## Amendments to Ind AS 110 Consolidated Financial Statements

Paragraph B74 is amended. Paragraphs B73 and B75 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

### Assessing control

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#### Relationship with other parties

- B73 When assessing control, an investor shall consider the nature of its relationship with other parties and whether those other parties are acting on the investor's behalf (ie they are 'de facto agents'). The determination of whether other parties are acting as de facto agents requires judgement, considering not only the nature of the relationship but also how those parties interact with each other and the investor.
- B74 Such a relationship need not involve a contractual arrangement. A party is a de facto agent when the investor has ~~or those that direct the activities of the investor have~~, the ability to direct that party to act on the investor's behalf. A party might also be a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The ~~In these circumstances, the~~ investor shall consider its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns through the de facto agent together with its own when assessing control of an investee.
- B75 The following are examples of such other parties that, by the nature of their relationship, might act as de facto agents for the investor:
- (a) the investor's related parties.
  - (b) a party that received its interest in the investee as a contribution or loan from the investor.
  - (c) a party that has agreed not to sell, transfer or encumber its interests in the investee without the investor's prior approval (except for situations in which the investor and the other party have the right of prior approval and the rights are based on mutually agreed terms by willing independent parties).
  - (d) a party that cannot finance its operations without subordinated financial support from the investor.
  - (e) an investee for which the majority of the members of its governing body or for which its key management personnel are the same as those of the investor.
  - (f) a party that has a close business relationship with the investor, such as the relationship between a professional service provider and one of its significant clients.

## **Appendix C** **Effective date and transition**

This appendix is an integral part of the Ind AS and has the same authority as the other parts of the Ind AS.

### **Effective date**

C1-C1D [Refer Appendix 1]

[C1E \*Annual Improvements to Ind AS \(2024\)\*, amended paragraph B74. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April 2026.](#)

### **Transition**

C2-C7 [Refer Appendix 1]

## **Appendix ~~D~~E**

### **References to the matters contained in other Indian Accounting Standards**

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#### **Appendix 1**

##### **Comparison with IFRS 10, *Consolidated Financial Statements***

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3 Paragraphs C1-C1D and C2-C7 of Appendix C of IFRS 10 dealing with effective date, transition and withdrawal of other IFRSs have not been included in Ind AS 110, due to the following reasons:

- (i) Effective date is not relevant as the date of application will be notified under the Companies Act.
- (ii) Transitional provisions related to Ind ASs, wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*.
- (iii) Paragraphs dealing with withdrawal of other IFRSs are not relevant.

## Amendments to Ind AS 7 *Statement of Cash Flows*

Paragraph 37 is amended. New text is underlined and deleted text is struck through.

### Investments in subsidiaries, associates and joint ventures

- 37 When accounting for an investment in an associate, a joint venture or a subsidiary accounted ~~for by use of the equity or at cost method~~, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.

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Paragraph 65 is added.

### Effective date and transition

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62-64 [Refer Appendix 1]

- 65 Annual Improvements to Ind AS (2024), amended paragraph 37. An entity shall apply that amendment for annual reporting periods beginning on or after 1 April 2026.

### Appendix 1

#### Comparison with IAS 7, *Statement of Cash Flow*

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7. Paragraph 61 of IAS 7 has not been included as it refers to amendments due to issuance of IFRS 17, *Insurance Contracts*, for which corresponding Ind AS is under formulation. Paragraph 62-63 of IAS 7 have not been included as these relate to amendments due to issuance of amendments to IAS 7 *Supplier Finance Arrangements* for which corresponding amendments to Ind AS 7 are under formulation. Paragraph 64 of IAS 7 has not been included as it relates to amendments due to issuance of IFRS 18, *Presentation and Disclosure in Financial Statements*, for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IAS 7, the paragraph numbers are retained in Ind AS 7.