

**1. Amendment in Ind AS by Notification dated 18th June 2021**

The MCA has issued new Companies (Indian Accounting Standard) Amendment Rules, 2021 in consultation with NFRA vide Notification dated 18 June 2021 to further amend the Companies (Indian Accounting Standards) Rules, 2015 and these notifications are effective for the financial year ended 31 March 2022 onwards and also for interim financial periods i.e. quarters ending 30 June 2021, 30 September 2021, 31 December 2021. The following Ind AS have been amended:

**(a) Ind AS 101- First Time Adoption of Indian Accounting Standards**

The amendment substitutes item (d) of paragraph B1 as “Classification and measurement of financial Instruments”. The term financial asset has been replaced as financial instrument.

**(b) Ind AS 102- Shared Based Payments**

The amendments are made in reference to the Conceptual Framework of Financial Reporting under Ind AS to the definition of ‘Equity Instrument’.

**(c) Ind AS 103- Business combination**

The amendment substitutes para 11 for the definition of ‘assets’ and ‘liabilities’ in accordance with the definition given in the framework for the preparation and presentation of financial statements.

**(d) Ind AS 104- Insurance Contract**

Certain paragraph has been inserted in the standard and paragraph numbers have been retained in Ind AS 104 to maintain consistency with IFRS 4. IFRS 4 provides two optional approaches: a temporary exemption from applying IFRS 9; and an overlay approach and the same have not been provided in IND AS 104.

**(e) Ind AS 105- Non-current assets held for sale and discontinued operations**

In the definition of recoverable amount, the words “fair value less costs to sell” have been substituted with the words “fair value less costs of disposal”.

**(f) Ind AS 106- Exploration for and Evaluation of Mineral Resource**

Certain paragraphs have been inserted in the standard and also the amendments are made in reference to the Conceptual Framework of Financial Reporting under Ind AS in respect of expenditures.

**(g) Ind AS 107 Financial Instrument**

Additional disclosures requirements are inserted in relation to Interest Rate Benchmark Reform.

**(h) Ind AS 109 Financial Instrument**

The amendment has been made to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate

benchmark reform and also additional temporary exceptions arising from interest rate benchmark reform has been inserted.

(i) **Ind AS 111- Joints Arrangements**

The paragraphs 21A have been amended in the standard to maintain consistency with the amendment made in Ind AS 103 Business Combination.

(j) **Ind AS 114- Regulatory Deferral Accounts**

As per the amended paragraph 13, an entity may only change its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable.

(k) **Ind AS 115- Revenue with contract from customer**

Certain paragraphs have been amended in the standard to maintain consistency with IFRS 15.

(l) **Ind AS 116-Leases**

The amendments related to COVID 19 have been further extended to 30 June 2022 which was earlier applicable till 30 June 2021 which allows lessees to recognize rent concessions as income rather than as lease modification.

(m) **Ind AS 16 – Property, Plant and Equipment**

In the definition of recoverable amount, the words “fair value less costs to sell” have been substituted with the words “fair value less costs of disposal”.

(n) **Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets**

The amendment substitutes the definition of the term ‘Liability’ as provided in the Conceptual Framework for Financial Reporting under Indian Accounting Standards.

(o) **Ind AS 38 – Intangible Assets**

The amendment substitutes the definition of the term ‘Assets’ as provided in the Conceptual Framework for Financial Reporting under Indian Accounting Standards.

- (p) In the following Standards ,the amendment has been made by substituting the word ‘Framework’ with the ‘Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the ICAI:

- (i) Ind AS 1-Presentation of Financial Statements
- (ii) Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors
- (iii) Ind AS 34 – Interim Financial Reporting

## 2. Expert Advisory Opinion

Accounting Treatment of Expenditure Incurred for Configuration Design Study of Integrated Refinery Cum Petrochemical Project.

### **Background:**

Expert advisory committee of ICAI has issued opinion in case of public sector companies engaged in refining and marketing of petroleum products in respect of the following accounting issues:

- Whether #configuration design study expenses can be recognised as a research or development costs?
- Whether the accounting treatment for cost of configuration design study should be classified as Capital Work in Progress as per Ind AS 16 is correct or not?

[# The configuration design study is used as a basis for preparation of feasibility report. The study analyses existing technologies and materials to determine the specifications of the project & forms the basis on which further stages of Project implementation follow. Therefore, the cost is integral part of the project, which is required for setting up the refinery cum petrochemical project.]

### **Basis for opinion:**

Ind AS 16, 'Property Plant and Equipment' & Ind AS 38, 'Intangible Assets'.

### **Key Principles Applied & Conclusion:**

As per Ind AS 38, "Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding." & "Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use."

The configuration design study expenses for the refinery/ plant have not been carried out with an intention of gaining new scientific or technical knowledge and understanding as that the existing methods available have been used to perform the configuration study and the technologies considered by the consultant are tried and tested. Further, such expense does not involve an application of research findings or other knowledge. Therefore, the cost of such configuration study should neither be treated as research nor as development cost under Ind AS 38.

Ind AS 16 states that "Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management should be included in the costs of an item of property, plant and equipment".

The costs of the configuration design study are generally such costs which are directly related to the construction activity and without the incurrance of which the asset cannot be brought to the location and condition necessary for it to be capable of operating in the manner intended by management. Hence, if the above conditions are satisfied then such costs can be capitalized under 'Capital Work in Progress' as part of directly attributable cost.