

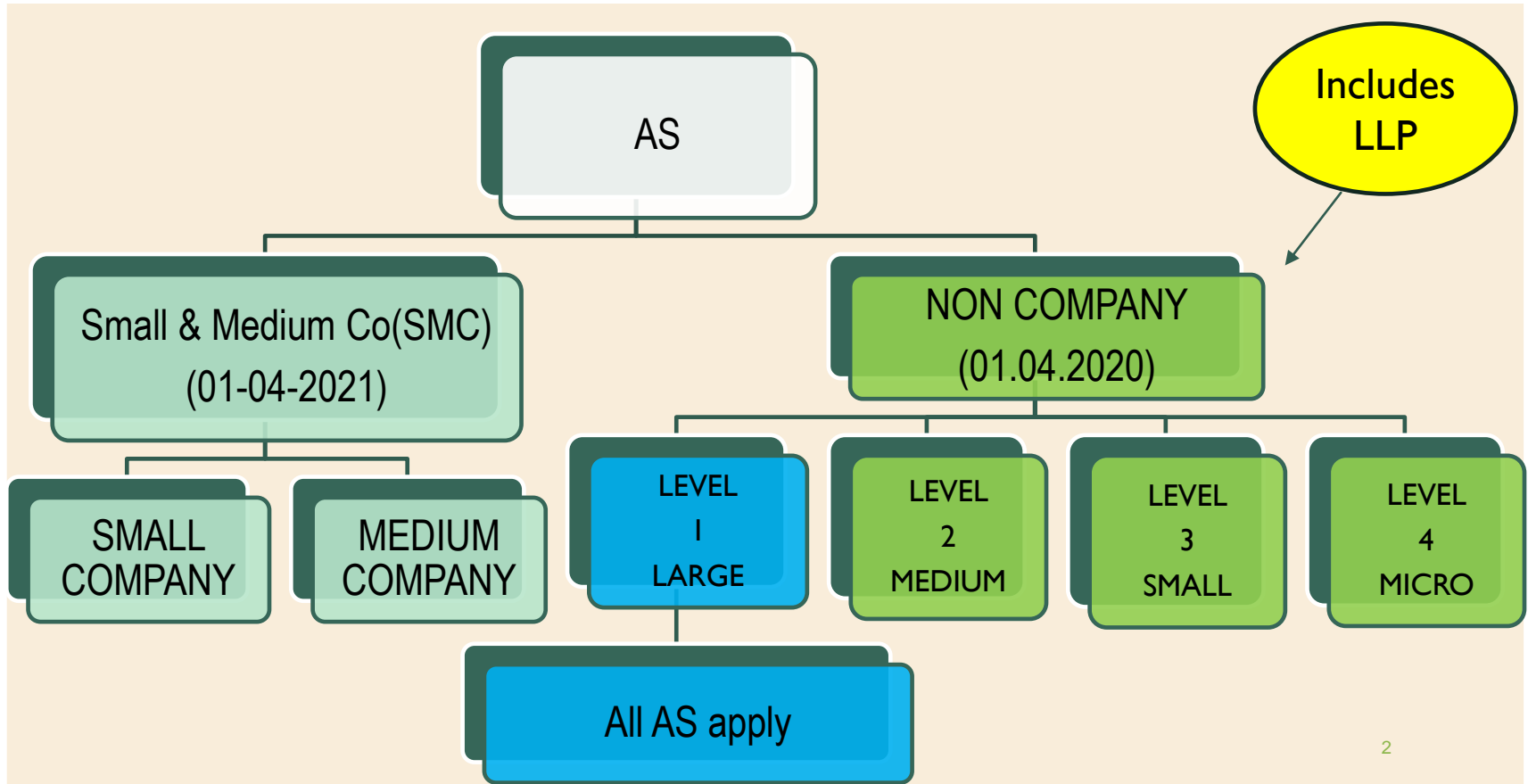
# ICAI VIRTUAL CPE PROGRAMME ON AS FOR NON CORPORATES –AS 11,12,15

JUNE 30,2023

**CA Vinod Balachandran**

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# APPLICABILITY OF ACCOUNTING STANDARDS (AS)



# NON COMPANY CLASSIFICATION

(W.E.F 01.04.2020)

DETAILS (Any one)	MICRO LEVEL-4	SMALL LEVEL -3	MEDIUM LEVEL -2	LARGE LEVEL-I
Turnover in previous year (excl Other Income)	Upto 10 cr	10-50 cr	50-250 cr	+250cr
Borrowings at any time	Upto 2 cr	2-10 cr	10-50 cr	+50 cr
Securities Listed /listing in India or abroad Banks, FI, Insurance				Level - I
Holding and subsidiary		Holding and subsidiary of any of above		
Accounting Standards				ALL AS Apply

# NON COMPANY CLASSIFICATION (W.E.F 01.04.2020)

No need to restate pr  
year if Level changes in  
20-21. Only disclose

If Level falls from 1 to 2  
or downward cannot  
use exemption  
/relaxation for 2 years

Disclose/recognise if  
entity DOES NOT  
want to avail  
exemptions/relaxations

# AS APPLICABLE TO ALL LEVELS

AS No:	ACCOUNTING STANDARD
1	Disclosures of Accounting Policies
2	Valuation of Inventories
4	Contingencies and Events Occurring After the Balance Sheet Date
5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
7	Construction Contracts
9	Revenue Recognition
12	Accounting for Government Grants
16	Borrowing Cost

# AS NOT APPLICABLE TO LEVEL 2,3,4

AS No:	ACCOUNTING STANDARD
3	Cash Flow Statement
17	Segment Reporting
20	Earnings Per Share
21	Consolidated Financial Statements
23	Accounting for Investments in Associates in Consolidated Financial Statements
25	Interim Financial Reporting
27	Financial Reporting of Interests in Joint Ventures

# EXEMPTIONS/RELAXATIONS TO LEVEL: 2,3,4

AS	LEVEL 2	LEVEL 3	LEVEL 4
AS (10 ,11,29)		DISCLOSURES EXEMPTIONS	DISCLOSURES EXEMPTIONS
AS 13			DISCLOSURES EXEMPTIONS
AS -14			NA
AS-18 (RP)		NA	NA
AS -22 Taxes			No Deferred Tax
AS -24		NA	NA
AS -26 -Intangibles			DISCLOSURES EXEMPTIONS
AS-29	DISCLOSURES EXEMPTIONS	DISCLOSURES EXEMPTIONS	DISCLOSURES EXEMPTIONS

# EXEMPTIONS/RELAXATIONS TO LEVEL : 2,3,4

AS	LEVEL 2	LEVEL 3	LEVEL 4
AS -15 Emp benefits	<b><u>More than 50 employees (exemption from)</u></b> <ol style="list-style-type: none"> <li>1. Discounting liability more than 1 year</li> <li>2. <u>Defined benefit plans &amp; other long term employee benefits Recognition, measurement, presentation, disclosure exemption:</u> Must do Actuarial valuation using proj unit credit method with market yields. Disclose Actuarial assumptions</li> <li>3. Non vesting short term accum comp absences</li> </ol>		NA
AS -15 Emp benefits	<b><u>Less than 50 employees (exemption from)</u></b> <ol style="list-style-type: none"> <li>1. Same as above except that General provision must be made for accrued liability</li> </ol>		Irrespective of no: of employees



# EXEMPTIONS/RELAXATIONS TO LEVEL : 2,3,4

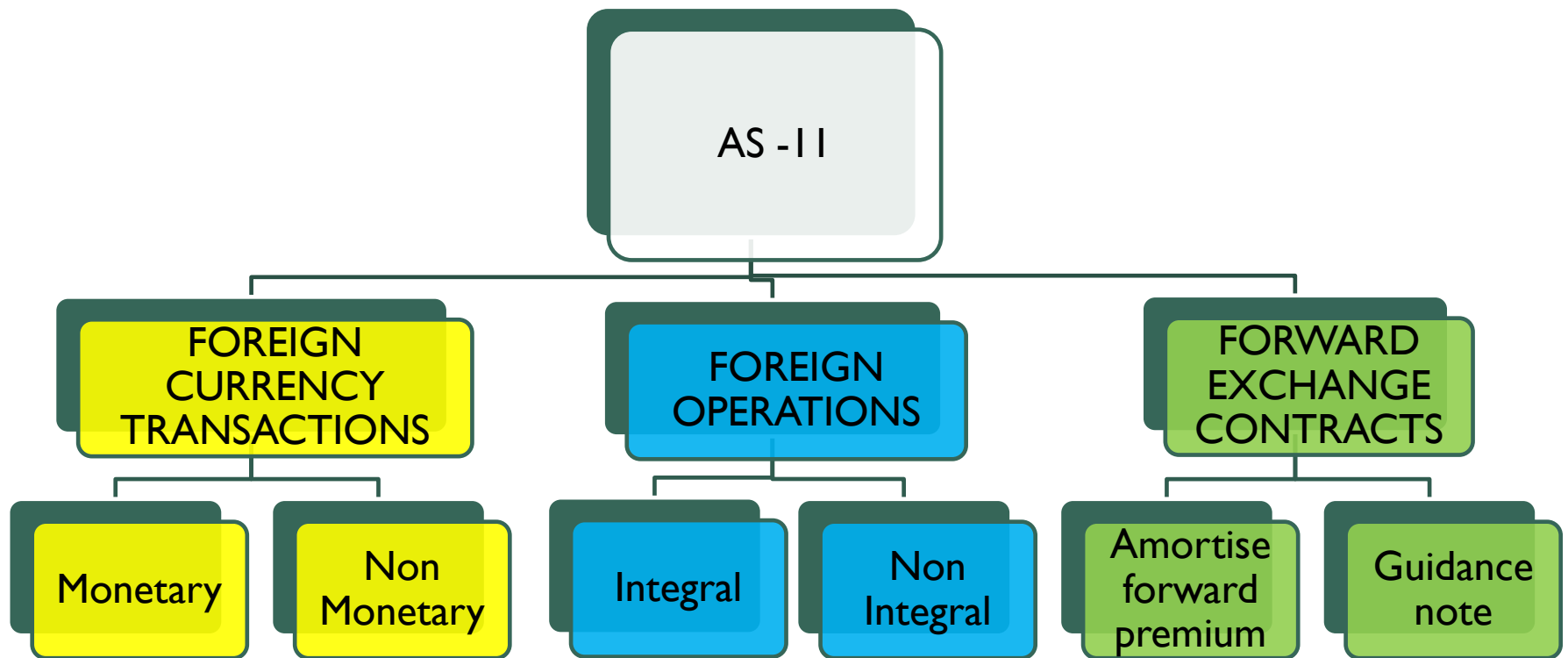
AS	EXEMPTIONS	2	3	4
19 LEASES	subparagraphs (c), (e) and (f) to paragraph 22 - disclosures for finance leases. subparagraphs (a), (b) and (e) to paragraph 25 - disclosures for operating leases. subparagraphs (a) and (f) to paragraph 37 - disclosures for finance leases. subparagraphs (b) and (d) to paragraph 46 - disclosures for operating leases.	YES		
19 LEASES	subparagraphs (g) to paragraph 37 - disclosures for finance leases		YES	
19 LEASES	Para 38			YES



# **AS II**

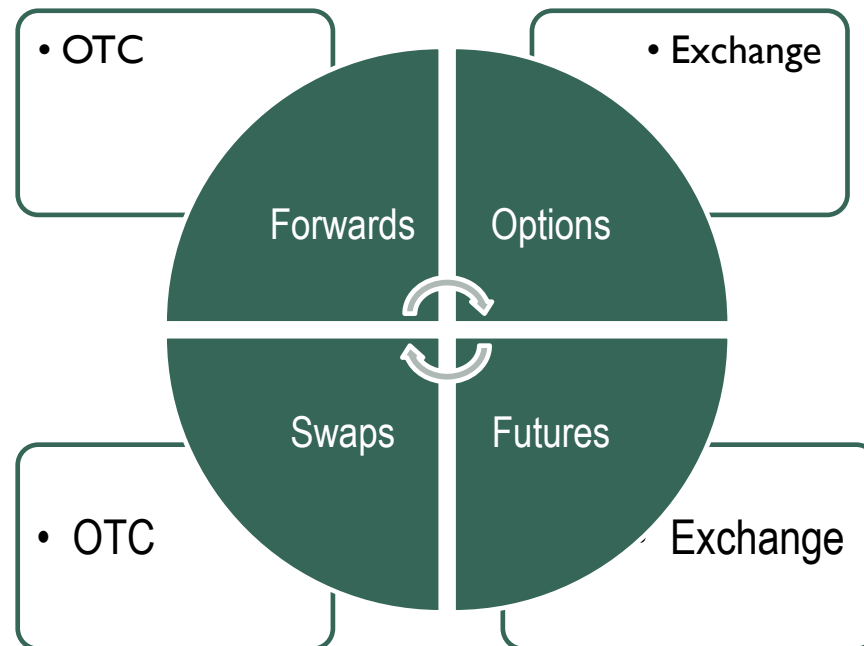
## **THE AFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES**

# AS - II

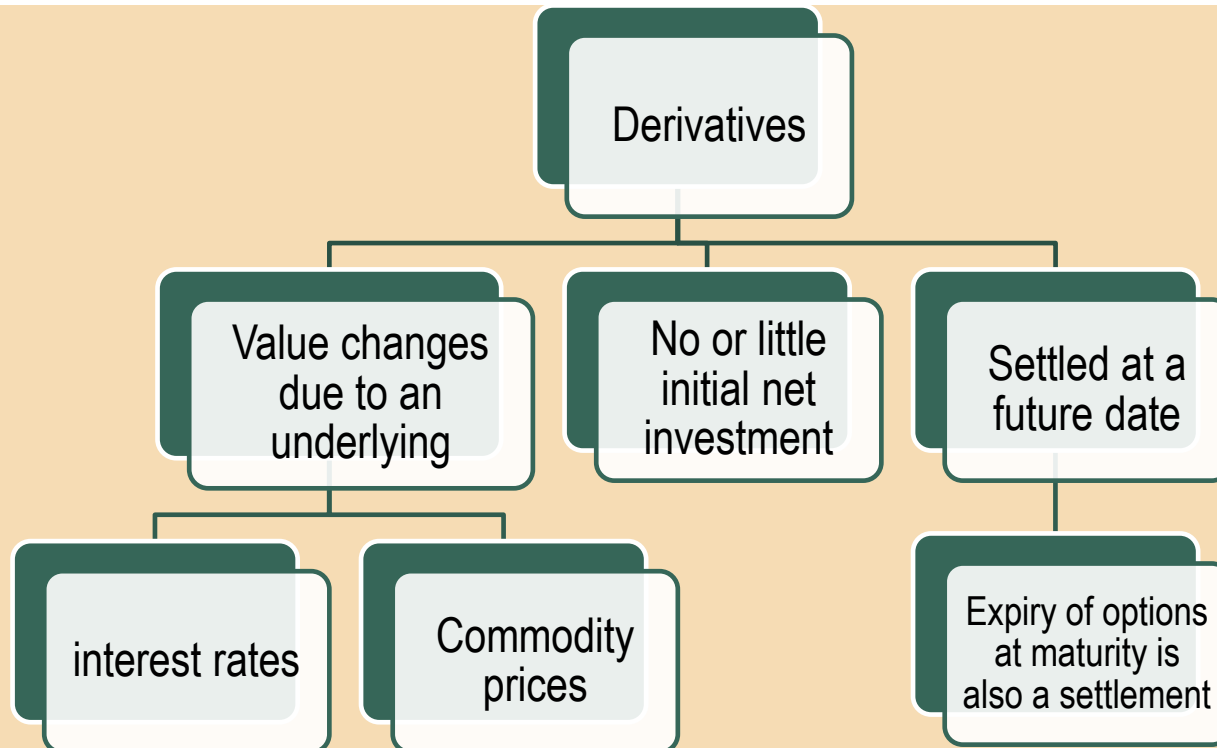


# DERIVATES ?

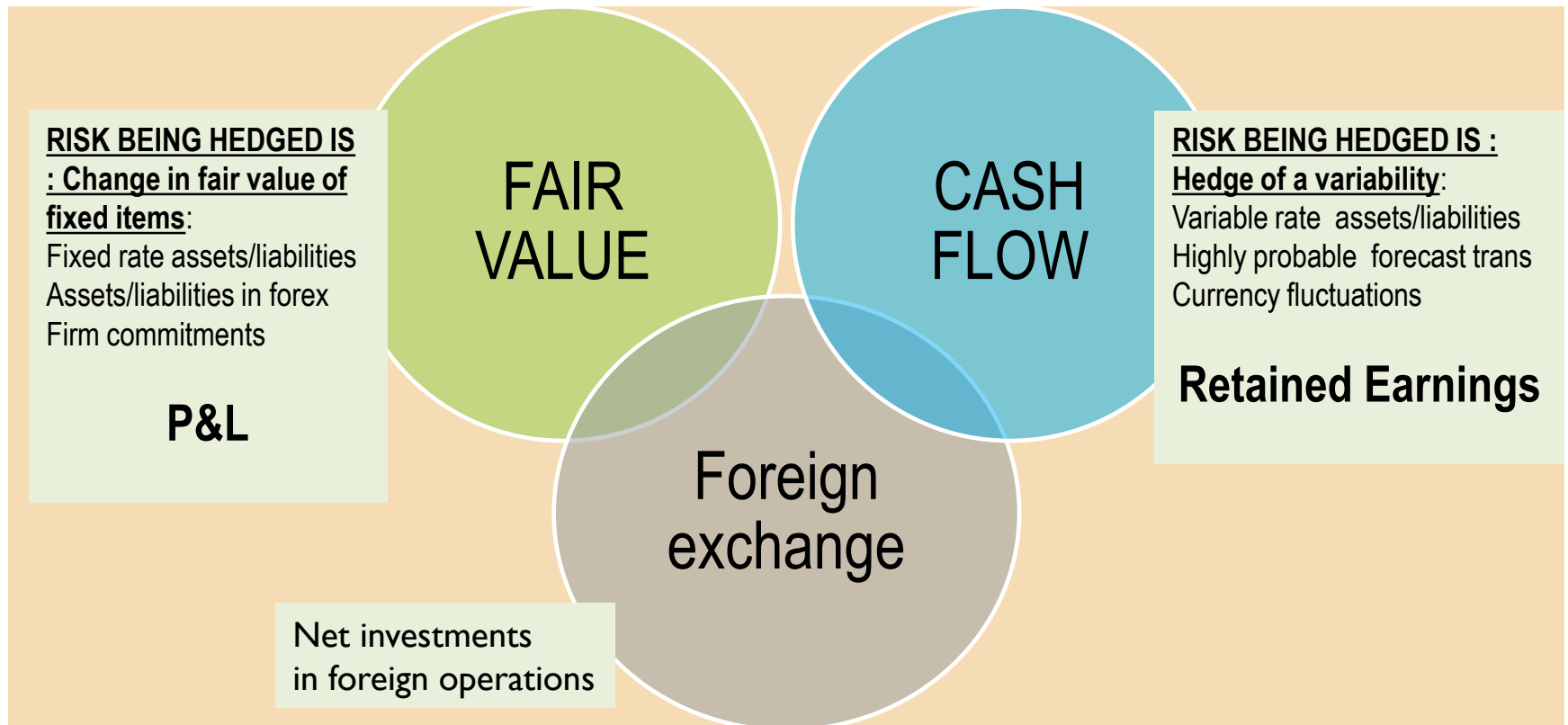
- a derivative can be described as a financial instrument whose value changes in response to a financial index, but does not include the rights in an investment contract, i.e., it is merely a transfer of the pure deviation risk of that index (**CHANGE IN VALUE**)



# DERIVATIVES CONDITIONS

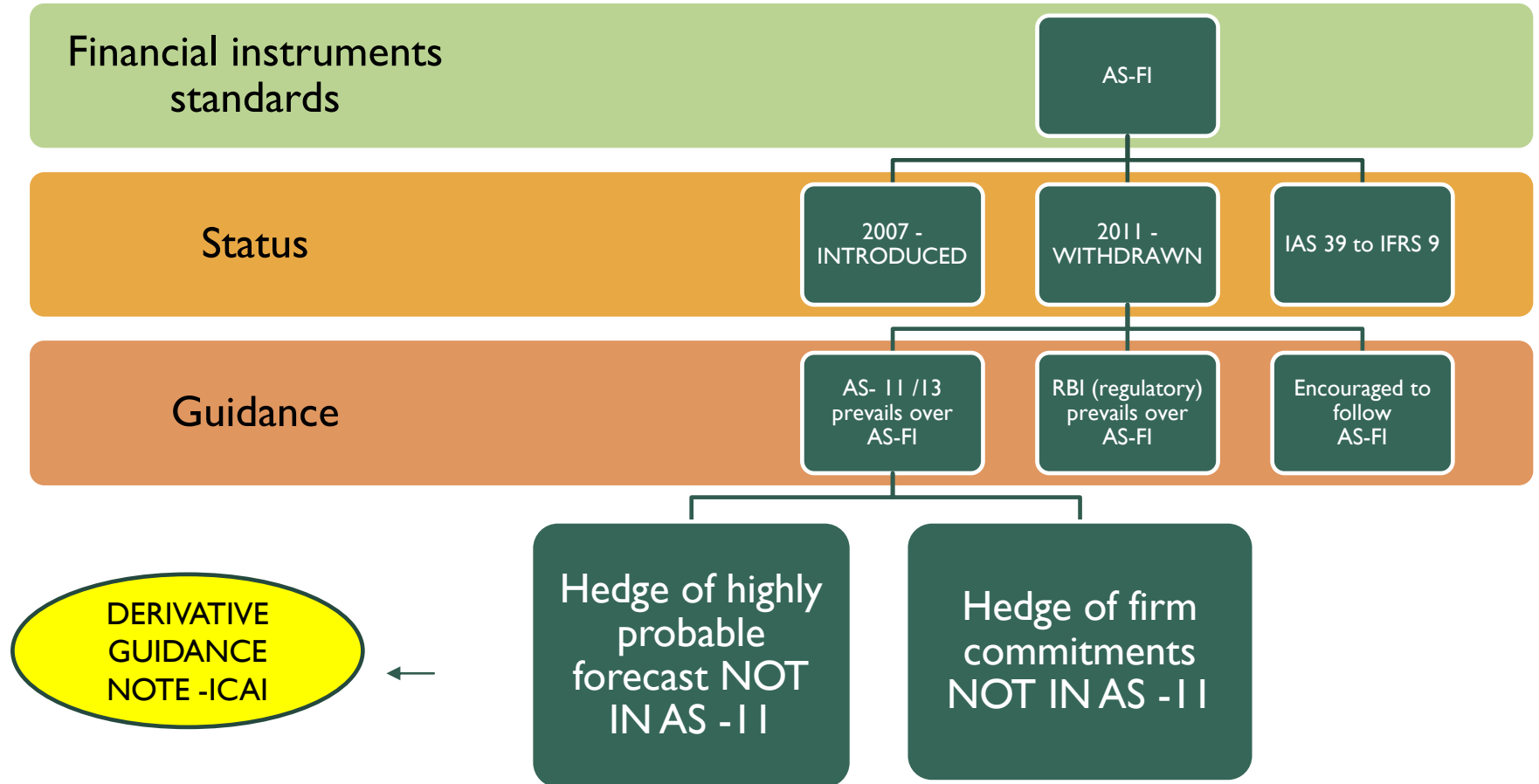


# TYPES OF HEDGES



# BACKGROUND ON FINANCIAL INSTRUMENTS (FI)

## AS - 30,31,32

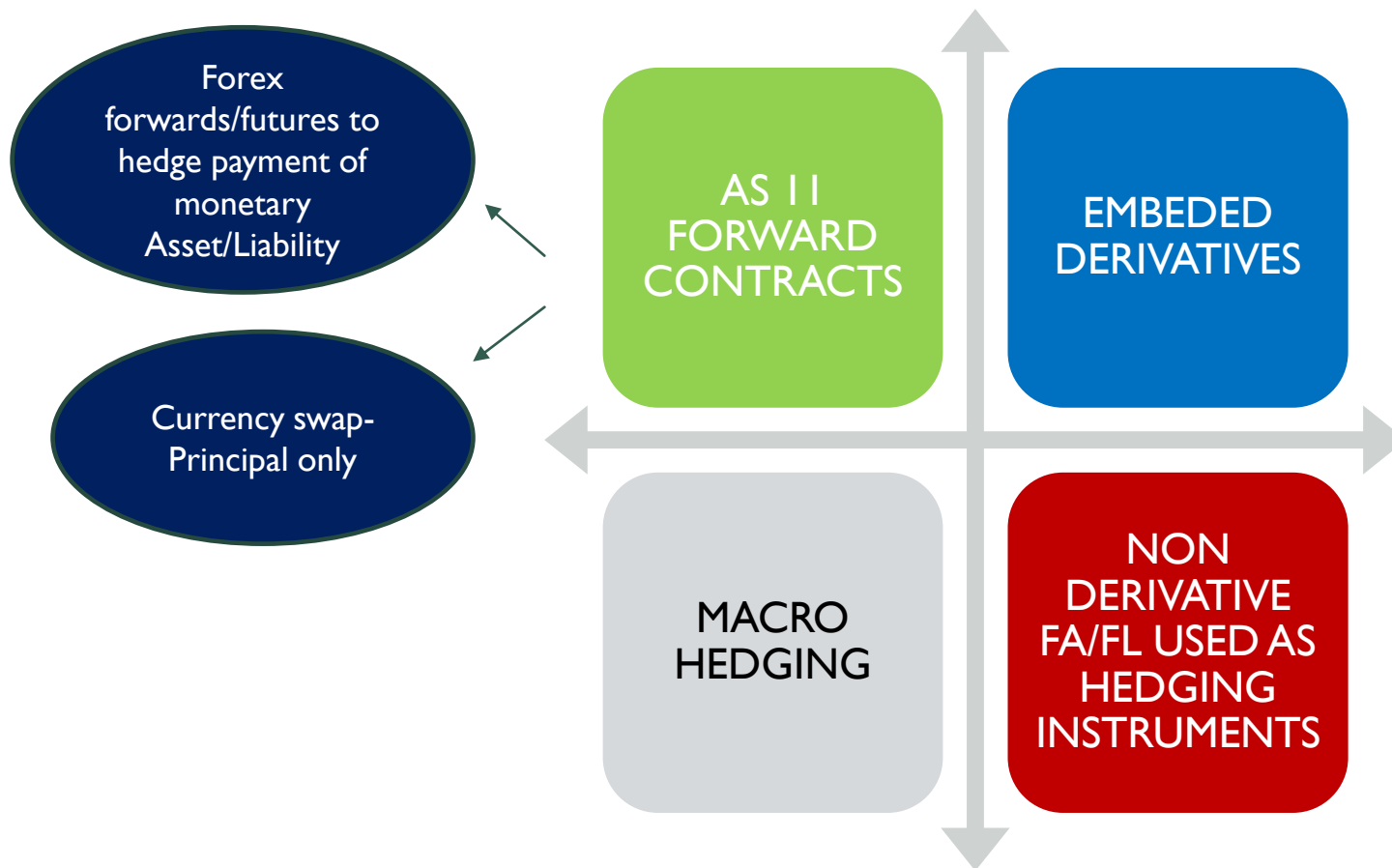


## DEFINITION – NOT COVERED IN AS 11

- **Firm Commitment:** A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified future date or dates.
- **Forecast transaction:** A forecast transaction is an uncommitted but anticipated future transaction



# DERIVATIVE GUIDANCE NOTE EXCLUDES



# MEASUREMENT

Transactions	Rate
<b>Initial recognition</b>	@ SPOT Rate
<b>Subsequent Recognition:</b>	
Monetary Items	@ Closing Rate
Non Monetary Items – @ historical cost (PPE & Long term investments)	@ Transaction Rate
Non Monetary Items – @ fair value (Stocks & current investments)	@ Rate on date of fair valuation
<b>Contingent Liabilities</b>	@ Closing Rate

# EX DIFF ON LONGTERM FOREIGN CURRENCY MONETARY ITEM (LTFCMI)

Transactions –(OPTION -I)	Rate
<b>Depreciable assets</b>	Added or deducted from cost of asset
<b>Others</b>	Exchange differences will be recognised in Foreign Currency Monetary Item translation Difference Account (FCMITDA)  TO BE AMORTISED

OPTION 2: P&L

SETTLED BEYOND 12 MONTHS  
AND IRREVOCABLE

# FOREIGN OPERATIONS

## INTEGRAL

is an extension of the operations of the reporting entity. Any change in the exchange rate between the reporting entity and exchange relating to the foreign operations will have an immediate impact on the cash flows from operations of the reporting entity

## EX DIFF IN P&L

## NON INTEGRAL

accumulates cash and other monetary items, incurs expenses, generates income and perhaps arranges borrowings all substantially in its local currency

**Exchange Difference in FCTR till disposal**

SEE next slide

# MEASUREMENT NON INTEGRAL OPERATIONS

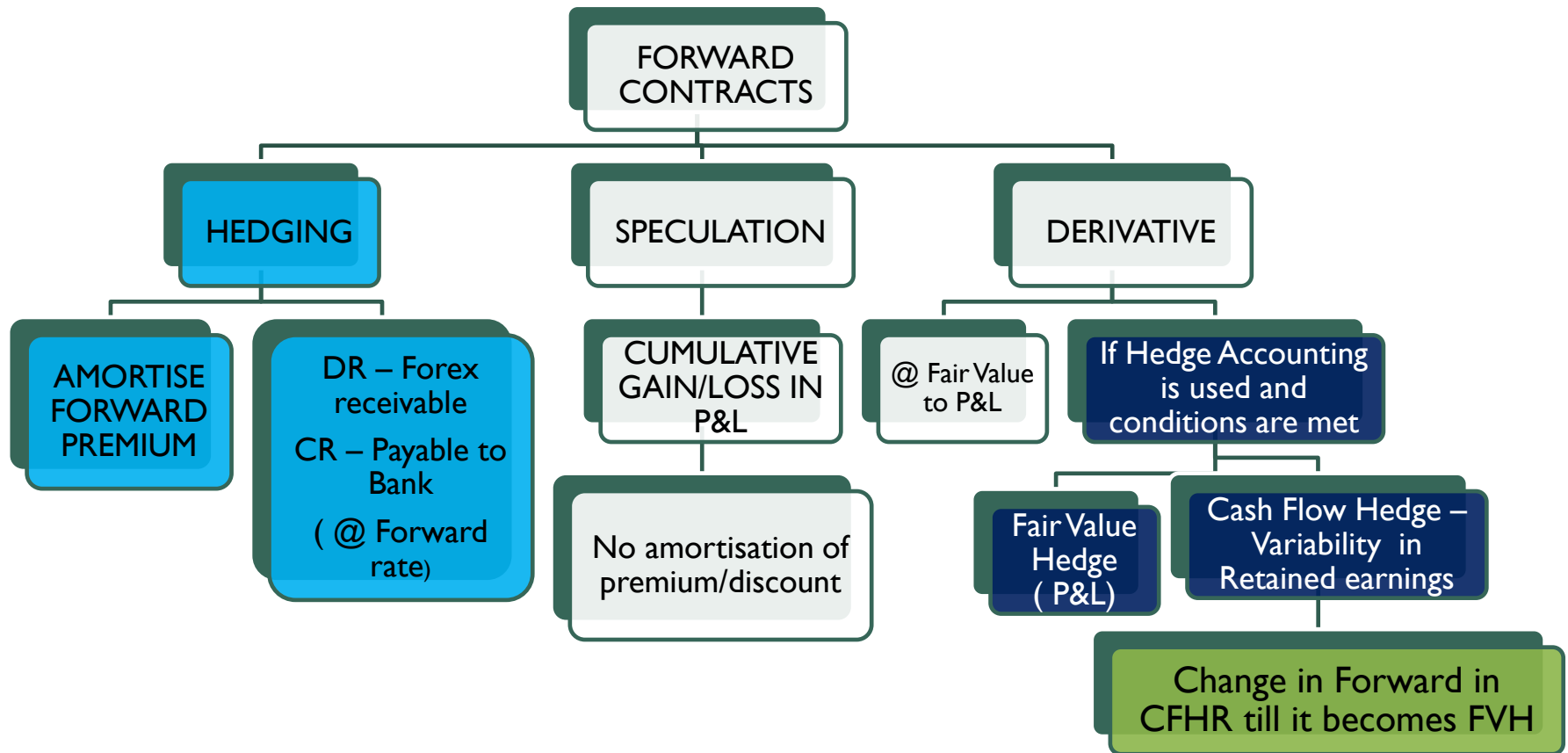
Transactions	Rate
<b>Initial recognition</b>	@ SPOT Rate
<b>Subsequent Recognition:</b>	
Monetary & Non Monetary Items	@ Closing Rate
Income & Expenses	@ Transaction date rate
Goodwill & capital reserve	@ Closing Rate
<b>Contingent Liabilities</b>	@ Closing Rate

**INTEGRAL OPERATIONS : Non Monetary Asset is at historical cost or Fair Value**

# EXCHANGE DIFFERENCE ON TRANSLATION

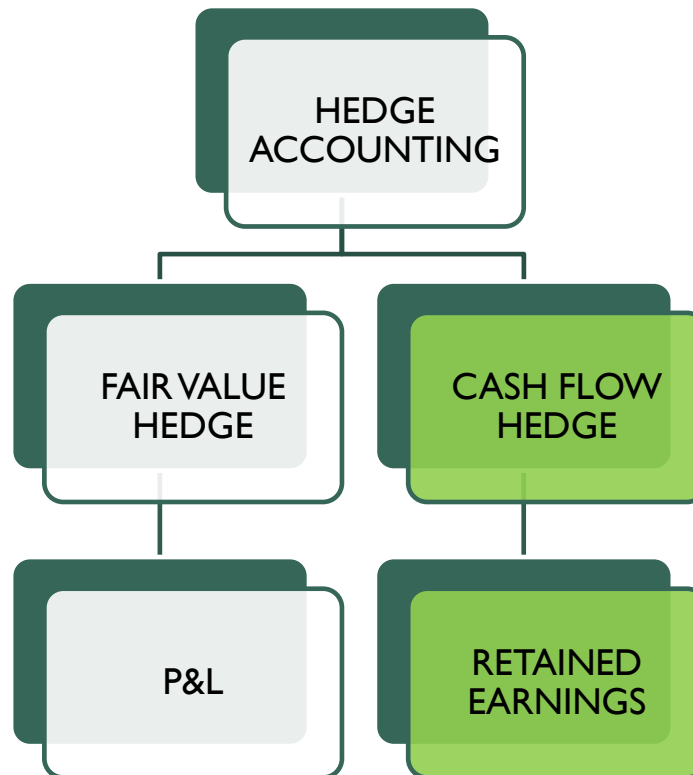
Transactions	Rate
<b>Integral operations</b>	In P&L
<b>Non Integral Operations</b>	Deferred in FCTR
<b>Disposal of non integral operations</b>	Transfer to P&L
<b>Change from Integral to Non Integral for Non Monetary assets @ Historical costs</b>	Transaction rate to Closing rate = diff in FCTR
<b>Change from Non Integral to Integral for Non Monetary assets</b>	Closing rate to Transaction rate @ date of reclassification is treated as historical cost.  FCTR do not transfer to P&L until disposal of foreign operations

# FORWARD CONTRACT ACCOUNTING



# HEDGE ACCOUNTING

- HEDGE ACCOUNTING **MAY BE** DONE IF CONDITIONS ARE MET .





## AS - I I HEDGING FORWARD CONTRACTS

PARTICULARS	SR	FR	REMARKS
01.07.2021	64.50	65	Loan taken US\$ 10,000 in July 2021 Forward contract taken for settlement
31.12.2021	68		Settled

**01.07.2021:**

**DR Bank - 64.50**

**CR Bank Loan**

(loan received @ SR)

**DR Forn Curr Receivable - 64.50**

**DR Deferred Premium - 0.50**

**CR Amount due to Bank - 65**

( forward exchange contract entry)

**31.12.2021**

**DR P&L 0.50**

**CR Deferred Premium**

( Forward premium amortised)

**DR Amount due to bank - 65**

**CR Bank**

**DR Forn Curr Receivable - 3.50**

**CR P&L – Forex Gain**

(Exchange gain for forward contract)

**DR Bank Loan - 68**

**CR Forn Curr Receivable**

**DR P&L – Forward Loss 3.50**

**CR Bank Loan**

( Loss on M2M 64.5 -68)

# HEDGE ACCOUNTING

- HEDGED ITEM = FOREIGN CURRENCY LOAN
- HEDGING INSTRUMENT – FORWARD CONTRACT
- HEDGING ACCOUNTING : Reflects mitigating effect of change in value of above

# DERIVATIVES – FIRM COMMITMENTS

PARTICULARS	SR	FR	REMARKS
01.07.2013	64.50	65	Hedge sales receipts of US\$10,000 to be received on 30.04.2014
01.01.2014	61	61.20	Sale booked & invoice raised
31.03.2014	60.50	60.60	Year end closing
30.04.2014	60	60	Amount realised

Upto January 31, 2014	ABC Limited accounts the MTM effect in the books		
	Forward Contract Rate Entered Forward Contract Available in the market with similar maturity	65.00 61.20	
	Forward Contract Receivable To Cash Flow Hedge Reserve	3,80,000	3,80,000
January 31, 2014	ABC Limited recognises the revenue by booking an invoice for USD 100,000, having credited period of 90 days (i.e. due date – April 30, 2014) Spot rate as at January 31, 2014 Forward Contract Available in the Market with similar maturity	61.00 61.20	
	Recognition of Revenue Accounts Receivable To Revenue	61,00,000	61,00,000
	Recognition of Hedging gain Cash Flow hedge reserve To Statement of Profit & Loss	3,80,000	3,80,000
March 31, 2014	Spot Rate  Forward Contract Available in the Market with similar maturity	60.50 60.60	
	Restatement of Accounts Receivable Forex Gain/Loss (P&L) To Accounts Receivable	50,000	50,000
	MTM Effect of Forward Cover Forward Contract Receivable To Forex Gain/Loss (P&L)	60,000	60,000

April 30, 2014	Spot rate	60.00	
	<b>Realisation of Accounts Receivable</b>		
	Bank	60,00,000	
	Forex Gain/Loss (P&L) To Accounts Receivable	50,000	60,50,000
	<b>Maturity of Forward Contract</b>		
	Bank	5,00,000	
	To Forward Contract Receivable		4,40,000
	To Forex Gain/Loss (P&L)		60,000

## SPECULATION

Same example as before .

There is no loan taken but only forward contract for speculation

**01.07.2013**

**DR Forex receivable Rs. 65**

**CR Bank Payable**

**@ Forward Rate**

### Settlement

DR P&L -LOSS  $(3.8+0.6+0.6) = \text{Rs. } 5$

CR Forex Receivable

**@ Change in Forward Rate**

DR Bank payable Rs. 65

CR Forex Receivable Rs. 60

CR Bank Rs. 5

Rs. 5 speculation loss to pay to bank

# ICDS VS AS II

ITEM	ICDS	AS
Non Monetary foreign currency items converted	<ul style="list-style-type: none"> <li>➤ @ Ex Rate AT DATE of transaction</li> <li>➤ Subject to Sec 43A for imported items capitalization.</li> <li>➤ NOT TO RECOGNISE IMPACT IN P&amp;L</li> </ul>	<ul style="list-style-type: none"> <li>➤ @Ex Rate at date of transaction for items carried at historical cost.</li> <li>➤ For items Fair Valued @ ex rate on that date</li> <li>➤ Inventory – Cost or NRV whichever is lower</li> </ul>
Monetary Foreign currency items converted	<p>@ Closing Rate. Subject to Sec 43A for imported items capitalisation</p> <p>P&amp;L IMPACT ON SETTLEMENT/CONVERSION</p>	<ul style="list-style-type: none"> <li>➤ @ Closing Rate</li> <li>➤ Capitalisation allowed for depreciable PPE</li> <li>➤ Amortisation for Other long term Monetary items</li> <li>➤ NIFO is accumulated in reserve and charged to P&amp;L on disposal ,..</li> </ul>

INVENTORY-NOT CLOSING RATE

Imported assets capitalised on payment. NO P&L

# ICDS VS AS

ITEM	ICDS	AS
DERIVATIVES – Forward Exchange Contracts covered by AS - I I	<ul style="list-style-type: none"> <li>➤ AMORTISE forward premium</li> <li>➤ Ex change diff in P&amp;L</li> </ul>	<ul style="list-style-type: none"> <li>➤ AMORTISE forward premium</li> <li>➤ Ex change diff in P&amp;L</li> </ul>
DERIVATIVES – Speculation/Trading/Hedging firm commitments & highly probable forecast transaction	<p><b><u>RECOGNISE AT SETTLEMENT DATE ONLY :</u></b></p> <ul style="list-style-type: none"> <li>➤ Premium</li> <li>➤ Discount</li> <li>➤ Exchange gain/loss</li> </ul>	<ul style="list-style-type: none"> <li>➤ IGNORE forward Premium</li> <li>➤ M2M in P&amp;L</li> </ul>



# DISCLOSURE EXEMPTIONS AS II FOR NON COMPANY

ITEM	LEVEL 3 & 4
PARA 44: Disclosure is also encouraged of an enterprise's foreign currency risk management policy	Applicable for Level 3 & 4



# **AS 12 ACCOUNTING FOR GOVERNMENT GRANTS**

# OBJECTIVE & SCOPE

## Objective

- This Standard deals with accounting for government grants. Government grants are sometimes called by other names such as subsidies, cash incentives, duty drawbacks, etc

## Scope Exclusions

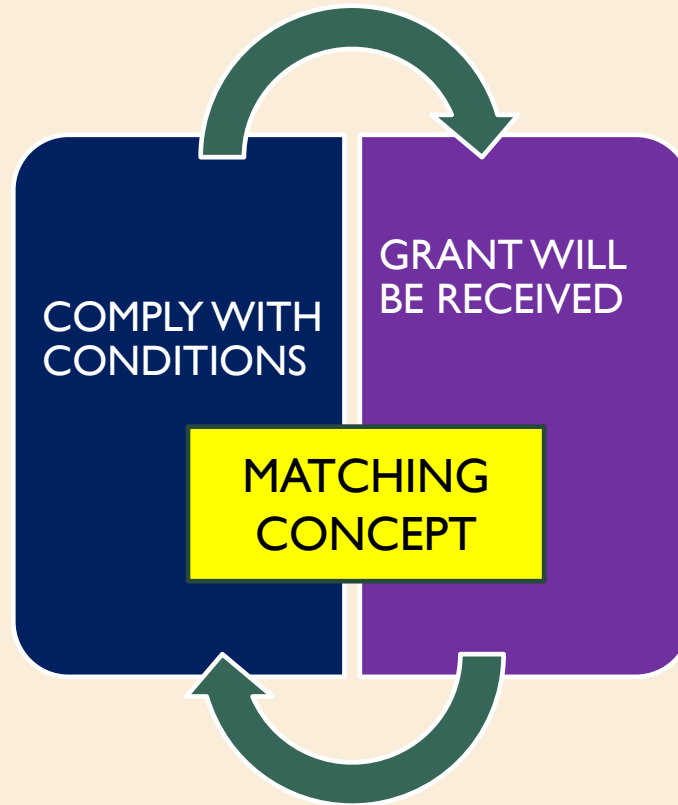
- (i) the special problems arising in accounting for government grants in financial statements reflecting the effects of changing prices or in supplementary information of a similar nature;
- (ii) government assistance other than in the form of government grants;
- (iii) government participation in the ownership of the enterprise

# DEFINITIONS

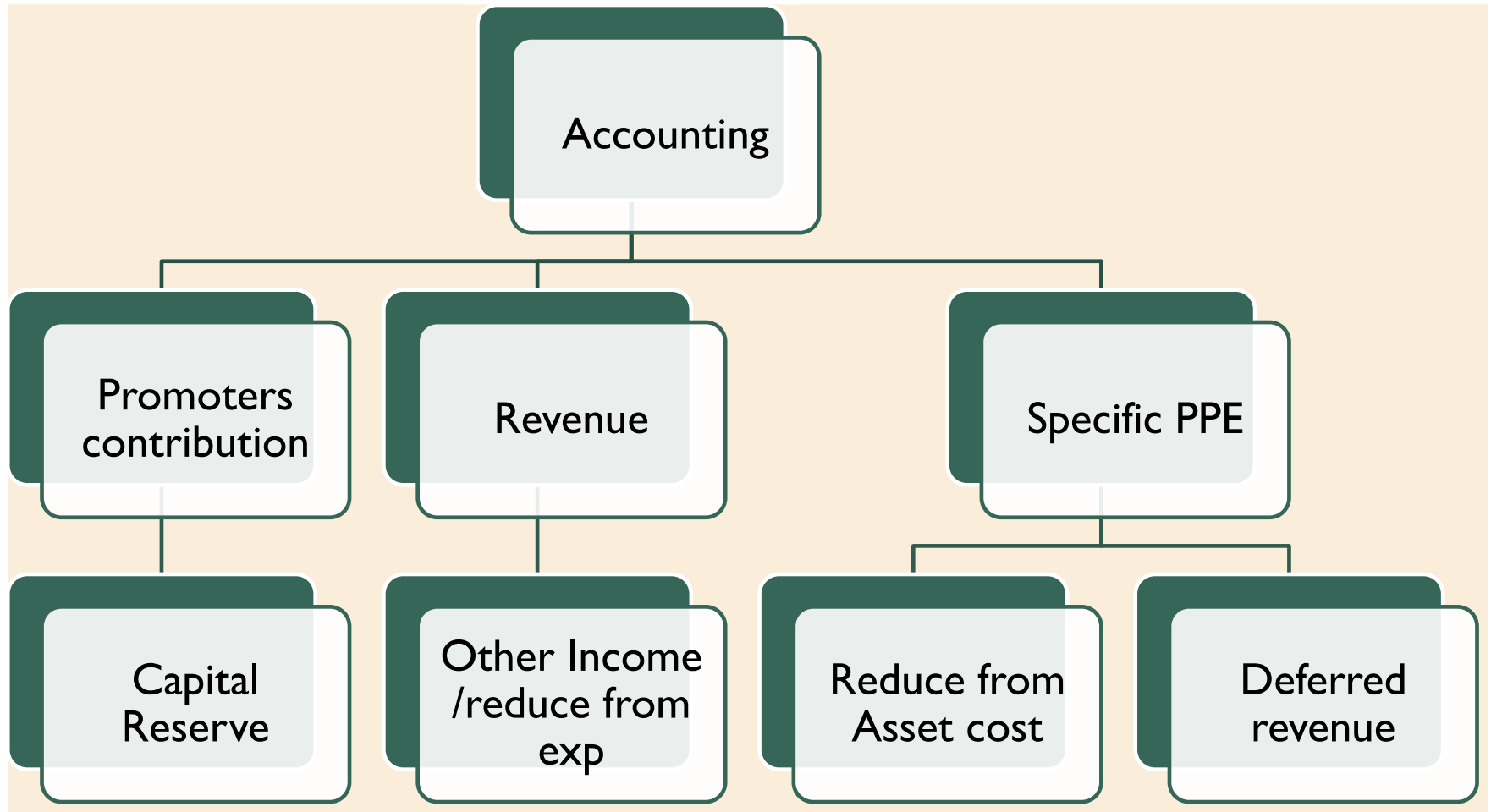
(i) Government refers to government, government agencies and similar bodies whether local, national or international.

(ii) Government grants are assistance by government in cash or kind to an enterprise for past or future compliance with certain conditions. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the enterprise.

# RECOGNITION



# ACCOUNTING



# REFUND OF GOVERNMENT GRANTS

## EXTRAORDINARY EXPENSES

Deferred  
revenue

- First reduce from deferred revenue and then charge to P&L

Specific  
PPE

- Increase the cost of PPE

# INDAS VS AS

S. No.	Particulars	Ind AS 20	AS 12
1.	Monetary grants related to non-depreciable assets	<p>Taken to profit and loss account assuming that all grants have conditions attached to it.</p> <p>Specifically prohibits recognition of grants directly in the shareholders' funds</p>	<p>Credited as capital reserve.</p> <p>If such grant requires fulfilment of certain obligations, credit the grant amount to income over the same period over which the cost of meeting such obligations is charged to income. AS 12 also gives an alternative to treat such grants as a deduction from the cost of such asset</p>
2.	Non-monetary government grant given at a concessional rate	Accounted for at fair value or at nominal value	<ul style="list-style-type: none"> <li>Accounted for on the basis of their acquisition cost</li> <li>Non-monetary assets given free of cost are recorded at a nominal value</li> </ul>
3.	Grants in the nature of promoter's contribution	Silent on this category (and, by implication, requiring recognition as income)	To be credited to capital reserve and to be treated as shareholders' funds



## INDAS VS AS

4.	Loan at concessional rates of interest	Loan to be measured at fair value and recognised as per Ind AS 109 - value of concession, i.e., difference between proceeds received and valuation done to be recognised as grant	Silent on this category
5.	Government assistance not falling within the definition of government grants	Requires an indication of other forms of government assistance from which the entity has directly benefited and should be disclosed in the financial statements	Does not deal with such government assistance

# SAMPLE DISCLOSURE

## **Government grants**

Government grants / subsidies received towards specific PPE have been deducted from the gross value of the concerned fixed assets and grant / subsidies received during the year towards revenue expenses have been reduced from respective expenses. Capital Subsidies under Sugar Promotion Policy, 2004 is recognised to the extent the claims are accepted and settled.

Government grants / subsidies related to cane purchased are recognised as and when Company becomes eligible



# **AS 15**

## **EMPLOYEE BENEFITS**

# OBJECTIVE

**Objective** : The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an enterprise to recognise:

- (a) **Liability** when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) **Expense** when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

# SCOPE

**Scope** : This Standard should be applied by an employer in accounting for all employee benefits, except employee share-based payments.

## Employee benefits include :

- ▶ Short-term employee benefits
- ▶ Post-employment benefits
- ▶ Other long-term employee benefits
- ▶ Termination benefits

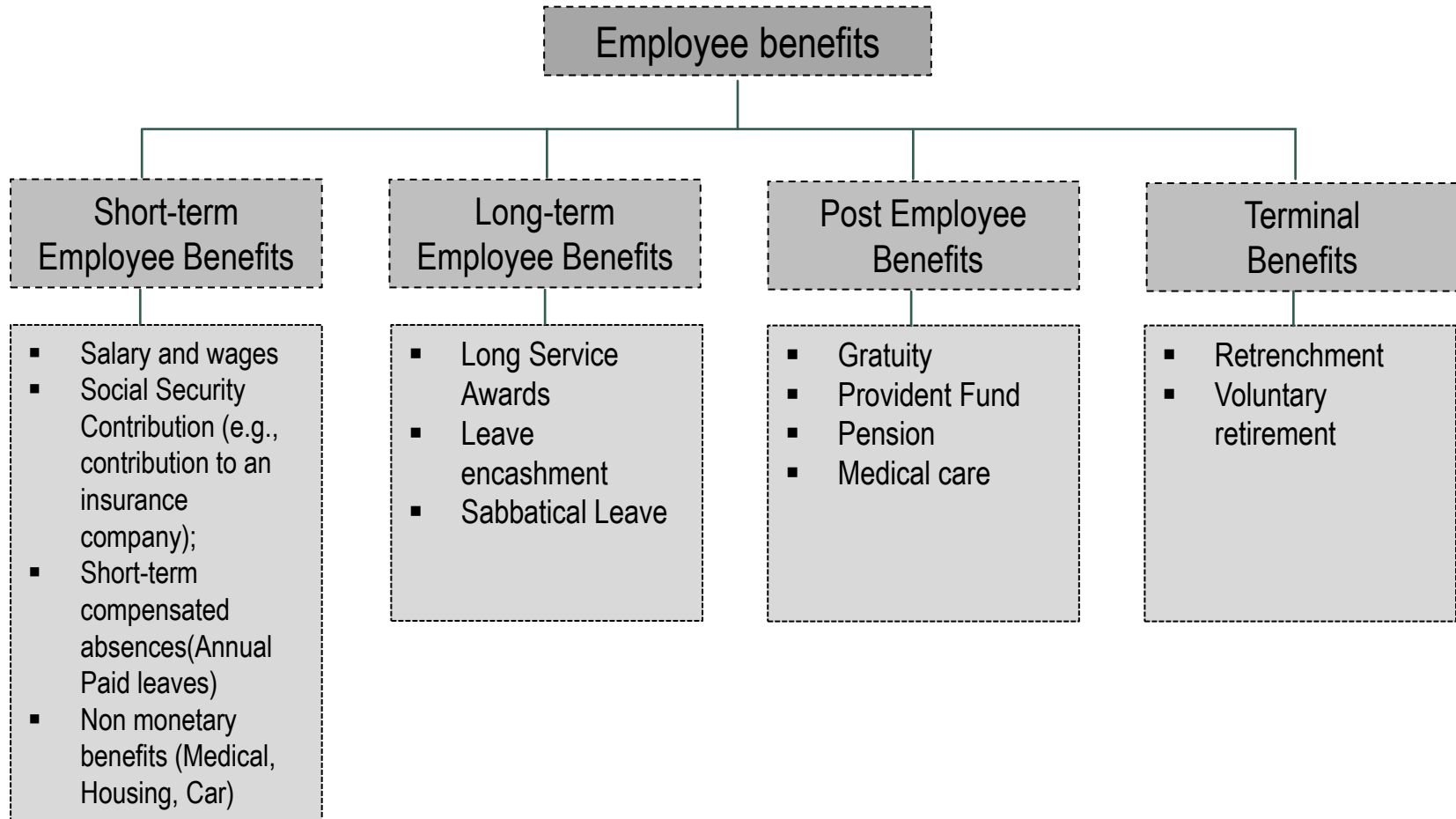
# DEFINITIONS

- **Employee benefits** : All forms of consideration given by an enterprise in exchange for service rendered by employees.
- **Short-term employee benefits** : Employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service.
- **Other long-term employee benefits** Employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service.
- **Post-employment benefits** : Employee benefits (other than termination benefits) which are payable after the completion of employment.
- **Defined contribution plans** : Post-employment benefit plans under **which an enterprise pays fixed contributions into a separate entity (a fund) and will have no obligation to pay further contributions** if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

# DEFINITIONS

- **Defined benefit plans**: Post-employment benefit plans other than defined contribution plans.
- **Termination benefits** : Employee benefits payable as a result of either:
  - an enterprise's decision to terminate an employee's employment before the normal retirement date (**Retrenchment**) ; or
  - An employee's decision to accept voluntary redundancy in exchange for those benefits (**Voluntary retirement**).

# EMPLOYEE BENEFITS





## **3(a). Short Term Employee Benefits**

# SHORT-TERM EMPLOYEE BENEFITS

## What are Short-term employee benefits?

Benefits (other than termination benefits) **due to be settled within 12 months after end of the period** and includes:

- a. Wages, salaries and social security contributions;
- b. Short-term compensated absences (such as paid annual leave and paid sick leave).
- c. Profit-sharing and bonuses payable within twelve months after the end of the period.
- d. Non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees.

- ▶ **No actuarial assumptions** are required to measure the obligation.
- ▶ No possibility of any actuarial gain or loss.

# RECOGNITION AND MEASUREMENT

## SHORT-TERM EMPLOYEE BENEFITS

### What to recognize in Balance Sheet?

Liability / (Asset or  
prepaid expense)

=

Short-term employee  
benefit  
(undiscounted)

-

Amount already paid

### What to recognize in Profit or Loss?

Expenses

=

Short-term employee  
benefit  
(undiscounted)

## **3(b). Long Term Employee Benefits**

# OTHER LONG-TERM EMPLOYEE BENEFITS

## Other long-term employee benefits include, for example

- a. Long-term compensated absences such as long-service or sabbatical leave;
- b. Jubilee or other long-service benefits;
- c. Long-term disability benefits;
- d. Profit-sharing and bonuses payable twelve months or more after the end of the period in which the employees render the related service; and
- e. Deferred compensation paid twelve months or more after the end of the period in which it is earned.

# OTHER LONG-TERM EMPLOYEE BENEFITS

What to recognize in Balance Sheet?

Liability



Present value of  
obligation



Fair value of Plan  
Assets

- ▶ **Actuarial assumptions** are required to measure the obligation or the expense and there is no possibility of any actuarial gain or loss.
- ▶ Disclose the amount recognised as an expense.

## **3(c). Post Employee Benefits**

# POST-EMPLOYEE BENEFITS

## What are Post-employee benefits?

Benefits (other than termination benefits) **payable after the completion of employment** and include:

- a) Retirement benefits, such as **pensions**; and
- b) other post-employment benefits, such as post-employment life insurance and **post-employment medical care**.



# POST-EMPLOYEE BENEFITS

Post-employment benefit plans can be classified as:

- ▶ **Defined Contribution Plan (DC) and**
- ▶ **Defined Benefit Plan (DB)**

## A. Defined Contribution Plans (DC)

- Entity's legal or constructive obligation is limited to the amount that it **agrees to contribute** to the fund

- **Actuarial risk and investment risk fall on the employee**

## B. Defined Benefit Plans (DB)

- Entity's obligation is to provide **the agreed benefits** to current and former employees

- Actuarial risk and investment risk fall in substance, on the entity

# POST-EMPLOYEE BENEFITS

## A. Defined Contribution Plan (DC)

### A. Defined Contribution Plan (DC)

#### What to recognize in Balance Sheet?

Liability / (Asset or  
prepaid expense)



Contribution payable



Contribution already  
paid

#### What to recognize in Profit or Loss?

Expenses



Contribution to  
provident and other  
funds

- ▶ **No actuarial assumptions** are required to measure the obligation or the expense and there is no possibility of any actuarial gain or loss.
- ▶ Disclose the amount recognised as an expense.
- ▶ The contribution is charged to income statement

# POST-EMPLOYEE BENEFITS

## B. DEFINED BENEFIT PLAN (DB)

### B. Defined Benefit Plan (DB)

What to recognize in Balance Sheet?



- ▶ **Actuarial assumptions** are required to measure the obligation or the expense and there is no possibility of any actuarial gain or loss.
- ▶ Disclose the amount recognised as an expense.

## **3(d). Termination Benefits**

# TERMINATION BENEFITS

- Employee benefits payable as a result of either an enterprise's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits.
- Termination benefits are recognized by an enterprise as a liability and an expense only when the enterprise has :
  - i. a detailed formal plan for the termination which is duly approved, and
  - ii. a reliable estimate can be made of the amount of the obligation.
  - iii. Probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

# ACTUARIAL ASSUMPTIONS

**AS 15 explains that actuarial assumptions comprise:**

**a) Demographic assumptions mortality, both during and after employment;**

- Rates of employee turnover, disability
- Retirement;
- Proportion of plan members with dependents who will be eligible for benefits;
- claim rates under medical plans; and

**b) Financial assumptions :**

- Discount rate
- Future salary and benefit levels
- In the case of medical benefits, future medical costs. including, where material, the cost of administering claims and benefit payments and the expected rate of return on plan assets.

# EXEMPTIONS/RELAXATIONS TO LEVEL : 2,3,4

AS	LEVEL 2	LEVEL 3	LEVEL 4
AS -15 Emp benefits	<b><u>More than 50 employees (exemption from)</u></b> <ol style="list-style-type: none"> <li>1. Discounting liability more than 1 year</li> <li>2. <u>Defined benefit plans &amp; other long term employee benefits Recognition, measurement, presentation, disclosure exemption:</u> Must do Actuarial valuation using proj unit credit method with market yields. Disclose Actuarial assumptions</li> <li>3. Non vesting short term accum comp absences</li> </ol>		NA
AS -15 Emp benefits	<b><u>Less than 50 employees (exemption from)</u></b> <ol style="list-style-type: none"> <li>1. Same as above except that General provision must be made for accrued liability</li> </ol>		Irrespective of no: of employees

## 4. Disclosures



# DISCLOSURES

**An enterprise should disclose the following information about defined benefit plans:**

- a) Accounting policy for recognising actuarial gains and losses.
- b) General description of the type of plan
- c) A reconciliation of opening and closing balances of the present value of the **defined benefit obligation** showing separately, if applicable, the effects during the period attributable to each of the following:
  - i. current service cost,
  - ii. interest cost,
  - iii. contributions by plan participants,
  - iv. actuarial gains and losses,
  - v. benefits paid,
  - vi. past service cost
- d) A reconciliation of the opening and closing balances of the **fair value of plan assets** accounting policy for recognising actuarial gains and losses.
  - i. expected return on plan assets,
  - ii. actuarial gains and losses,
  - iii. contributions by the employer,
  - iv. benefits paid

# DISCLOSURES

e) The total **expense recognised in the statement of profit and loss** for each of the following, and the line item(s) of the statement of profit and loss in which they are included:

- i. current service cost;
- ii. interest cost;
- iii. expected return on plan assets;
- iv. actuarial gains and losses;
- v. past service cost

#### 41. EMPLOYEE BENEFITS

- (a) The Company has recognised, in the Statement of Profit and Loss for the year ended 31st March, 2015, an amount of ₹ 283.34 crores (2013-14: ₹ 251.71 crores) as expenses under the following defined contribution plans.

Benefit (Contribution to)	₹ crores	
		Previous Year
Provident Fund	201.58	185.83
Superannuation Fund	26.02	26.80
Employees Pension Scheme/Coal Mines Pension Scheme/ National Pension Scheme	36.62	22.76
TISCO Employees Pension Scheme	19.12	16.32
	<u>283.34</u>	<u>251.71</u>

The Company's Provident Fund is exempted under Section 17 of The Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

- (b) The Company operates post retirement defined benefit plans as follows:

- (i) Funded
  - Post Retirement Gratuity
- (ii) Unfunded
  - Post Retirement Medical Benefits
  - Pensions to Directors
  - Farewell Gifts
  - Packing and Transportation Costs on Retirement

- (c) Details of the post retirement gratuity plan are as follows:

		₹ crores
Description		Previous Year
(i)	<b>Reconciliation of opening and closing balances of obligation</b>	
	Obligation as at beginning of the year	2,003.16
	Current service cost	87.68
	Interest cost	175.30
	Actuarial (gain)/loss	522.87
	Benefits paid	(216.10)
	Obligation as at end of the year	2,572.91
(ii)	<b>Reconciliation of opening and closing balances of plan assets</b>	
	Fair value of plan assets as at beginning of the year	1,888.96
	Expected return on plan assets	147.04
	Actuarial gain/(loss)	77.43
	Contributions	114.20
	Benefits paid	(216.10)
	Fair value of plan assets as at end of the year	2,011.53
(iii)	<b>Reconciliation of fair value of assets and obligations</b>	
	Fair value of plan assets as at end of the year	2,011.53
	Present value of obligation as at end of the year	2,572.91
	Net obligation/(asset) recognised in the balance sheet (included in the line item - Provision for employee benefits)	561.38
(iv)	<b>Expenses recognised during the year</b>	
	Current service cost	87.68
	Interest cost	175.30
	Expected return on plan assets	(147.04)
	Actuarial (gain)/loss	445.44
	Expense recognised during the year (included in the line item - Employee benefits expense)*	561.38
* Includes impact of ₹ 224.58 crores on account of arrear wage settlement, provision for which was included under salaries and wages including bonus		114.19

(v) <b>Investment details</b>	%	%
GOI securities	10.51	10.65
Public sector unit bonds	7.92	9.31
Central/State Government guaranteed securities	8.62	6.47
Private sector unit bonds	9.30	8.91
Deposit with LIC	55.94	56.90
Others (including bank balances)	7.71	7.76
	<u>100.00</u>	<u>100.00</u>
(vi) <b>Assumptions</b>		
Discount rate (per annum)	7.75%	9.25%
Expected return on plan assets (per annum)	8.00%	8.00%
Rate of escalation in salary (per annum)	7.50% to 10.00%	7.50% to 10.00%

The long-term estimate of the expected rate of return on the plan assets have been arrived at based on the asset allocation and prevailing yield rates on such assets. The major portions of the assets are invested in GOI Securities, PSU bonds and LIC. Assumed rate of return on assets is expected to vary from year to year reflecting the returns on matching Government Bonds.

(d) Details of the unfunded post retirement defined benefit obligation are as follows:

Description	₹ crores			
	Medical	Others	Previous Year	
			Medical	Others
(i) <b>Reconciliation of opening and closing balances of obligation</b>				
Obligation as at beginning of the year	775.67	63.62	832.25	62.54
Current service cost	10.67	3.58	12.63	3.55
Interest cost	69.70	5.65	64.98	4.84
Plan amendment cost/(credit)	–	2.56	–	–
Actuarial (gain)/loss	222.42	8.88	(94.14)	(3.39)
Benefits paid	(44.28)	(5.10)	(40.05)	(3.92)
Obligation as at end of the year	<u>1,034.18</u>	<u>79.19</u>	<u>775.67</u>	<u>63.62</u>
(ii) <b>Expenses recognised during the year</b>				
Current service cost	10.67	3.58	12.63	3.55
Interest cost	69.70	5.65	64.98	4.84
Plan amendment cost/(credit)	–	2.56	–	–
Actuarial (gain)/loss	222.42	8.88	(94.14)	(3.39)
Expense recognised during the year (included in the line item - Employee benefits expense)	<u>302.79</u>	<u>20.67</u>	<u>(16.53)</u>	<u>5.00</u>
(iii) <b>Assumptions</b>				
Discount rate (per annum) as at the beginning of the year	9.25%	9.25%	8.00%	8.00%
Discount rate (per annum) as at the end of the year	7.75%	7.75%	9.25%	9.25%
Medical costs inflation rate	8.00%		8.00%	
Effect of a 1% change in health care cost on				
Increase	9% p.a.		9% p.a.	
– aggregate current service and interest cost	13.04		14.36	
– closing balance of obligation	163.74		108.20	
Decrease	7% p.a.		7% p.a.	
– aggregate current service and interest cost	(10.40)		(11.24)	
– closing balance of obligation	(131.33)		(88.22)	

**Benefits**

Present value of defined benefit obligation	<b>2,572.91</b>
Fair value of plan assets	<b>2,011.53</b>
Surplus/(Deficit) in plan assets	<b>(561.38)</b>
Experience adjustment on obligation - (gain)/loss	<b>272.17</b>
Experience adjustment on plan assets - gain/(loss)	<b>77.43</b>
Expected contribution (best estimate) to funded plans in subsequent financial year	<b>561.38</b>
Present value of defined benefit obligation	<b>1,034.18</b>
Experience adjustment on obligation - (gain)/loss	<b>36.95</b>
Present value of defined benefit obligation	<b>79.19</b>
Experience adjustment on obligation - (gain)/loss	<b>(1.25)</b>

**2014-15**

2013-14	2012-13	2011-12	2010-11
Retiring Gratuity			
2,003.16	1,888.22	1,635.57	1,536.69
1,888.96	1,700.44	1,554.61	1,173.86
(114.20)	(187.78)	(80.96)	(362.83)
208.87	92.33	78.04	183.67
7.24	59.57	20.65	6.94
114.20	187.78	80.96	362.83
Medical			
775.67	832.25	695.80	718.26
44.89	48.53	104.39	113.68
Others			
63.62	62.54	54.13	49.53
3.79	1.92	5.32	2.67

₹ crores



# *Thank You*

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