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Transition from AS to Ind AS

Accounting for Borrowings and Borrowing Costs on Transition from Previous GAAP- Part 2



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1. Introduction

Part 1 of this article discussed the key differences between Accounting Standards (AS) and Indian Accounting Standards (Ind AS) in relation to borrowings and borrowing costs. It covered the recognition and measurement of borrowings under Ind AS 109, *Financial Instruments*, the effective interest rate (EIR) method, the capitalisation requirements under Ind AS 23, *Borrowing Costs*, and the treatment of foreign exchange differences.

This part focuses on the practical implications of these requirements when an entity transitions from previous GAAP to Ind AS. The transition may require an entity to reassess the carrying amount of existing borrowings, reconsider the treatment of transaction costs, review foreign exchange differences and recompute borrowing costs included in the carrying amount of qualifying assets.

An important aspect of this exercise is distinguishing between adjustments required in the opening Ind AS Balance Sheet and adjustments arising during the comparative period.

For instance, where an entity prepares its first Ind AS financial statements for FY 2024–25 and presents one year of comparative information, its date of transition to Ind AS is 1 April 2023. The opening Ind AS Balance Sheet is prepared as at that date, while the financial statements for FY 2023–24 are presented as comparative Ind AS information.

Accordingly, adjustments arising from transactions and events before 1 April 2023 are generally reflected in the opening Ind AS Balance Sheet, subject to the specific requirements and exemptions of Ind AS 101, *First-time Adoption of Indian Accounting Standards*. Adjustments arising during FY 2023–24 are reflected in the comparative financial statements.

The following illustrations explain the accounting implications of these requirements.

2. Practical application of transition requirements relating to borrowings and borrowing costs

Having discussed the key differences between AS and Ind AS in the accounting for borrowings and borrowing costs in Part 1, this part examines their practical implications on transition to Ind AS, with particular focus on the measurement of existing borrowings, reassessment of capitalised borrowing costs and the consequential adjustments to the opening Ind AS Balance Sheet.

2.1. Reassessment of transaction costs and amortised cost of existing borrowings

One of the important differences between AS 16 and Ind AS 109, read with Ind AS 23, relates to the measurement of borrowings and the treatment of transaction costs.

Under AS 16, borrowing costs include the amortisation of ancillary costs incurred in connection with the arrangement of borrowings. Under Ind AS 109, eligible transaction costs directly attributable to the issue of a financial liability, other than a financial liability

measured at fair value through profit or loss, are considered in determining its initial carrying amount. The liability is subsequently measured using the effective interest rate method where it is measured at amortised cost.

Consequently, an entity transitioning to Ind AS should reassess the carrying amount of its existing borrowings by considering the contractual cash flows, transaction costs and the effective interest rate applicable to the borrowing.

Illustration

ABC Limited obtained a term loan of ₹100 lakh from a bank on 1 April 2022. The loan carries a contractual interest rate of 10% per annum, and the principal is repayable in full at the end of three years. Interest is payable annually.

At the time of obtaining the loan, the bank deducted processing and arrangement fees of ₹3 lakh from the sanctioned amount. The company therefore received net proceeds of ₹97 lakh.

Under previous GAAP, the company recognised the borrowing at its gross amount of ₹100 lakh and amortised the ancillary borrowing costs of ₹3 lakh over the three-year loan tenure. For the purpose of this illustration, assume that the unamortised portion of the ancillary borrowing costs is presented as a deduction from the borrowing liability.

The company is preparing its first Ind AS financial statements for FY 2024–25, with 1 April 2023 as the date of transition to Ind AS.

Assuming that the processing fee qualifies as a transaction cost directly attributable to the borrowing and that the initial transaction price represents its fair value, the initial carrying amount of the borrowing under Ind AS 109 would be ₹97 lakh.

Since the company has received net proceeds of ₹97 lakh but is contractually required to repay ₹100 lakh, in addition to the annual interest payments, the effective interest rate would be higher than the contractual interest rate of 10%.

Based on the contractual cash flows, the effective interest rate is approximately 11.23% per annum.

The amortised cost of the borrowing under Ind AS 109 would be calculated as follows:

Particulars	**FY 2022–23 (₹ lakh)**	**FY 2023–24 (₹ lakh)**
Opening carrying amount	97.00	97.90
Finance cost using EIR at approximately 11.23%	10.90	11.00
Less: Annual interest paid	(10.00)	(10.00)
Closing carrying amount	**97.90**	**98.90**

Impact on the opening Ind AS Balance Sheet as at 1 April 2023

Under previous GAAP, the unamortised ancillary borrowing cost at the end of the first year would be ₹2 lakh (₹3 lakh less ₹1 lakh amortised during FY 2022–23). Accordingly, the net carrying amount of the borrowing under previous GAAP would be ₹98 lakh.

Under Ind AS 109, the amortised cost of the borrowing as at 1 April 2023 would be approximately ₹97.90 lakh.

The transition adjustment would therefore be:

Particulars	**Amount (₹ lakh)**
Borrowing under previous GAAP, net of unamortised ancillary cost	98.00
Borrowing measured at amortised cost under Ind AS 109	97.90
Reduction in carrying amount	**0.10**

Accordingly, the reduction in the net carrying amount of the borrowing would result in an increase in opening retained earnings of approximately ₹0.10 lakh, before considering deferred tax implications.

Where the unamortised ancillary borrowing cost is presented separately as a deferred charge rather than as a deduction from the borrowing, the transition entry would be presented differently. The entity would derecognise the remaining deferred charge and adjust the borrowing liability to its amortised cost under Ind AS 109.

Accounting treatment where the unamortised cost is presented separately

- Debit: Borrowings – ₹2.10 lakh
- Credit: Deferred borrowing cost – ₹2.00 lakh
- Credit: Opening retained earnings – ₹0.10 lakh

The illustration demonstrates that the transition adjustment should be based on the difference between the net carrying amount under previous GAAP and the amortised cost under Ind AS, rather than merely comparing the gross loan amount with the Ind AS carrying amount.

Practical relief under Ind AS 101

Paragraph B8C of Ind AS 101 provides a specific relief where it is impracticable, as defined in Ind AS 8, to apply retrospectively the effective interest method prescribed under Ind AS 109.

In such circumstances, the fair value of the financial liability at the date of transition to Ind AS is treated as its new amortised cost at that date.

An entity should assess whether the conditions for applying this relief are satisfied and maintain appropriate documentation supporting its conclusion. The relief should not be treated as a general exemption from applying the amortised cost requirements of Ind AS 109.

2.2. Treatment of foreign exchange differences arising on foreign currency borrowings

Foreign currency borrowings may give rise to exchange differences when the outstanding monetary liability is translated at the closing exchange rate.

Under AS 16, exchange differences arising from foreign currency borrowings are considered borrowing costs to the extent that they represent an adjustment to interest costs. Ind AS 23 also permits such treatment. However, paragraph 6A of Ind AS 23 specifically addresses the manner in which the adjustment is determined and the treatment of subsequent exchange gains.

Accordingly, an entity should distinguish between:

- Exchange differences that qualify as an adjustment to interest costs under Ind AS 23; and
- The remaining exchange differences that are accounted for under Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*.

Illustration

XYZ Limited obtained a foreign currency loan of USD 1 million on 1 April 2022 to finance the construction of a manufacturing facility. The facility qualifies as a qualifying asset under Ind AS 23.

The relevant details of the borrowing are as follows:

- Exchange rate on the date of borrowing: ₹80 per USD.
- Exchange rate on 31 March 2023: ₹86 per USD.
- Interest rate on foreign currency borrowing: 5% per annum.
- Comparable borrowing rate for a similar borrowing in Indian rupees: 9% per annum.
- The borrowing remained outstanding as at 31 March 2023.

The company is preparing its first Ind AS financial statements for FY 2024–25, with 1 April 2023 as the date of transition.

Step 1: Determine the exchange difference

The initial borrowing in functional currency would be:

USD 1 million × ₹80 = ₹800 lakh.

At the closing exchange rate of ₹86 per USD, the borrowing would be translated as follows:

Particulars	**Amount (₹ lakh)**
Initial borrowing (USD 1 million × ₹80)	800
Borrowing translated at closing rate (USD 1 million × ₹86)	860
Foreign exchange loss	**60**

Accordingly, the total foreign exchange loss arising on the outstanding principal is ₹60 lakh.

Step 2: Determine the eligible exchange difference

For determining the portion of the exchange loss that may be treated as an adjustment to interest costs, the cost of a comparable borrowing in Indian rupees is compared with the cost of the foreign currency borrowing translated into the functional currency.

Assume that an average exchange rate of ₹83 per USD reasonably approximates the exchange rates prevailing on the dates on which interest accrued during the year.

The interest cost on the foreign currency borrowing would be:

USD 1 million × 5% = USD 50,000.

Translated into Indian rupees:

USD 50,000 × ₹83 = ₹41.50 lakh.

The cost of a comparable borrowing in Indian rupees would be:

₹ 800 lakh × 9% = ₹72 lakh.

The computation would therefore be:

Particulars	**Amount (₹ lakh)**
Cost of comparable borrowing in Indian rupees	72.00
Cost of foreign currency borrowing translated into Indian rupees	(41.50)
Difference in borrowing costs	**30.50**
Actual foreign exchange loss	60.00
Exchange loss eligible to be treated as borrowing costs	**30.50**
Remaining exchange loss	**29.50**

Accordingly, out of the total exchange loss of ₹60 lakh, ₹30.50 lakh may be treated as an adjustment to interest costs under paragraph 6A of Ind AS 23, subject to the prescribed requirements. The balance of ₹29.50 lakh is accounted for under Ind AS 21.

The exchange rate used for translating interest should be determined in accordance with Ind AS 21. An average rate may be used only where it reasonably approximates the actual exchange rates prevailing on the relevant transaction dates.

Step 3: Consider the impact on borrowing costs

Where the foreign currency borrowing has been used to finance the construction of a qualifying asset, the eligible exchange difference may be considered for capitalisation, provided the conditions for capitalisation under Ind AS 23 are satisfied.

The entity should also assess whether the exchange loss was correctly treated under previous GAAP. Since AS 16 also addresses the treatment of exchange differences that represent an adjustment to interest costs, the entire exchange loss should not automatically be treated as a transition adjustment merely because the entity is adopting Ind AS.

Treatment of subsequent exchange gains

Paragraph 6A(*ii*) of Ind AS 23 specifically addresses the situation where an unrealised exchange loss has been treated as an adjustment to interest costs and a subsequent realised or unrealised exchange gain arises on settlement or translation of the same borrowing.

In such circumstances, the exchange gain is also treated as an adjustment to interest costs to the extent of the exchange loss previously recognised as an adjustment.

For example, if the entity subsequently recognises an exchange gain of ₹20 lakh on the same borrowing, the gain would be treated as an adjustment to interest costs to the extent of ₹20 lakh, provided an earlier exchange loss of at least that amount had been treated as an adjustment to interest costs.

This specific treatment should be considered while preparing the comparative and subsequent financial statements.

Transition relief for long-term foreign currency monetary items

An additional consideration arises where the borrowing represents a long-term foreign currency monetary item.

Paragraph D13AA of Ind AS 101 permits a first-time adopter to continue the accounting policy adopted under previous GAAP 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.

For an entity whose first Ind AS financial statements are for FY 2024–25, the relevant previous-GAAP financial statements would ordinarily be those for the year ended 31 March 2024.

Where this exemption is elected, the entity may continue the previous-GAAP accounting policy for the qualifying long-term foreign currency monetary items. The election and its applicability should be evaluated separately from the general requirements of Ind AS 21 and Ind AS 23.

It is important to note that this relief relates to the specified long-term foreign currency monetary items. It is not a general exemption from applying Ind AS 23 to all historical borrowing costs.

2.3. Reassessment of borrowing costs capitalised in CWIP

The measurement of borrowings under Ind AS 109 has a direct bearing on the determination of borrowing costs eligible for capitalisation under Ind AS 23.

Under Ind AS 23, borrowing costs include interest expense calculated using the effective interest method described in Ind AS 109. Consequently, where a borrowing carries transaction costs, the borrowing cost eligible for capitalisation may differ from the contractual interest payable to the lender.

An entity transitioning to Ind AS should therefore reassess the borrowing costs capitalised in CWIP, PPE and other qualifying assets. The reassessment should consider the effective interest cost, the commencement of capitalisation, the investment income from temporary investment of specific borrowings and the relevant transition adjustments.

Illustration

PQR Limited is constructing a new manufacturing facility, which qualifies as a qualifying asset under Ind AS 23.

The company obtained a specific term loan of ₹500 lakh on 1 April 2022 to finance the construction. The loan carries a contractual interest rate of 10% per annum, and the company paid an upfront processing fee of ₹10 lakh. The loan is repayable in full after three years, with interest payable annually.

The company received net proceeds of ₹490 lakh after deduction of the processing fee.

Construction activities commenced on 1 July 2022, and the facility remained under construction as at 31 March 2023.

During FY 2022–23, the company incurred the following amounts:

- Contractual interest on the borrowing: ₹50 lakh for the full year.
- Investment income earned from temporary investment of unutilised specific borrowings during the capitalisation period: ₹1.20 lakh.
- Processing fee of ₹10 lakh, which is amortised over the three-year loan tenure under previous GAAP.

The company capitalised borrowing costs under previous GAAP from 1 July 2022 to 31 March 2023.

The company is preparing its first Ind AS financial statements for FY 2024–25, with 1 April 2023 as the date of transition.

Step 1: Determine the effective interest rate

Assuming that the processing fee qualifies as a transaction cost directly attributable to the borrowing and that the initial transaction price represents its fair value, the initial carrying amount of the borrowing under Ind AS 109 would be ₹490 lakh.

Since the company has received net proceeds of ₹490 lakh but is contractually required to repay ₹500 lakh, in addition to the contractual interest, the effective interest rate would be higher than the contractual interest rate of 10%.

Based on the contractual cash flows, the effective interest rate is approximately 10.82% per annum.

Step 2: Determine the EIR-based borrowing cost

The amortised cost of the borrowing at the end of the first three months, i.e. 30 June 2022, would be approximately ₹502.74 lakh.

Particulars	Amount (₹ lakh)
Initial carrying amount of borrowing	490.00
EIR-based accretion for the first three months	12.74
Amortised cost as at 1 July 2022	**502.74**

Since construction activities commenced only on 1 July 2022, borrowing costs incurred during the first three months are not eligible for capitalisation. Such costs are recognised as an expense.

For the subsequent nine months, from 1 July 2022 to 31 March 2023, the borrowing cost is calculated using the EIR on the amortised cost of ₹502.74 lakh.

Accordingly, the EIR-based borrowing cost for this period is approximately ₹40.25 lakh.

Step 3: Determine the amount eligible for capitalisation

Since the borrowing is specifically obtained for constructing the manufacturing facility, investment income earned from temporary investment of the unutilised specific borrowings during the capitalisation period is deducted from the borrowing costs.

The amount eligible for capitalisation under Ind AS 23 would therefore be:

Particulars	Amount (₹ lakh)
EIR-based borrowing cost for nine months	40.25
Less: Investment income from temporary investment	(1.20)
Borrowing costs eligible for capitalisation under Ind AS 23	**39.05**

Under previous GAAP, AS 16 includes amortisation of ancillary costs incurred in connection with the arrangement of borrowings as borrowing costs.

The annual amortisation of the processing fee under previous GAAP would be ₹3.33 lakh. Accordingly, the borrowing costs eligible for capitalisation under previous GAAP would be:

Particulars	Amount (₹ lakh)
Contractual interest for nine months	37.50
Amortisation of processing fee for nine months	2.50
Less: Investment income from temporary investment	(1.20)
Borrowing costs capitalised under previous GAAP	**38.80**
Borrowing costs capitalised under Ind AS 23	**39.05**
Additional borrowing costs eligible for capitalisation under Ind AS	**0.25**

Accordingly, the company would have capitalised approximately ₹39.05 lakh under Ind AS, compared with ₹38.80 lakh under previous GAAP. The difference of ₹0.25 lakh represents the additional borrowing costs eligible for capitalisation in CWIP.

Step 4: Determine the carrying amount of the borrowing

The carrying amount of the borrowing under Ind AS 109 as at 31 March 2023 would be calculated as follows:

Particulars	Amount (₹ lakh)
Initial carrying amount of borrowing	490.00
Add: EIR-based finance cost for FY 2022–23	52.99
Less: Contractual interest paid	(50.00)
Carrying amount under Ind AS 109 as at 31 March 2023	**492.99**

Under previous GAAP, the gross borrowing liability would be ₹500 lakh. The unamortised portion of the processing fee at 31 March 2023 would be approximately ₹6.67 lakh.

Accordingly, the net carrying amount of the borrowing under previous GAAP would be approximately ₹493.33 lakh.

The comparison would therefore be:

Particulars	Amount (₹ lakh)
Net carrying amount under previous GAAP	493.33
Carrying amount under Ind AS 109	492.99
Reduction in net carrying amount of borrowing	**0.34**

Step 5: Determine the impact on the opening Ind AS Balance Sheet

The opening Ind AS Balance Sheet as at 1 April 2023 should reflect both the revised measurement of the borrowing liability and the revised cost of CWIP.

Particulars	Amount (₹ lakh)
Reduction in net carrying amount of borrowing	0.34
Increase in CWIP	0.25
Increase in opening retained earnings, before deferred tax	**0.59**

The corresponding adjustments, assuming the unamortised processing fee is presented separately as a deferred charge under previous GAAP, would be:

Adjustment relating to the borrowing liability

- Debit: Borrowings – ₹7.01 lakh
- Credit: Deferred borrowing cost – ₹6.67 lakh
- Credit: Opening retained earnings – ₹0.34 lakh

Adjustment relating to CWIP

- Debit: CWIP – ₹0.25 lakh
- Credit: Opening retained earnings – ₹0.25 lakh

Accordingly, the combined adjustment would increase opening retained earnings by approximately ₹0.59 lakh, before considering deferred tax implications.

The presentation of the transition entry relating to the processing fee would depend on how the unamortised ancillary borrowing cost was presented under previous GAAP. Where it was deducted from the borrowing liability rather than presented separately, the corresponding entry would be adjusted accordingly.

Further, the company should assess the deferred tax implications under Ind AS 12 by comparing the revised carrying amounts of the borrowing and CWIP with their respective tax bases.

Important distinction

The above illustration demonstrates the adjustment required in the opening Ind AS Balance Sheet as at 1 April 2023. The borrowing costs and finance costs arising during FY 2023–24 would be accounted for in the comparative Ind AS financial statements and should not be included again as opening transition adjustments.

2.4. Other considerations in accounting for borrowings and borrowing costs

In addition to the numerical situations discussed above, entities should consider certain other matters while reviewing existing borrowing arrangements and related borrowing costs on transition to Ind AS.

(a) Interest-free or concessional borrowings

Where an entity has obtained an interest-free or below-market-rate borrowing, including from a parent, promoter or government, it should assess the initial measurement requirements under Ind AS 109.

The transaction price may not necessarily represent the fair value of the financial liability. The difference between the transaction price and fair value should be evaluated in the light of the substance of the arrangement and the applicable requirements. Subsequent measurement should be based on the applicable measurement category, including the EIR method where the liability is measured at amortised cost.

(b) Interest on lease liabilities

Paragraph 6 of Ind AS 23 includes interest in respect of lease liabilities recognised in accordance with Ind AS 116, *Leases*, within the examples of borrowing costs.

Accordingly, interest on lease liabilities may be considered for capitalisation where it is directly attributable to the acquisition, construction or production of a qualifying asset and the other requirements of Ind AS 23 are satisfied. However, the mere existence of a lease liability does not mean that all related interest costs qualify for capitalisation.

(c) Preference shares classified as financial liabilities

Where preference shares are classified as financial liabilities under Ind AS 32, *Financial Instruments: Presentation*, the related finance cost may represent borrowing costs for the purposes of Ind AS 23.

Conversely, dividends on preference shares classified as equity are not borrowing costs. Entities should therefore consider the classification of preference shares before determining whether the related amounts qualify for capitalisation.

(d) Scope of Ind AS 23

Entities should also verify whether the asset under consideration falls within the scope of Ind AS 23.

The Standard does not require an entity to apply its capitalisation requirements to borrowing costs directly attributable to the acquisition, construction or production of:

- A qualifying asset measured at fair value, such as a biological asset within the scope of Ind AS 41, *Agriculture*; or
- Inventories that are manufactured or otherwise produced in large quantities on a repetitive basis.

These scope exclusions should be considered before applying the capitalisation requirements.

(e) Parent and subsidiary borrowings

In determining the weighted average borrowing costs for general borrowings, an entity should consider whether it is appropriate to include all borrowings of the parent and its subsidiaries or whether the calculation should be based on the borrowings of the individual entity.

The assessment should be made in accordance with paragraph 15 of Ind AS 23 and the circumstances of the arrangement.

3. Key considerations while finalising transition adjustments

The practical implications discussed above highlight that transition adjustments relating to borrowings and borrowing costs should not be considered in isolation. A change in the carrying amount of a borrowing may also affect finance costs, the cost of qualifying assets and deferred tax.

Accordingly, entities should consider the following aspects while finalising their opening Ind AS Balance Sheet and comparative financial statements.

(a) Reconciliation of borrowing balances

Entities should prepare a borrowing-wise reconciliation between the carrying amounts under previous GAAP and Ind AS. The reconciliation should separately identify adjustments relating to transaction costs, effective interest rate, premiums, discounts, repayments and modifications.

(b) Reassessment of capitalised borrowing costs

Entities should review borrowing costs included in the carrying amounts of PPE, CWIP, investment property and other qualifying assets. The review should establish whether the amounts capitalised satisfy the recognition and measurement requirements of Ind AS 23, including the identification of qualifying assets and the relevant capitalisation period.

(c) Consistency between borrowing measurement and capitalisation

Where borrowings are measured using the effective interest rate method, the interest expense calculated using that method should also be considered while determining borrowing costs eligible for capitalisation. The entity should ensure that borrowing costs are neither capitalised twice nor recognised as an expense where capitalisation is required.

(d) Foreign exchange differences

Entities should maintain separate workings for exchange differences arising from foreign currency borrowings. The portion treated as an adjustment to interest costs should be supported by the prescribed calculation under Ind AS 23, including the requirements of paragraph 6A. Any subsequent exchange gains arising on the same borrowing should also be evaluated against exchange losses previously treated as an adjustment to interest costs.

(e) Commencement, suspension and cessation of capitalisation

Entities should independently verify the dates on which capitalisation commenced, was suspended, if applicable, and ceased. The mere availability of borrowed funds or incurrence of interest does not establish eligibility for capitalisation. The conditions prescribed under Ind AS 23 must be satisfied throughout the relevant period.

(f) Deferred tax implications

Entities should assess the tax base of borrowings and qualifying assets after incorporating the transition adjustments. Differences between their carrying amounts under Ind AS and corresponding tax bases may give rise to temporary differences requiring recognition of deferred tax assets or liabilities under Ind AS 12. The nature and direction of each temporary difference should be evaluated separately.

(g) Presentation and disclosures

Entities should consider the applicable presentation and disclosure requirements relating to borrowings, including the relevant requirements of Ind AS 1 and Ind AS 107, *Financial Instruments: Disclosures*. In particular, disclosures relating to financial liabilities, liquidity risk, defaults or breaches of loan agreements, where applicable, should be reviewed.

Ind AS 23 also requires disclosure of the amount of borrowing costs capitalised during the period and the capitalisation rate used to determine the amount eligible for capitalisation.

(h) Transition documentation

Entities should maintain supporting documentation for EIR calculations, foreign exchange difference computations, borrowing cost capitalisation schedules and adjustments recognised in opening equity. The impact of transition should also be appropriately reflected in the reconciliations and disclosures required under Ind AS 101.

(i) Separate assessment of transition and comparative-period adjustments

Entities should distinguish between adjustments arising before the date of transition and those arising during the comparative period. Adjustments relating to transactions and events before 1 April 2023 are considered in preparing the opening Ind AS Balance Sheet, whereas adjustments arising during FY 2023–24 are reflected in the comparative financial statements.

Conclusion

The transition from AS to Ind AS requires entities to evaluate not only the contractual terms of their existing borrowings but also the manner in which related transaction costs, finance costs and foreign exchange differences have been recognised under previous GAAP.

The application of Ind AS 109 may change the carrying amount of financial liabilities through the effective interest rate method, while Ind AS 23 may affect the amount of borrowing costs included in the carrying value of qualifying assets. The impact may differ depending on whether the borrowing is specific or general, whether it is denominated in a foreign currency and whether the related asset satisfies the qualifying-asset criteria.

These adjustments may have a consequential impact on CWIP, PPE, finance costs, opening retained earnings and deferred tax. Entities should therefore undertake a comprehensive assessment of existing borrowing arrangements, reassess borrowing costs capitalised in qualifying assets and maintain appropriate supporting calculations.

A clear distinction between the opening transition adjustments and subsequent comparative-period accounting is essential to ensure that the opening Ind AS Balance Sheet and the comparative financial statements reflect the applicable recognition and measurement requirements.

Such an exercise provides a sound basis for consistent financial reporting under the Ind AS framework.

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- ✓ Author of several best-selling books for professionals, including the recent one titled 'Trust and NGO's Ready Reckoner' by Taxmann
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