

AS - 25

**INTERIM FINANCIAL
REPORTING**

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AS 25 – INTERIM FINANCIAL REPORTING

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AS 25 – INTERIM FINANCIAL REPORTING

Objective:

To lay down what information should be provided in interim financial reporting reports and to prescribe the recognition and measurement principles

AS 25 – INTERIM FINANCIAL REPORTING

SCOPE:

To be followed only when an enterprise is otherwise required to prepare and present interim financial statements (IFS)

AS 25 – INTERIM FINANCIAL REPORTING

DEFINITION:

- **Interim period** is a financial reporting period shorter than a full financial year.
- **Interim financial report** means a financial report containing either a complete set of financial statements or a set of condensed financial statements (as described in this Standard) for an interim period.

FORM & CONTENTS

- Minimum components (As per AS 25 (9)) –
 - Condensed Financial Statement (CFS)
Condensed balance sheet, P&L A/c, cash flow statements [(CFS) containing at a minimum each of the heading & sub-heading of latest annual FS].
 - Selected explanatory notes (to be disclosed on a year to date basis).
- Basic & Diluted EPS to be presented if it is presented in annual FS.
- Should include Consolidated financial statements (complete or condensed) if annual financial report also contain Consolidated financial statements .

SELECTED EXPLANATORY NOTES

- Include as a minimum (if material and if not reported elsewhere in the IFS) –
 - a statement that the same accounting policies are followed
 - comments about the seasonality of interim operations
 - the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual
 - the nature and amount of changes in estimates
 - issuances, buy-backs, repayments and restructuring of debt, equity and potential equity shares;

SELECTED EXPLANATORY NOTES

- dividends, aggregate or per share (in absolute or percentage terms), separately for equity shares and other shares;
- segment revenue, segment capital employed (segment assets minus segment liabilities) and segment result
- material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period
- the effect of changes in the composition of the enterprise
- material changes in contingent liabilities

PERIOD FOR WHICH COMPONENTS TO BE PRESENTED

- **Balance Sheet –**
 - As on end of current interim period
 - Comparative as at end of immediately preceding financial year
- **Profit & Loss Account –**
 - For the current interim period & year to date
 - Comparative for current interim period & year to date of immediately preceding financial year
- **Cash flow statement –**
 - Year to date for current financial year
 - Comparative year to date of immediately preceding financial year
- **For seasonal business –**
 - Additional reporting for 12 months ending on interim reporting date & comparative for prior 12 month period

PERIOD FOR WHICH COMPONENTS TO BE PRESENTED

<i>Statement</i>	Current	Comparative
<i>Balance Sheet</i>	End of current interim period	End of immediately preceding financial year
<i>Statement of profit and loss account</i>	Current interim period and cumulatively for year- to – date	Comparable inteim period and year –to – date of immediately preceding financial year
<i>Cash flow statement</i>	Cumulatively for the current financial year- to- date	Comparable year –to – date of immediately preceding financial year

RECOGNITION AND MEASUREMENT PRINCIPLES

- Same Accounting Policies as in annual financial statements
- Income & Expense should be recognised/ measured on YTD basis (i.e. first day of fiscal till the interim date)
- Income Tax Expense is recognised on the best estimate of Weighted Average Annual Effective Income Tax Rate expected for the full financial year
- Other AS will have the as usual applicability
- Revenues received seasonally or occasionally & cost incurred unevenly to be anticipated or deferred at an interim date only if it would have been appropriate at year end
- Seasonal incomes will be recognised when they occur

TRANSITIONAL PROVISIONS

No need to present the following statements for all interim periods of a financial year for which IFS are presented for the first time –

- Comparative current & year to date statement of profit and loss for immediately preceding financial year
- Comparative cash flow statement for the comparable year to date period of the immediately preceding financial year

OTHER KEY ISSUES

- Materiality should be assessed in relation to the interim period financial data.
- Nature & amount of changes in accounting estimates relating to final interim period to be disclosed as a note in the annual financial statements if, separate IFS are not prepared for final interim period
- Change in Financial year end

OTHER KEY ISSUES

- A change in accounting policy for which transition is not specified by any AS, to be applied retrospectively to prior interim period of current financial year
- Accounting policy changes made in current period (and, hence, could not be presented in the latest annual financial statements) to be incorporated in the IFS of current period

Illustration - Applying the Recognition and Measurement Principles

- **Gratuity and Other Defined Benefit Schemes -**
 - calculated on a year-to-date basis by using the actuarially determined rates at the end of the prior financial year, adjusting for significant one-time events.
- **Major Planned Periodic Maintenance or Overhaul -**
 - Cost **anticipated** for interim reporting purposes only if event has caused the enterprise to have a present obligation

Illustration - Applying the Recognition and Measurement Principles

- **Provisions, Intangible assets, Inventory, Impairment of Assets –**
 - Application of same recognition criteria as at the end of the financial year.
- **Year end bonuses -**
 - Anticipated only if,
 - (a) the bonus is a legal obligation or an obligation arising from past practice
 - (b) a reliable estimate of the obligation can be made.

Illustration - Applying the Recognition and Measurement Principles

- **Depreciation and Amortisation –**
 - based only on assets owned during that interim period. It does not take into account asset acquisitions or disposals planned for later in the financial year.
- **Foreign Currency Translation Gains and Losses**
 - Application of same principles as at financial year end in accordance with the principles as stipulated in AS 11 on The Effects of Changes in Foreign Exchange Rates.

Difference between IFRS and Indian GAAP

Area	Indian GAAP	IFRS
<i>Compliance with statute</i>	Governing statute may require interim financial reporting in a form which may be different from the standard and same would override the standard	Does not recognize law/regulator prescribing format of financial statements.
<i>Change in Accounting Policy</i>	Only restatement of interim periods of current year is required	Restatement of prior interim period of current year and the comparable interim periods or prior financial years
<i>Impairment of Goodwill</i>	Reversed if the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the impact of such event.	Goodwill impaired in interim period is not subsequently reversed, either in subsequent interim FS.

Key Learning Points

Interim period	is a financial reporting period shorter than a full financial year.
Interim financial report	means a financial report containing either a complete set of financial statements or a set of condensed financial statements (as described in this Standard) for an interim period
Minimum components (As per AS 25 (9)) –	<ul style="list-style-type: none">✓ Condensed Financial Statement (CFS)--Condensed balance sheet, P&L A/c, cash flow statements [(CFS) containing at a minimum each of the heading & sub- heading of latest annual FS].✓ Selected explanatory notes (to be disclosed on a year to date basis✓ Basic & Diluted EPS to be presented if it is presented in annual FS.✓ Should include Consolidated financial statements (complete or condensed) if annual financial report also contain Consolidated financial statements

Key Learning Points

Balance Sheet	<ul style="list-style-type: none">✓ As on end of current interim period✓ Comparative as at end of immediately preceding financial year
Profit & Loss Account	<ul style="list-style-type: none">✓ For the current interim period & year to date✓ Comparative for current interim period & year to date of immediately preceding financial year
Cash flow statement	<ul style="list-style-type: none">✓ Year to date for current financial year✓ Comparative year to date of immediately preceding financial year
For seasonal business	Additional reporting for 12 months ending on interim reporting date & comparative for prior 12 month period

Thank You

Questions???