

Implementation of Ind-AS in SIPCOT

Storyline...

The client, State Industries Promotion Corporation of Tamil Nadu (SIPCOT) is a company owned by the Government of the state of Tamil Nadu, India. SIPCOT is involved in providing services for industrial development. As of 2017, SIPCOT had developed 20 industrial complexes and six sector-specific Special Economic Zones across the state. SIPCOT's 2016-17 annual revenues were USD 125 Mn.

The client engaged MAGC for implementing Ind-AS, the Indian version of IFRS.

Once upon a time...

The Client was mandatorily required to implement Ind-AS in order to comply with government directives. Transition from rule-based accounting to principles based financial reporting required by Ind-AS involved a number of policy, process, and accounting challenges. The Client sought MaGC's assistance in identifying the issues involved, strategizing to address the issues, as well as in recasting the first set of financial statements in conformity to Ind-AS.

Moving on...

The assignment required an understanding of the Client's operations in order to assess the impact of the new standards on financial reporting. The MaGC team held detailed discussions with the Management. The team studied the existing accounting policies and procedures. Items in financial statements impacted due to the transition were identified and the impact was quantified. The Client's business presented certain unique challenges in lease accounting and revenue recognition. This required the MaGC team to undertake extensive research on similar situations worldwide and how they were handled.

The revised accounting policy and financial statements for the current period were prepared as per Ind-AS along with the transition impact on the opening balances for the previous years. Reconciliation schedules were prepared to provide clarity on the impact on each item of the financial statements. For future reference, the first-time adoption including initial recognition, measurement, and disclosure were tabulated. Journal entries for adjusting affected balances were also provided.

The impact analysis along with Ind-AS compliant accounting policy and financial statements for the financial year were presented to the Client Management. In addition, MaGC made recommendations on related policy matters, changes required to align the accounting process and for moving to digitalized book-keeping.

Finally...

The assignment helped the Client bring out the Ind-AS compliant financial statements quickly. MaGC's impact analysis that covered strategic aspects in addition to financial reporting helped the Management initiate necessary policy action. Line-item level analysis served as a future guide for accounts personnel in recording transactions. MaGC methodology helped achieve all this within a short span of one month. The adoption of Ind-AS was instrumental over time in improving the quality and transparency of the Client's financial reporting processes.

