



A BASIC COMPREHENSION OF THE NEW LEASES STANDARD-IFRS 16 LEASES

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Abstract:

Accounting for leases, or lessee accounting has undergone a significant change with the introduction of IFRS 16 Leases. This is a fresh change and the recognition of right of use asset, lease liabilities and their amortization with specified disclosures are sure to bring in a lot of transparency and clarity to the financial statements, thereby resulting in better and informed choices of the investors relying on annual reports. The financial statements of Reliance Industries (extract) has been used to understand the changes before and after adoption of this standard. The study focuses and reflects on the impact of bringing in an off balance sheet item to the face of the financial statements and its effect on its comprehension by different stakeholders.

Keywords: Lease contract, lease liability, Lease term , incremental borrowing rate, right of use asset.

INTRODUCTION

The introduction of the new leases standard has brought about a sweep of changes in the manner of accounting of lease transactions in the financial statements and the impact it poses on the stakeholders in the way the information is perceived, processed and comprehended. Specifically with regard to the assessment of timing, amount and uncertainty of cash flows arising from leases, this standard comes as breath of fresh air.

The model that puts forth a single lessee accounting and the need for recognition of assets and liabilities for all leases with a term of more than 12 months as right of use assets and lease liability has created the requirement for on balance sheet recognition and presentation as compared to the erstwhile off balance sheet treatment. This has created the need for the entities to analyse the lease contracts in detail so as to identify the nature of arrangement and terms of contract.

HISTORY

IAS 17 Leases was adopted by International Accounting Standards Board in 2001. In addition to this, the Board adopted and issued various interpretations like SIC 15 Operating Leases-Incentives, SIC-27 Evaluating the substance of transactions involving the legal form of a lease and IFRIC 4 Determining whether an arrangement contains a Lease.

In January 2016, the Board issued IFRS 16 Leases which replaces IAS 17, IFRIC 4, SIC-15 and SIC-27.

Covid-19 Related Rent Concessions was issued by the Board, amending IFRS 16. This came as a practical expedient in relation to accounting for rent concessions as an impact of Covid-19 pandemic.

OBJECTIVE OF THE STUDY

As it is with every accounting standard, IFRS 16 also aims at ensuring reporting of information that represents lease transactions in a faithful manner and provides users of financial statements with assessment of amount, timing and uncertainty of cash flows arising from leases.

This study aims at analyzing the details and procedures that are required to be performed by entities with respect to considering the terms and conditions of contracts, relevant information and applying the standard to those contracts in a way which reflects fair effect on statement of financial position, performance and cash flows.

DATA AND METHODOLOGY

The data for the study has been collected from multiple sources which are enlisted below:

- a. Annual reports of entities available in public domain and NSE website
- b. Inquiry with audit personnel in relation to procedures performed for verifying IFRS 16 Leases recognition and presentation
- c. Study of interpretations and analysis of the standard done by Big 4 audit firms and their suggestions on application

SCOPE AND LIMITATION

This paper covers the overview of the IFRS 16 Leases standard and the key aspects impacted on the financial statements as a result of adoption of this standard. However, the deeper possibilities are not delved upon in detail and only a basic level of understanding is expected of the reader to comprehend this paper. The scope includes recognition, presentation and disclosure of leases in financial statements. The advanced concepts of rent concessions due to COVID-19 and their recognition, sub-leases and modification of contracts are not covered in this paper.

THEORETICAL BASE OF STUDY

Superseded Standards

IFRS 16 replaces the following standards and interpretations:

- IAS 17 Leases
- IFRIC 4 Determining whether an Arrangement contains a Lease
- SIC-15 Operating Leases - Incentives
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

IFRS 16 Leases applies to all leases, including subleases, except for:

- leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources;
- leases of biological assets held by a lessee (IAS 41 Agriculture);
- service concession arrangements (IFRIC 12 Service Concession Arrangements);
- licences of intellectual property granted by a lessor (IFRS 15 Revenue from Contracts with Customers); and
- rights held by a lessee under licensing agreements for items such as films, videos, plays, manuscripts, patents and copyrights within the scope of IAS 38 Intangible Assets

A lessee can elect to apply IFRS 16 to leases of intangible assets, other than those items listed above.

Recognition exemptions

Instead of applying the recognition requirements of IFRS 16 described below, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

- i) leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset; and

- ii) leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

Key definitions

[IFRS 16: Appendix A]

Interest rate implicit in the lease

The interest rate that yields a present value of (a) the lease payments and (b) the unguaranteed residual value equal to the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor.

Lease term

The non-cancellable period for which a lessee has the right to use an underlying asset, plus:

- a) periods covered by an extension option if exercise of that option by the lessee is reasonably certain; and
- b) periods covered by a termination option if the lessee is reasonably certain not to exercise that option

Lessee's incremental borrowing rate

The rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

RECOGNITION

Once a lease contract is identified, considering the right to control the asset, which may be explicit or implicit, the next step is to identify the asset itself, based on criteria such as physical distinction, substantial capacity and economic benefits the customer obtains.

Thereafter, the lessee recognizes a right of use asset and a lease liability. While the right of use asset is initially measured at the amount of lease liability plus any direct initial costs, subsequently it is measured using a cost model. Hence, it is recognized after considering accumulated depreciation and impairment.

Lease liability is measured at present value of lease payments payable over the lease term, discounted at the rate implicit in the lease or the incremental borrowing rate.

Any modifications in lease contract will result in subsequent remeasurement of lease liability to reflect changes such as term, amount, future lease payments etc. They are treated as adjustment to right of use asset.

DISCLOSURE

There are detailed requirements for disclosure of various items related to lease in the standard. IFRS 16 is applicable for reporting periods on or after 1 January 2019.

CASE STUDY

Given in Annexure I Table 1 and Table 2 respectively are the extracts of financial statements of Reliance Industries before and after adoption of Leases standard.

Before adoption of the standard:

As can be observed from the Annexure 1 Table 1, items relating to leases are treated as off balance sheet because of which we are not able to identify or trace the relevant line items from the face of the financial statement. It also poses a possibility of inflating the return on investment (ROI) as there is no statutory provision to show the assets taken on lease or the future liabilities of lease rentals.

After adoption of the standard:

It can be noted, as marked in the explanatory notes of the Table 2 of Annexure I that, the face of the balance sheet itself shows the current and non-current lease liability as well as the right of use asset as a non-current asset. Lease rentals form part of the statement of profit and loss as well. There are also adequate disclosures in the notes relating to various aspects of lease resulting in better transparency and clarity of presentation.

FINDINGS FROM THE ABOVE CASE:

As it can be observed from the extract of financial statements, there has been a comprehensive, exhaustive and clearer depiction in the notes to financial statements with respect to the lease amount, type, term, duration and expenses after adoption of IFRS 16. We can clearly note that the right of use asset, related depreciation, lease liability and its distinction as current and non-current, payment of lease liability and rent expenses have been disclosed in detail. We can infer from the same that there has been a detailed verification and study conducted over the lease contracts by the entity to understand the various terms and nature of lease, and also an overview relating to any modifications that may have occurred to the contract, that could require a remeasurement. It is evident that sufficient understanding and identification of various components of contracts have been carried out by the entity.

CONCLUSION

The detailed recognition and disclosure requirements encompassed in IFRS 16 provides a comprehensive basis for users of financial statements to assess the effect of leases through the statement of financial position, statement of profit or loss and statement of cash flows.



ANNEXURES

ANNEXURE-1

Table 1

2017-18: Before introduction of IFRS 16**Balance Sheet**

as at 31st March, 2018

	Notes	As at 31st March, 2018	As at 31st March, 2017
(₹ in crore)			
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	1	1,91,879	1,45,486
Capital Work-in-Progress	1	92,581	1,28,283
Intangible Assets	1	9,085	9,092
Intangible Assets Under Development	1	6,902	4,458
Financial Assets			
Investments	2	1,71,945	1,40,544
Loans	3	17,699	10,418
Other Non-Current Assets	4	3,522	2,184
Total Non-Current Assets		4,93,613	4,40,465
Current Assets			
Inventories	5	39,568	34,018
Financial Assets			
Investments	6	53,277	51,906
Trade Receivables	7	10,460	5,472
Cash and Cash Equivalents	8	2,731	1,754
Loans	9	3,533	4,900
Other Financial Assets	10	3,856	3,372
Other Current Assets	12	10,487	4,859
Total Current Assets		1,23,912	1,06,281
Total Assets		6,17,525	5,46,746
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	13	6,335	3,251
Other Equity	14	3,08,312	2,85,062
Total Equity		3,14,647	2,88,313
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
Borrowings	15	81,596	78,723
Provisions	16	2,205	2,118
Deferred Tax Liabilities (Net)	17	27,926	24,766
Other Non-Current Liabilities	18	504	-
Total Non-Current Liabilities		1,12,231	1,05,607
Current Liabilities			
Financial Liabilities			
Borrowings	19	15,239	22,580
Trade Payables	20	88,675	68,161
Other Financial Liabilities	21	48,250	43,920
Other Current Liabilities	22	37,565	16,897
Provisions	23	918	1,268
Total Current Liabilities		1,90,647	1,52,826
Total Liabilities		3,02,878	2,58,433
Total Equity and Liabilities		6,17,525	5,46,746

Please refer note above

This does not include lease liability

ANNEXURE-1 (continued)

Table 1 (continued)

Notes to the Standalone Financial Statements for the year ended 31st March, 2018

1. PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK-IN-PROGRESS, INTANGIBLE ASSETS AND INTANGIBLE ASSETS UNDER DEVELOPMENT

(₹ in crore)

Description	GROSS BLOCK			DEPRECIATION / AMORTISATION AND DEPLETION				NET BLOCK		
	As at 01-04-2017	Additions / Adjustments	Deductions / Adjustments	As at 31-03-2018	As at 01-04-2017	For the Year*	Deductions / Adjustments	As at 31-03-2018	As at 31-03-2018	As at 31-03-2017
Property, Plant and Equipment										
Own Assets :										
Leasehold Land	19,509	1	-	19,510	951	195	-	1,146	18,364	18,558
Freehold Land	36,780	181	7	36,954	-	-	-	-	36,954	36,780
Buildings	12,327	2,099	4	14,422	4,864	512	2	5,374	9,048	7,463
Plant and Machinery	1,71,706	48,235	332	2,19,609	92,165	6,520	294	98,391	1,21,218	79,541
Electrical Installations	4,774	1,700	152	6,322	3,066	365	144	3,287	3,035	1,708
Equipments \$	3,510	2,235	4	5,741	2,528	395	4	2,919	2,822	982
Furniture and Fixtures	609	55	6	658	497	22	6	513	145	112
Vehicles	620	38	91	567	413	71	84	400	167	207
Ships	423	1	-	424	310	9	-	319	105	113
Aircrafts and Helicopters	46	-	-	46	36	1	-	37	9	10
Sub-Total	2,50,304	54,545	596	3,04,253	1,04,830	8,090	534	1,12,386	1,91,867	1,45,474
Leased Assets :										
Plant and Machinery	318	-	-	318	306	-	-	306	12	12
Ships	10	-	-	10	10	-	-	10	-	-
Sub-Total	328	-	-	328	316	-	-	316	12	12
Total (A)	2,50,632	54,545	596	3,04,581	1,05,146	8,090	534	1,12,702	1,91,879	1,45,486
Intangible Assets : *										
Technical Knowhow Fees	3,601	819	-	4,420	2,561	188	-	2,749	1,671	1,040
Software	1,003	30	-	1,033	915	42	-	957	76	88
Development Rights	41,304	859	-	42,163	33,363	1,462	-	34,825	7,338	7,941
Others	812	-	-	812	789	23	-	812	-	23
Total (B)	46,720	1,708	-	48,428	37,628	1,715	-	39,343	9,085	9,092
Total (A + B)	2,97,352	56,253	596	3,53,009	1,42,774	9,805	534	1,52,045	2,00,964	1,54,578
Previous Year	2,83,660	15,205	1,513	2,97,352	1,34,669	8,670	565	1,42,774	1,54,578	
Capital Work-in-Progress									92,581	1,28,283
Intangible Assets Under Development									6,902	4,458

Leased land
not included
in disclosure
in note

\$ Includes Office Equipments

* Other than internally generated

Depreciation / Amortisation and Depletion Expense for the year includes depreciation of ₹ 225 crore (Previous year ₹ 205 crore) capitalised during the year. Thus, the net amount ₹ 9,580 crore has been considered in Statement of Profit and Loss.



ANNEXURE-1 (continued)

Table 1 (continued)

Notes to the Standalone Financial Statements for the year ended 31st March, 2018

- 1.1** Leasehold Land includes :
- Leasehold Land includes ₹ 778 crore (Previous Year ₹ 778 crore) in respect of which the letters of allotment are received and supplementary agreements entered, however, lease deeds are pending execution.
 - ₹ 6,923 crore (Previous Year ₹ 6,923 crore) towards investment in preference shares representing right to hold and use all the immovable properties of the investee entity.
- 1.2** Buildings includes :
- Cost of shares in Co-operative Societies ₹ 2,02,700 (Previous Year ₹ 2,00,200).
 - ₹ 135 crore (Previous Year ₹ 135 crore) in shares of Companies / Societies with right to hold and use certain area of Buildings.
- 1.3** Intangible Assets - Others include Jetties amounting to ₹ 812 crore (Previous Year ₹ 812 crore), the Ownership of which vests with Gujarat Maritime Board.
- 1.4** Capital Work-in-Progress and Intangible Assets Under Development includes :
- ₹ 16,567 crore (Previous Year ₹ 15,544 crore) on account of Project Development Expenditure.
 - ₹ 7,551 crore (Previous Year ₹ 11,526 crore) on account of cost of construction materials at site.
- 1.5** Additions in Property, Plant and Equipment, Capital Work-in-Progress, Intangible Assets and Intangible Assets Under Development includes ₹ 823 crore (net loss) [Previous Year ₹ 2,166 crore (net loss)] on account of exchange difference during the year.
- 1.6** For Assets pledged as security - Refer Note 15.1 .

29. OTHER EXPENSES		
Manufacturing Expenses		
Stores, Chemicals and Packing Materials	5,376	5,035
Electric Power, Fuel and Water	13,565	10,150
Labour Processing, Production Royalty and Machinery Hire Charges	1,495	1,638
Repairs to Building	97	84
Repairs to Machinery	1,145	1,064
Exchange Difference (Net)	52	40
Excise Duty*	(95)	234
Lease Rent	11	10
	21,646	18,255
Selling and Distribution Expenses		
Warehousing and Distribution Expenses	5,811	5,552
Sales Tax / VAT	854	1,428
Other Selling and Distribution Expenses	446	1,456
	7,111	8,436

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ANNEXURE-1 (continued)

Table 2

2020-21: After adoption of IFRS 16

Balance Sheet

As at 31st March, 2021

(₹ in crore)

	Notes	As at 31st March, 2021	As at 31st March, 2020
Assets			
Non-Current Assets			
Property, Plant and Equipment	1	2,92,092	2,97,854
Capital Work-in-Progress	1	20,765	15,638
Intangible Assets	1	14,741	8,624
Intangible Assets Under Development	1	12,070	12,327
Financial Assets			
Investments	2	2,52,620	4,21,793
Loans	3	65,698	44,348
Other Non-Current Assets	4	4,968	4,461
Total Non-Current Assets		6,62,954	8,05,045
Current Assets			
Inventories	5	37,437	38,802
Financial Assets			
Investments	6	94,665	70,030
Trade Receivables	7	4,159	7,483
Cash and Cash Equivalents	8	5,573	8,485
Loans	9	993	15,028
Other Financial Assets	10	59,560	16,115
Other Current Assets	12	8,332	10,711
Total Current Assets		2,10,719	1,66,654
Total Assets		8,73,673	9,71,699
Equity and Liabilities			
Equity			
Equity Share capital	13	6,445	6,339
Other Equity	14	4,68,038	3,84,876
Total Equity		4,74,483	3,91,215
Liabilities			
Non-Current Liabilities			
Financial Liabilities			
Borrowings	15	1,60,598	1,94,402
Other Financial Liabilities	16	4,014	2,930
Provisions	17	1,499	1,410
Deferred Tax Liabilities (Net)	18	30,788	50,556
Other Non-Current Liabilities	19	504	504
Total Non-Current Liabilities		1,97,403	2,49,802
Current Liabilities			
Financial Liabilities			
Borrowings	20	33,152	59,899
Trade Payables Due to:	21		
Micro and Small Enterprises		90	116
Other than Micro and Small Enterprises		86,909	70,932
Other Financial Liabilities	22	61,172	1,32,492
Other Current Liabilities	23	19,563	66,170
Provisions	24	901	1,073
Total Current Liabilities		2,01,787	3,30,682
Total Liabilities		3,99,190	5,80,484
Total Equity and Liabilities		8,73,673	9,71,699
Significant Accounting Policies			
See accompanying Notes to the Financial Statements	1 to 44		

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ANNEXURE-1 (continued)

Table 2 (continued)

OVERVIEW REVIEW

STATEMENTS

Standalone

1. Property, Plant & Equipment, Capital Work-in-Progress, Intangible Assets and Intangible Assets Under Development

(₹ in crore)

Description	Gross Block			Depreciation/Amortisation and Depletion				Net Block		
	As at 01-04-2020	Additions/ Adjustments	Deductions/ Adjustments ^a	As at 31-03-2021	As at 01-04-2020	For the Year ^b	Deductions/ Adjustments ^a	As at 31-03-2021	As at 31-03-2021	As at 31-03-2020
Property, Plant and Equipment										
Own Assets:										
Land	38,974	1	7	38,968	-	-	-	38,968	38,974	
Buildings	19,817	879	1,096	19,600	7,137	907	288	7,756	11,844	12,680
Plant & Machinery	3,26,334	3,077	3,090	3,26,321	1,09,975	5,946	2,646	1,13,275	2,13,046	2,16,359
Electrical Installations	10,513	107	434	10,186	4,005	704	373	4,336	5,850	6,508
Equipments ^c	5,392	66	212	5,246	2,933	593	168	3,358	1,888	2,459
Furniture & Fixtures	711	26	114	623	470	35	59	446	177	241
Vehicles	604	105	16	693	446	60	16	490	203	158
Ships	502	3	-	505	329	16	-	345	160	173
Aircrafts & Helicopters	46	-	-	46	39	1	-	40	6	7
Sub-Total	4,02,893	4,264	4,969	4,02,188	1,25,334	8,262	3,550	1,30,046	2,72,142	2,77,559
Right-of-Use Assets:										
Land	17,696	-	3	17,693	1,532	173	1	1,704	15,989	16,104
Plant & Machinery	4,625	74	69	4,630	494	238	63	669	3,961	4,131
Ships	10	-	-	10	10	-	-	10	-	-
Sub-Total	22,331	74	72	22,333	2,036	411	64	2,383	19,950	20,295
Total (A)	4,25,224	4,338	5,041	4,24,521	1,27,370	8,673	3,614	1,32,429	2,92,092	2,97,854
Intangible Assets^d										
Technical Knowhow Fees	5,092	27	-	5,119	3,154	170	-	3,324	1,795	1,938
Software	964	15	3	976	838	33	2	869	107	126
Development Rights	36,412	6,602	-	43,014	29,880	328	-	30,208	12,806	6,532
Others	1,031	71	18	1,084	1,003	66	18	1,051	33	28
Total (B)	43,499	6,715	21	50,193	34,875	597	20	35,452	14,741	8,624
Total (A+B)	4,68,723	11,053	5,062	4,74,714	1,62,245	9,270	3,634	1,67,881	3,06,833	3,06,478
Previous Year	3,65,034	1,13,331	9,642	4,68,723	1,61,846	9,811	9,412	1,62,245	3,06,478	2,03,188
Capital Work-in-Progress									20,765	15,638
Intangible Assets Under Development									12,070	12,327

Right of use asset disclosed separately including land

^a Includes office equipments.

^b Other than internally generated.

^c Includes transfer of petro retail assets (Refer Note 41.2).

^d Depreciation / Amortisation and Depletion Expense for the year includes depreciation of ₹ 71 crore (Previous year ₹ 83 crore) capitalised during the year. Thus, the net amount ₹ 9,190 crore has been considered in Statement of Profit and Loss.

1.1 Right-of-Use (Land) Includes:

- ₹ 83 crore (Previous Year ₹ 83 crore) in respect of which the letters of allotment are received and supplementary agreements entered, however, lease deeds are pending execution.
- ₹ 6,923 crore (Previous Year ₹ 6,923 crore) towards investment in preference shares representing right to hold and use all the immovable properties of the investee entity.

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ANNEXURE-1 (continued)

Table 2 (continued)

Cash Flow Statement

For the year ended 31st March, 2021

	(₹ in crore)	
	2020-21	2019-20
A. Cash Flow from Operating Activities		
Net Profit Before Tax as per Statement of Profit and Loss (After Exceptional item and Tax thereon)	27,212	40,316
Adjusted for:		
Premium on Buy back of Debentures	194	60
Provision for Impairment in value of investment (Net)	(16)	-
(Profit) / Loss on Sale / Discard of Property, Plant & Equipment (Net)	-	192
Depreciation / Amortisation and Depletion Expense	9,199	9,728
Effect of Exchange Rate Change	(1,238)	(253)
Net Gain on Financial Assets *	(2,866)	(1,717)
Exceptional Item / Tax on exceptional item	(4,304)	(899)
Dividend Income	(141)	(350)
Interest Income *	(11,065)	(9,926)
Finance costs	16,211	12,105
Operating Profit before Working Capital Changes	33,186	49,256
Adjusted for:		
Trade and Other Receivables	2,781	5,050
Inventories	1,365	5,342
Trade and Other Payables	(36,154)	23,139
Cash Generated from Operations	1,178	82,787
Taxes Paid (Net)	(1,690)	(5,254)
Net Cash Flow (Used in)/from Operating Activities *	(512)	77,533
B. Cash Flow from Investing Activities		
Purchase of Property, Plant and Equipment and Intangible Assets	(21,755)	(23,183)
Consideration for / (Repayment of) Capex Liabilities transferred from Reliance Jio Infocomm Limited (RJIL) through Scheme of Arrangement	(27,743)	31,849
Proceeds from disposal of Property, Plant and Equipment and Intangible Assets	1,147	15
Investments in Subsidiaries/Trusts	(16,147)	(2,12,106)
Disposal of Investments in Subsidiaries	1,33,647	65,365
Purchase of Other Investments	(4,32,492)	(9,86,656)
Proceeds from Sale of Financial Assets (including Advance Received)	4,34,074	10,02,471
Net Cash Flow for Other Financial Assets	(7,321)	(24,620)
Interest Income	10,706	2,890
Dividend Income from Subsidiaries/Associates	141	303
Dividend Income from Others	-	47
Net Cash Flow from/(Used in) Investing Activities	74,257	(1,43,625)
C. Cash Flow from Financing Activities		
Proceeds from Issue of Equity Share Capital	5	18
Share Application Money	-	1
Net Proceeds from Rights Issue	13,210	-
Payment of Lease Liabilities	(53)	(97)
Proceeds from Borrowings - Non-Current	32,765	87,310
Repayment of Borrowings - Non-Current	(86,291)	(9,238)
Borrowings-Current (Net)	(18,078)	11,828
Dividends Paid (including Dividend Distribution Tax)	(3,921)	(4,584)
Interest Paid	(14,294)	(14,471)
Net Cash Flow (Used in)/from Financing Activities	(76,657)	70,767

Lease liability payment shown in cash flow statement

ANNEXURE-1 (continued)

Table 2 (continued)

of the loss when the asset is derecognised.

(c) Leases

The Company, as a lessee, recognises a right-of-use asset and a lease liability for its leasing arrangements, if the contract conveys the right to control the use of an identified asset.

The contract conveys the right to control the use of an identified asset, if it involves the use of an identified asset and the Company has substantially all of the economic benefits from use of the asset and has right to direct the use of the identified asset. The cost of the right-of-use asset shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred. The right-of-use assets is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses incremental borrowing rate.



	(₹ in crore)	
	As at 31st March, 2021	As at 31st March, 2020
16. Other Financial Liabilities – Non-Current		
Lease Liabilities	2,869	2,930
Other Payables *	1,145	-
Total	4,014	2,930

* Includes Creditors for Capital Expenditure.

	(₹ in crore)	
	As at 31st March, 2021	As at 31st March, 2020
22. Other Financial Liabilities – Current		
Current maturities of Borrowings - Non - Current	27,948	44,298
Interest accrued but not due on Borrowings	3,217	2,814
Unclaimed Dividends *	208	220
Lease Liabilities - Current	116	102
Advance from Related Parties (Refer Note 33 (II))	202	7,969
Other Payables *	29,481	77,089
Total	61,172	1,32,492

* Does not include any amount due and outstanding, to be credited to Investor Education and Protection Fund except ₹ 2 crore (Previous Year ₹ 2 crore) which is held in abeyance due to legal cases pending.

* Includes Creditors for Capital Expenditure, Security Deposit and Financial Liability at Fair Value.

ANNEXURE-1 (continued)

Table 2 (continued)

30. Other Expenses		
Manufacturing Expenses		
Stores, Chemicals and Packing Materials	5,034	5,210
Electric Power, Fuel and Water	12,424	13,759
Labour Processing, Production Royalty and Machinery Hire Charges	431	685
Repairs to Building	59	122
Repairs to Machinery	667	1,258
Exchange Difference (Net)	(514)	178
Excise Duty*	241	189
Lease Rent	33	23
	18,375	21,424
Selling and Distribution Expenses		
Warehousing and Distribution Expenses	7,169	6,581
Sales Tax / VAT	617	856
Other Selling and Distribution Expenses	621	601
	8,407	8,038
Establishment Expenses		
Professional Fees	576	601
General Expenses	1,997	1,702
Rent	145	79
Insurance	384	939
Rates & Taxes	477	942
Other Repairs	312	512
Travelling Expenses	58	159
Payment to Auditors	32	31
Loss on Sale /Discard of Property, Plant and Equipments	8	196
Charity and Donations	1,169	1,107
	5,158	6,268
Less: Transferred to Project Development Expenditure	970	2,383
Total	30,970	33,347

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