Query No. 15

Subject: Presentation of standby, stoppage and allied costs incurred during force majeure in the project in the Statement of Profit and Loss.[1]

A. Facts of the Case

1. A public limited company, which is a wholly owned subsidiary of a listed government company (hereinafter referred to as 'the Company'), is in the business of exploration and production (E&P) of oil and gas and other hydrocarbon related activities outside India. The Company has adopted Indian Accounting Standards (Ind AS) w.e.f. 1st April 2016 (Transition Date: 1st April 2015). The functional currency of the Company is assessed as US Dollar (USD) in accordance with the provisions of Ind AS. The Company presents its financial statements in its presentation currency which is Indian Rupee (INR).

2. The Company operates overseas projects directly and / or through subsidiaries, by participation in various joint arrangements and investment in associates. Globally, E&P business is carried out by way of joint arrangements or investments in the form of subsidiaries/ associates.

3. The Company has 16% participating interest (PI) in an overseas under-development oil & gas project (Project A) through two of its subsidiaries in the following manner:

- 10% PI through its wholly owned subsidiary (subsidiary X)
- 10% PI through its subsidiary company (subsidiary Y) wherein the Company has 60% holdings

Project A is a joint operation, operated by a reputed international oil company and subsidiaries X and Y are non-operating partners in the Project with other members of the consortium.

4. As mentioned above, Project A is under-development stage and development activities for development of oil and gas assets including drilling of wells and production facilities are being undertaken by the operator as per the Joint Operating Agreement (JOA). In respect of estimated expenditures of the project, the operator raises monthly cash calls from non-operating partners and provides the expenditure statement of the joint operation called Joint Interest Billing (JIB) mentioning therein the details of capital and revenue expenditures including expenditure towards Exploratory Wells in Progress (EWIP), Development Wells in Progress (DWIP), under-construction production facilities, etc. Subsidiary companies X and Y recognise their respective share of expenditures on the basis of JIB statement and accordingly capitalise their shares of DWIP, EWIP, under-construction production facilities in accordance with the provisions of Ind AS and Guidance Note on Accounting for Oil and Gas Producing Activities (Ind AS) and Ind AS 111, 'Joint Arrangements'.

5. Further, the Company while acquiring 10% participating share in the Project A, had financed the purchase consideration by way of external borrowings. Since the said oil and gas Project A is under development, the directly associated borrowing costs were capitalised to the qualifying assets pertaining to Project A in line with the provisions of Ind AS 23, 'Borrowing Costs'.

[1] Opinion finalised by the Committee on 11.4.2023.

6. The querist has stated that in April 2021, force majeure was declared by the Operator in Project A due to security situations in the vicinity of project site. As a result, the in-situ development activities in the Project remained suspended during the financial year (F.Y.) 2021-22. Moreover, due to such force majeure situation, the following incremental expenditures were incurred in respect of the Project:

a) Stoppage costs (such as demobilisation, termination or cancellation fees and one-off settlement) and

b) Standby and support costs (such as storage and asset preservation)

(All such incremental expenditures are hereinafter referred to as 'stoppage and standby costs').

The Company's share (through subsidiary X and Y) in respect of these expenditures in Project A was INR 6,886 million for F.Y. 2021-22.

7. Both the subsidiary companies did not consider the said expenditure on stoppage and standby costs for capitalisation in view of paragraph 22 of Ind AS 16 which, inter-alia, states that "the cost of abnormal amounts of wasted material, labour, or other resources incurred in self-constructing an asset is not included in the cost of the asset"; and instead charged off the said expenditure as 'Other Expenses' in the Statement of Profit and Loss. In the consolidated financial statements of the Company, the said expenditure from both the subsidiaries was consolidated on line by line basis and was presented as a separate line item in 'Other Expenses' Note in the Consolidated Statement of Profit and Loss. Moreover, the Company has provided the following explanatory note in the accompanying Notes to Consolidated Financial Statements on 'Other Expenses':

> "During the year, operator of Project A intimated declaration of force majeure (FM) vide letter dated 22nd April 2021 in the project due to security situation. The site was evacuated on 2nd April 2021. In view of the FM situation, various expenditures were incurred in the nature of stoppage, standby, settlement and preservation costs. The Group has assessed that these costs amounting to ₹ 6,886 million are not directly attributable to completion of underlying assets and therefore have been charged to the statement of profit and loss. Further, considering the force majeure, capitalisation of borrowing costs amounting to ₹ 3,140 million has been suspended effective from April 2021 and the said borrowing costs have been charged to the Statement of Profit and Loss."

8. Similarly, capitalisation of borrowing costs as mentioned in paragraph 5 above was suspended in view of suspension of development activities in the Project in accordance with paragraph 21 of the Ind AS 23, 'Borrowing Costs', which states that "an entity may incur borrowing costs during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. Such costs are costs of holding partially completed assets and do not qualify for capitalisation". Accordingly, borrowing costs amounting to INR 3,140 million was charged off to the Consolidated Statement of Profit and Loss as finance costs and a disclosure with respect to the same was provided in the disclosure note as mentioned in paragraph 7 above.

9. During the course of supplementary audit for the financial year (F.Y.) 2021-22, Comptroller and Auditor General of India (C&AG) audit team observed that the said standby

and stoppage cost and borrowing costs incurred during the period of suspension of development activities in the Project due to force majeure are exceptional items and should be presented under the head ‘Exceptional Items’ in the Statement of Profit and Loss and the profit before and after exceptional items should have been arrived at accordingly.

10. In this regard, the audit also observed that the amount of such stoppage and standby costs along with the borrowing costs charged off, totaling to INR 10,026 million is a material amount, which may influence the economic decisions that users make on the basis of financial statements, and therefore, the same should have been shown separately. Further, declaration of force majeure in the Project due to security situation cannot be considered as a regular activity in the ordinary course of business of the Company. It is an event or transaction which is clearly ‘rare’ and not expected to occur frequently. Thus, it needs to be disclosed separately from the transactions from ordinary operations.

11. The audit referred to materiality and incidence tests as mentioned in an earlier opinion of the Expert Advisory Committee (EAC) (published as Query No. 31 of Volume XXXVIII of the Compendium of Opinions), obtained by the Company in a different case to assess the exceptional nature of the costs incurred and stated that exceptional items are those items which meet the test of ‘materiality’ and ‘incidence’ wherein incidence refers to frequency of occurrence. The auditors were of the view that invoking of force majeure due to terror attacks is very rare; considering the above facts, the above costs meet the test of ‘materiality’ and ‘incidence’ and hence, should have been shown as exceptional expenses in the Consolidated Statement of Profit and Loss.

Company’s perspective

12. The term ‘Exceptional Items’ is neither defined in Ind AS Schedule III nor in any Ind AS. However, Ind AS 1 has references to such items in paragraphs 85, 86, 97 and 98. Paragraph 85 provides for presenting additional line items in the Statement of Profit and Loss if it is relevant for understanding of the entity’s financial performance and paragraph 86 stresses on materiality and nature and function of income/expense. Paragraph 97 is more relevant and states that, **“When items of income or expense are material, an entity shall disclose their nature and amount separately”.** Paragraph 98 of Ind AS 1 gives an illustrative list where separate disclosure is required. The said list comprises of events that are non-recurring or at least, non-frequent in nature.

13. Thus, according to the querist, from a collective reading of above provisions, it can be concluded that the following ingredients should be there for items of income/expense to be regarded as ‘exceptional items’:

a. The items should arise from ordinary activities.

b. They are not expected to be recurring in nature.

c. The nature and amount of such item are material to the financial statements in the best judgement of the management of entity to enable the users of financial statements to understand its financial performance.

In other words, all material items are not exceptional items and exceptional items are only those items which meet the twin tests of ‘materiality’ and ‘incidence’.

14. As regards ‘Materiality’, Note 7 of General Instructions for Preparation of Financial Statements of Division II of Schedule III to the Companies Act, 2013 states that material

items are those items which could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size or nature of the item or a combination of both, to be judged in the particular circumstances. Similar definition of the term ‘Material’ is also provided in paragraph 7 of Ind AS 1. In the present case, the Company is of the view that the amount of expenditure towards stoppage and standby costs (INR 6,186 million) as well as borrowing costs (INR 3,140 million) charged off to the consolidated statement of profit and loss in view of suspension of development activities due to force majeure as explained above are material individually as well as in total.

15. Considering the materiality of amount involved, the Company has provided adequate separate disclosure in respect of nature and amount of the stoppage and standby costs in the Notes to the financial statements in accordance with the provisions of paragraph 97 of Ind AS 1, which state that when items of income or expense are material, an entity shall disclose their nature and amount separately. The said expenditure towards stoppage and standby costs has been presented in Note on ‘Other Expenses’ as a separate line item distinguishing it from remaining items of ‘Other Expenses’. Moreover, a detailed explanatory note, as reproduced in paragraph 7 above has been provided below the Note on ‘Other Expenses’ to assist the users in understanding the nature and quantum of the said item of expenditure. Thus, the Company has provided complete information in respect of expenditure on stoppage and standby costs for enabling the users of the financial statements to make economic decisions.

16. The Company has not presented the expenditure for standby/stoppage preservation/settlement costs as exceptional items on the face of Consolidated Statement of Profit and Loss since the incidence test is not met in this case. This is due to the reasons that force majeure, though undesirable for any business, is a common phenomenon for businesses. It is more so in case of the Company engaged in oil and gas industry with global presence, which is more vulnerable to geopolitical and operations risks and security concerns. Further, incidence test is applied on business activities as such. Declaration of force majeure is not an activity in itself, it is an event. Once that event is set in, i.e., force majeure is declared in a project and development process is suspended, the activities of stoppage/standby/asset preservation etc. become the regular activities in the project as per underlying contract till the project is under force majeure. In case of the Company, there has been a history of occurrences of force majeure situations in several projects. Presently also, another major project of the Company is under force majeure situation. Thus, in case of the Company, on account of geopolitical risks due to operations of the Company in different socio-political environment, occurrences of such force majeure situations due to various possible underlying causes e.g., security situations, political instability, civil war etc. are frequent phenomena. In view of this, as per the querist, it can be reasonably deduced that incurrence of stoppage and standby costs due to force majeure situation in Project A does not meet the incidence test considering the frequency of such situations in the case of the Company.

17. Further, the querist has stated that absence of a clear definition of ‘exceptional items’ in Ind AS Framework and provision of only broad guiding principles therein to assess the nature of any transaction, places the onus of assessing and deciding the nature of transaction on the management of the entity. Therefore, the intent of Ind AS is to leave it for the management of the entity to use its best judgement to ascertain the classification of any item as exceptional items in the financial statements as per the nature of industry in which the entity operates, size and nature of transaction and its impact on the user’s readability of the financial statements.

18. As regards the borrowing costs charged off to the Statement of Profit and Loss on account of suspension of development of qualifying assets in the project, it is submitted that the said accounting treatment is completely in line with the provisions of Ind AS 23. Paragraph 20 of Ind AS 23, 'Borrowing Costs' provides that an entity shall suspend capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset. Paragraph 21 of the Standard provides that an entity may incur borrowing costs during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. Such costs are costs of holding partially completed assets and do not qualify for capitalisation. According to querist, since such borrowing costs pertain to borrowings made for ordinary business activities and are incurred regularly, these are normal and ordinary items. Merely change of accounting treatment (i.e. charging off to the Statement of Profit and Loss instead of capitalising with the costs of qualifying assets) due to suspension of development activities does not render the basic nature of borrowing costs changed from ordinary and recurring items to exceptional items. Therefore, the Company has correctly suspended the capitalisation of associated borrowing costs in view of suspension of development activities in Project A and charged off the same in the Statement of Profit and Loss.

19. Thus, as explained above, the stoppage and standby costs as well as the borrowing costs pertaining to Project A during the period of force majeure when the development activities are suspended, are not exceptional items as the items do not meet incidence test and therefore, do not warrant presentation by way of a separate line item on the face of the Statement of Profit and Loss. Since the amount involved is material, the Company has presented the said provision as separate line item in the Note for expenditure head 'Other Expenses' and has provided a detailed disclosure note thereunder explaining the nature of expense and treatment thereof in detail to assist the users of financial statements to comprehend the nature of expenditure.

20. The querist has further provided the following clarification:

(i) Stoppage and standby costs as mentioned in the query include the following costs:

(a) Stoppage and standby costs: Stoppage and standby costs consist of charges relating to maintaining the reduced contractors' team, demobilisation, compensation, manage the different equipments spread around the fabrication yards at various countries across the world and maintain the ability to promptly restart after resumption of Project.

(b) Storage/Asset preservation costs: These are such costs that are necessary to preserve the equipment to the standards of the fabricator and avoiding any wear and tear before its installation. In other words, these are necessary costs incurred to retain the original condition of the equipment so that the same can be installed with the intended quality standards when the project resumes. The absence of these costs could accelerate the wear and tear of the equipment during the force majeure period which could jeopardize the generation of future benefits from the assets when the project resumes.

(ii) With regard to the nature of force majeure (FM) including reasons for enforcing FM, how development activities are impacted because of FM, estimated timelines for resumption of normalcy etc., the querist has informed that insurgency incidents in the vicinity of the project site in March 2021 resulted in evacuation of project personnel from the project site in the concerned country and subsequent declaration of Force Majeure (FM) by the Project Consortium. A declaration of Force Majeure (FM) was issued to suspend Concessionaire's obligation to conduct Petroleum Operations under the contract with host government until such time as the security situation is sufficiently improved.

The project remains in preservation mode until the Government of the concerned country restores and maintains in a sustainable and verifiable manner, the peace, security and stability in the province wherein the project site is located. In situ development and construction activities have been suspended due to the Force Majeure till the time security situation improves. However, the development activities in respect of equipments at vendors' location are continuing. The Government has since made notable improvements in the security situation. In view of the improvement in security situation, Operator is expecting a resumption of the project next year i.e., in year 2023. Thus the force majeure and resulting suspension of development activities in the project are temporary in nature. Ex situ development of project assets is ongoing and the project is expected to resume next year.

B. Query

21. In view of the above facts, the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India is sought as to whether:

(i) considering the frequent occurrences of force majeure in E&P industry generally and in the Company's projects particularly, the stoppage and standby expenditure incurred by the Company during the force majeure period in Project A has been correctly shown by the Company in the Note on 'Other Expenses' as a separate line item distinct from other items of 'Other Expenses' along with detailed disclosure as reproduced in paragraph 7 above;

or

the said stoppage and standby expenditure were required to be presented as 'Exceptional items' as a separate line item on the face of the Statement of Profit and Loss.

(ii) the borrowing costs associated with the qualifying assets of Project A have been correctly charged off by the Company to the Statement of Profit and Loss as finance costs due to suspension of development activities in the Project due to declaration of force majeure therein;

or

the said borrowing costs are required to be presented as exceptional items on the face of the Statement of Profit and Loss.

C. Points considered by the Committee

22. The Committee notes that the basic issue raised by the querist relates to the presentation (and not recognition and measurement) of stoppage and standby expenditure and borrowing costs incurred during force majeure in the Project A in the Statement of Profit and Loss. The Committee has, therefore, examined only this issue and has not examined any other issue that may arise from the Facts of the Case, such as, accounting for participating interest in Project A through its subsidiaries, accounting for exploratory and development wells in progress and under-construction production facilities, accounting in the books of subsidiary and joint venture companies, manner of consolidation, recognition and measurement of stoppage and standby expenditure, recognition and measurement of borrowing costs pertaining to Project A, appropriateness of suspension of capitalisation of borrowing cost as per Ind AS 23, determination of functional currency, consideration of 'materiality' in detail, etc. Further, the Committee wishes to point out that the Indian Accounting Standards referred to in the opinion are the Standards notified under the Companies (Indian Accounting Standards) Rules, 2015, as revised/amended from time to time. At the outset, the Committee presumes from the Facts of the Case that the stoppage and standby expenditure and borrowing costs incurred during force majeure in the Project are 'material', as per the requirements of Ind AS 1, 'Presentation of Financial Statements'.

23. With regard to the presentation of stoppage and standby expenditure and borrowing costs incurred during force majeure in the Project A under the head 'exceptional items', the Committee notes that Part II of Division II of Schedule III to the Companies Act, 2013 (hereinafter referred to as the 'Ind AS Schedule III'), prescribes the format of Statement of Profit and Loss applicable for companies adopting Ind ASs, which requires presentation of 'Exceptional Items' as a separate line item in the Statement of Profit and Loss. Further, Note 7 of the 'General Instructions for Preparation of Statement of Profit and Loss' applicable for companies adopting Ind ASs requires that a Company should disclose by way of notes, additional information regarding aggregate expenditure and income on some items. One of the items to be disclosed in this regard is 'details of items of exceptional nature'. However, the term 'exceptional item' is neither defined in 'Ind AS Schedule III', nor it is used in Ind ASs. The Committee further notes that the Format of the Statement of Profit and Loss prescribed in Ind AS Schedule III to the Companies Act also requires presentation of 'Finance costs' as separate line item under 'Expenses'. Also, Note 7 of the 'General Instructions for Preparation of Statement of Profit and Loss' requires inter alia, to disclose by way of notes, additional information regarding details of aggregate expenditure in respect of 'finance costs'. Thus, considering the nature of item, viz., finance costs, Schedule III specifies a specific presentation and disclosure requirements for this item.

24. In this regard, the Committee also notes the following paragraphs of Indian Accounting Standard (Ind AS) 1, 'Presentation of Financial Statements':

> "31 Some Ind ASs specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an Ind AS if the information resulting from that disclosure is not material except when required by law. This is the case even if the Ind AS contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in Ind AS is insufficient to enable users of financial statements to understand the

impact of particular transactions, other events and conditions on the entity's financial position and financial performance."

"82 In addition to items required by other Ind ASs, the profit or loss section of the statement of profit and loss shall include line items that present the following amounts for the period:

(a) revenue, presenting separately interest revenue calculated using the effective interest method;

(aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;

(b) finance costs;

…"

"85 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement of profit and loss, when such presentation is relevant to an understanding of the entity's financial performance."

"86 Because the effects of an entity's various activities, transactions and other events differ in frequency, potential for gain or loss and predictability, disclosing the components of financial performance assists users in understanding the financial performance achieved and in making projections of future financial performance. An entity includes additional line items in the statement of profit and loss, and it amends the descriptions used and the ordering of items when this is necessary to explain the elements of financial performance. An entity considers factors including materiality and the nature and function of the items of income and expense. For example, a financial institution may amend the descriptions to provide information that is relevant to the operations of a financial institution. An entity does not offset income and expense items unless the criteria in paragraph 32 are met."

"Information to be presented in the statement of profit and loss or in the notes

97 When items of income or expense are material, an entity shall disclose their nature and amount separately.

98 Circumstances that would give rise to the separate disclosure of items of income and expense include:

(a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;

(b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;

(c) disposals of items of property, plant and equipment;

(d) disposals of investments;

(e) discontinued operations;

(f) litigation settlements; and

(g) other reversals of provisions.

99 An entity shall present an analysis of expenses recognised in profit or loss using a classification based on the nature of expense method.

100 Entities are encouraged to present the analysis in paragraph 99 in the statement of profit and loss.

101 Expenses are subclassified to highlight components of financial performance that may differ in terms of frequency, potential for gain or loss and predictability. This analysis is provided in the form as described in paragraph 102.

102 In the analysis based on the 'nature of expense' method, an entity aggregates expenses within profit or loss according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and does not reallocate them among functions within the entity. …"

Further, the Committee notes that the concept of 'materiality' has been discussed in paragraph 7 of Ind AS 1 as below:

"Material:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.
…"

25. From the above, the Committee notes that material items need to be presented as line items and/or disclosed in financial statements, which includes the notes. As per Ind AS 1, materiality depends on the magnitude and/or nature of information and an information is material if omitting or misstating or obscuring it could be expected to influence the decisions of primary users of financial statements. Further, as per the requirements of paragraphs 86 and 101 of Ind AS 1, since effects of events and transactions differ in frequency, the components of financial performance should be disclosed and additional line items/headings should be presented when such presentation is relevant to understanding of the entity's financial performance having regard to factors including materiality and the nature of the items of income and expense.

Therefore, drawing an analogy from the above-reproduced requirements of Ind AS 1, the Committee is of the view that exceptional items are those items which meet the test of 'materiality' as well as the test of 'frequency of occurrence or incidence'; and the meaning of the term 'material' should be construed as per paragraph 7 of Ind AS 1, as reproduced above. The Committee is of the view that 'exceptional items' could be of the nature of items listed in paragraph 98 of Ind AS 1 reproduced above, if such items are material and are infrequent in occurrence. Further, the Committee notes from the requirements of Schedule III and above-reproduced paragraphs of Ind AS 1 that they require items to be presented and classified as per their nature and also require specific items, such as, 'finance costs' to be disclosed in a specific manner.

26. In the above context, the Committee notes that the 'borrowing costs' (although arising during temporary suspension of construction or development activities in the extant case) is of the nature of a 'finance cost', which is a common expense for any kind of business. In other words, the nature of finance costs does not change due to suspension of construction activities because of force majeure and therefore, its nature cannot be considered as 'exceptional'. Thus, considering the requirements of Schedule III and Ind AS, the Committee is of the view that borrowing cost in the extant case should be presented as a part of 'Finance costs' and not as an exceptional item in the Statement of Profit and Loss.

27. With regard to the presentation of stoppage and standby expenditure incurred during force majeure, the Committee notes that in the extant case, insurgency incidents in the vicinity of the project site in March 2021 resulted in evacuation of project personnel from the project site in the concerned country and subsequent declaration of Force Majeure (FM) by the Project Consortium. The project remains in preservation mode until the Government of the concerned country restores and maintains in a sustainable and verifiable manner, the peace, security and stability in the province wherein the project site is located. During such FM, development and construction activities have been suspended till the time security situation improves. As a result, incremental expenditures like stoppage costs (such as, demobilisation, termination or cancellation fees and one-off settlement) and standby and support costs (such as storage and asset preservation) were incurred in respect of the project. Thus, there are varied types of costs or expenses involved in the stoppage and standby expenditure.

As far as the frequency of occurrence of these costs is concerned, the Committee notes that in the present case, the Company has contended that force majeure is a common phenomenon for businesses. It is more so in case of the Company engaged in oil and gas industry with global presence, which is more vulnerable to geopolitical and operations risks and security concerns. In case of the Company, there has been a history of occurrences of force majeure situations in several projects. Presently also, another major project of the Company is under force majeure situation. Thus, in case of the Company, on account of geopolitical risks due to operations of the Company in different socio-political environment, occurrences of such force majeure situations due to various possible underlying causes e.g., security situations, political instability, civil war etc. are frequent phenomena.

In the above context, the Committee is of the view that assessment of 'frequency of occurrence or incidence' is to be determined in the specific facts and circumstances of the entity concerned, considering various factors, such as, the nature of its activities, the economic environment in which it operates, past experience, future expectations, etc. and not in general, as what could be a frequent item for one entity may be infrequent for others. Accordingly, in the extant case, the Committee is of the view that although in general, force majeure conditions are not frequent and therefore, the consequent costs arising due to such conditions may meet the test of 'frequency or incidence' for presentation as 'exceptional items', however, considering the specific facts and circumstances of the Company, having global presence in oil and gas sector and its past experience, the test of 'frequency or incidence' does not appear to be met. Therefore, stoppage and standby expenditure incurred during force majeure (although may meet the test of 'materiality'), should not be presented as exceptional items in the Statement of Profit and Loss.

However, the Committee is of the view that since the borrowing costs and the stoppage and standby expenditure in the extant case are 'material' (as stated by the querist and presumed by the Committee), the Company should disclose their nature and amount separately, as per the requirements of paragraph 97 of Ind AS 1 and may also present these items by disaggregating, headings and subtotals under their respective heads in the Statement of Profit and Loss when such presentation is relevant to an understanding of the entity's financial performance, along with appropriate disclosures in the notes to financial statements, as per the requirements of paragraph 85 of Ind AS 1, as reproduced above.

D. Opinion

28. On the basis of the above, the Committee is of the following opinion on the issues raised by the querist in paragraph 21 above:

(i) Considering the specific facts and circumstances of the Company, having global presence in oil and gas sector and its past experience, the stoppage and standby expenditure incurred during force majeure (although may meet the test of 'materiality'), should not be presented as exceptional items in the Statement of Profit and Loss, as discussed in paragraph 27 above. However, since these are 'material' (as stated by the querist and presumed by the Committee), the Company should disclose their nature and amount separately, as per the requirements of paragraph 97 of Ind AS 1 and may also present these items by disaggregating, headings and subtotals under their respective heads in the Statement of Profit and Loss when such presentation is relevant to an understanding of the entity's financial performance, along with appropriate disclosures in the notes to financial statements, as per the requirements of paragraph 85 of Ind AS 1.

(ii) Considering the requirements of Schedule III to the Companies Act, 2013 and Ind AS, the borrowing cost in the extant case should be presented as a part of 'Finance costs' and not as an exceptional item in the Statement of Profit and Loss, as discussed in paragraph 26 above.

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