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IFRS & IFRIC for Non-Finance Professionals — the deck

Accounting for renewable energy and infrastructure, from first principles to worked journal entries.



Mayank Jain
Project finance · renewables · platform management
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A PRACTICAL FIELD GUIDE

IFRS & IFRIC

For Non-Finance & Non-Accounting Professionals

Accounting for renewable energy & infrastructure — from first principles to worked journal entries.



The companion guide in the Knowledge Center has the full explanations & worked examples.

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Disclaimer: *this deck reflects Mayank's general understanding and experience — he is not an accounting expert. For formal advice, consult a qualified accounting professional; Mayank is happy to help connect you with the right person.*

CHAPTER 01

The Foundations

The vocabulary of IFRS, why it exists, and the standards you will actually meet.



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FIRST, THE VOCABULARY

IFRS, IAS, IFRIC and GAAP

IFRS

International Financial Reporting Standards

The global rule-book issued by the IASB, used in 140+ jurisdictions for comparable accounts.

IAS

International Accounting Standards

Earlier standards (pre-2001) still in force and part of the IFRS family — IAS 16, 23, 37.

IFRIC

IFRS Interpretations Committee

Binding interpretations that settle how IFRS applies to specific, contentious cases (e.g. IFRIC 12).

GAAP

Generally Accepted Accounting Principles

National frameworks — e.g. US GAAP, or India's Ind AS (converged with IFRS).

In plain terms — *IFRS is the law, IFRIC interpretations are the court rulings that clarify it, GAAP is another country's legal system.*

WHY THEY EXIST

IFRS, IFRIC — and the standards that apply

IFRS = the rule-book. One shared language so accounts are comparable across borders — global lenders and investors depend on it.

IFRIC = the clarifications. Binding interpretations for the tricky cases the standards don't spell out (e.g. IFRIC 12 concessions).

STANDARDS YOU'LL MEET IN INFRA, RENEWABLES & PROJECT FINANCE

IAS 16 / 38	Capex, PP&E & intangibles
IAS 23	Interest during construction (IDC)
IFRS 16	Leases → on the balance sheet
IFRS 15	Revenue (power, toll, construction)
IFRS 9	Debt, receivables & the EIR
IAS 37 / IFRIC 1	Decommissioning provisions
IAS 20	Government grants & incentives
IFRIC 12	Service concessions (BOT/BOOT)
IAS 12	Deferred tax on every difference

CHAPTER 02

The Mechanics

How revenue is earned, and the one twist that flips construction-cost treatment.



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MECHANIC 1 · REVENUE RECOGNITION

IFRS 15 — paid to build, at cost plus a margin

When you build a concession asset you are providing a construction SERVICE to the grantor. Under IFRS 15 you recognise that service at its fair value — cost plus a reasonable margin — as you build (by stage of completion). It feels odd to profit from building your own project, but you genuinely performed a service.

Construction cost	+	Reasonable margin (5%)	=	Construction revenue
$500m / yr		**$25m**		**$525m / yr**

Also under IFRS 15: construction, operation and maintenance are separate services, each recognised on its own — which is why a concession operator can report profit **before the asset even opens.**

Interest during construction: the twist

Basic rule: costs that build the asset are capitalised (IAS 16/23); costs of running it are expensed. Simple. The catch is what IFRIC 12 does to the interest you pay DURING CONSTRUCTION (“interest during construction”, or IDC):

INTANGIBLE MODEL

CAPITALISE

Interest during construction is added to the intangible asset and spread over the concession — profit looks higher early on.

FINANCIAL-ASSET MODEL

EXPENSE

Interest during construction goes straight to the P&L as incurred — profit looks lower early on.

The point: *the same project, financed identically, shows different early-year profit purely because of which IFRIC 12 model applies. Always fix the model first.*

CHAPTER 03

The Effective Interest Rate

Why the headline rate lies, what the EIR really is, and a worked example — step by step.



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Why the 'headline' rate isn't the true cost

Loans rarely cost exactly their coupon. Arrangement fees, discounts and premiums change the real cost of the money. Charge a big fee all in Year 1 and profit looks distorted; ignore it and the cost is understated.

The fix — the Effective Interest Rate. The one rate that captures interest + fees + discounts, spreading the true cost evenly across the loan's life (like the real APR).

How it works, each period:

1. Start at the net cash received (face − fee)
2. Interest (P&L) = EIR × opening balance
3. Pay the cash coupon
4. Balance moves by (interest − cash) → accretes to the amount repaid

Includes interest + arrangement/transaction fees + discount or premium.

Excludes future expected credit losses (handled via impairment) and overheads not integral to the loan.



EIR · WORKED EXAMPLE

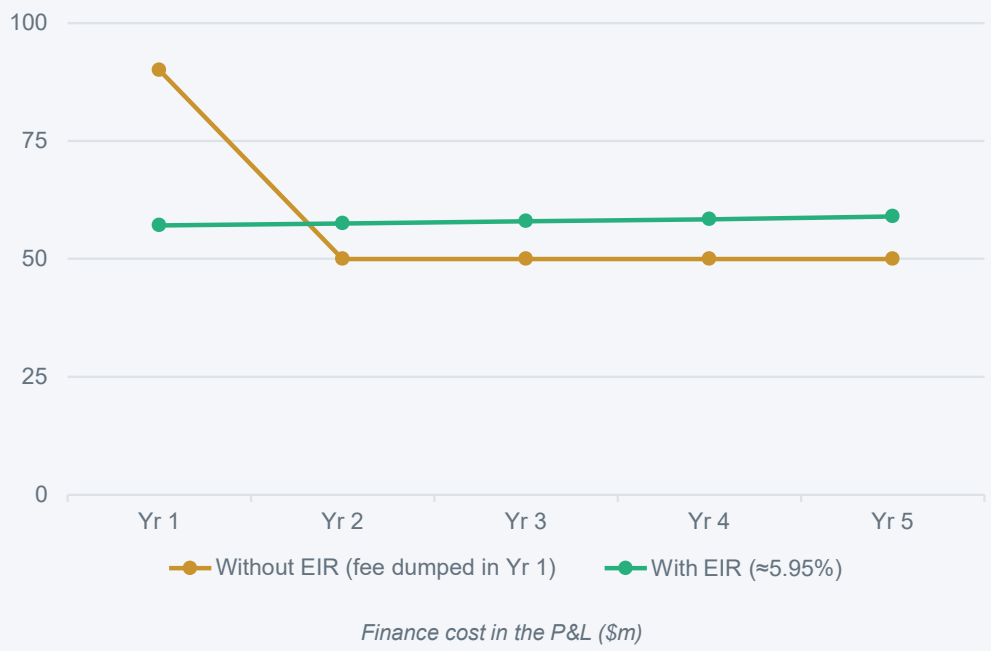
One loan, walked through — Year 1

The loan: borrow **$1,000m** face, pay a **$40m** arrangement fee (so you receive **$960m**), 5% coupon = **$50m/yr**, 5 years. → EIR ≈ **5.95%**

Opening balance	**$960m**	*the net cash you actually received*
Interest (P&L) = 5.95% × 960	**$57.1m**	*the true cost of the money this year*
Cash coupon paid	**$50m**	*what actually leaves the bank*
Balance accretes by 57.1 − 50	**+$7.1m**	*the unpaid part rolls into the loan*
Closing balance	**$967.1m**	*carried forward to Year 2*

Repeat each year and the loan accretes from $960m back up to $1,000m — repaid at the end. The next slide shows the full schedule.

Two ways to book it — same cash, different profit



Finance cost in the P&L ($m)

Amortised-cost schedule ($m)

Yr	Open	Int.	Coupon	Close
1	960.0	57.1	50.0	967.1
2	967.1	57.5	50.0	974.6
3	974.6	58.0	50.0	982.6
4	982.6	58.4	50.0	991.0
5	991.0	59.0	50.0	1,000

$290m either way. Same total, same cash — the EIR only removes the Year-1 fee spike and re-times the cost across the five years.

CHAPTER 04

Leases

IFRS 16 brought almost every lease onto the balance sheet. Here it is, explained three ways.



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The lease liability, explained three ways

1 · What it is

A lease liability is the present value of all your future lease payments. Alongside it you record a right-of-use (ROU) asset — your right to use the asset for the term.

2 · The analogy

It's like buying on a loan rather than renting by the day. You don't own the asset, but for years you control it and owe the payments — so both the asset and the debt appear.

3 · In the P&L

A single flat rent is replaced by depreciation of the ROU asset + interest on the liability. Because interest is highest early, the cost is front-loaded.

Effect on the model: EBITDA rises (rent leaves opex), gearing rises (a new liability). Short-term & low-value leases are exempt.

Before & after — a 25-year land lease

$1m rent per year, 25 years, discounted at 7%.

BEFORE · operating lease (old GAAP)

Balance sheet: nothing recorded

P&L (Year 1): flat rent $1.00m

AFTER · IFRS 16

Right-of-use asset $11.65m

Lease liability $11.65m

P&L (Year 1): depreciation $0.47m + interest $0.82m = **$1.28m** *(front-loaded)*

Same lease — a bigger balance sheet and a front-loaded cost. *The economics don't change; the picture does.*

CHAPTER 05

Service Concessions

IFRIC 12 — when you build and run public infrastructure you don't own. The standard most often misapplied.



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You build and operate it — but you don't own it

A government (grantor) hires a private operator to build, operate and maintain public infrastructure under a Build-Operate-Transfer deal, then take it back. Roads, grids, ports — and government-controlled renewable projects too.

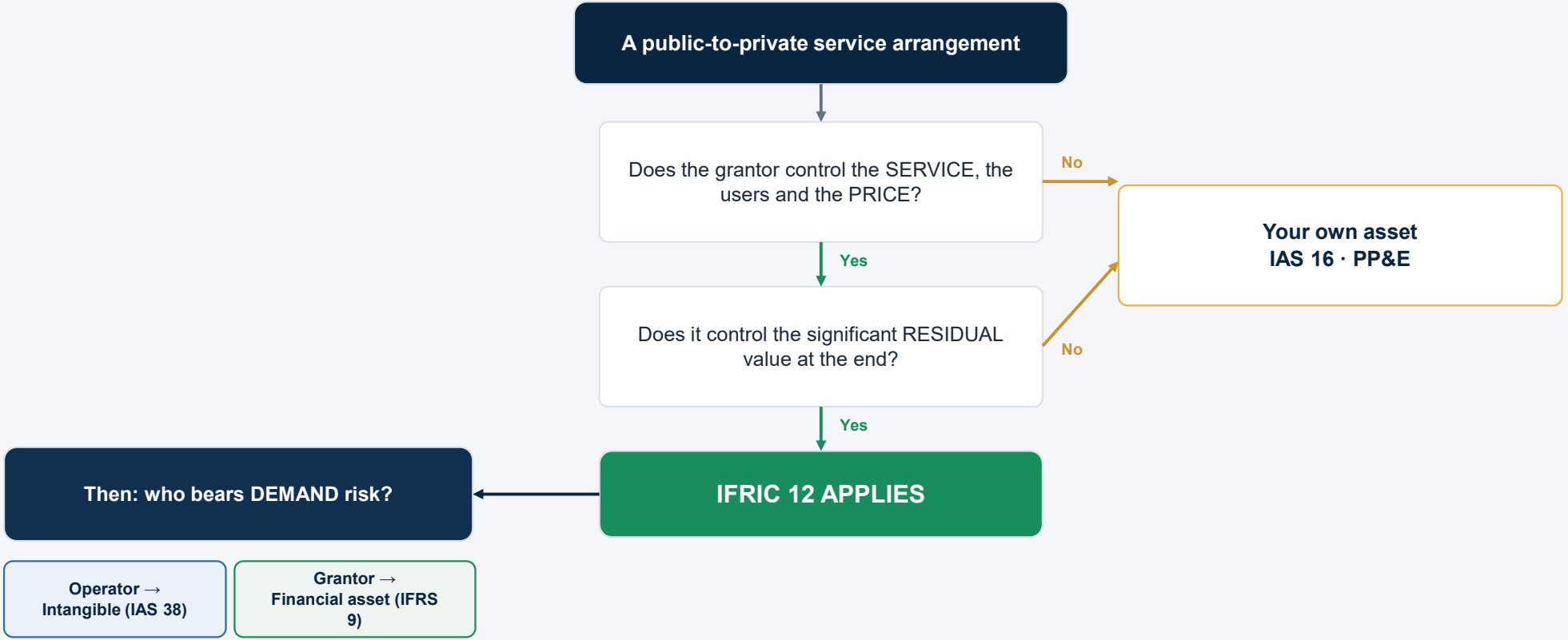
THE HEADLINE RULE

The operator does ***not*** recognise the infrastructure as its own PP&E — it does not control the asset, the government does. It instead recognises:

- **a financial asset** where the grantor guarantees the cash, and / or
- **an intangible asset** where it has the right to charge users.



Is it IFRIC 12? — follow the decision tree



Two models, decided by who bears demand risk

Financial-asset model *— the salaried worker*

Grantor guarantees the cash regardless of usage → no demand risk. Book a receivable at amortised cost; earn finance income via the EIR; borrowing cost is expensed.

Intangible model *— the shopkeeper*

Operator only has a right to charge users → it bears demand risk. Book an intangible (IAS 38), amortised over the concession; borrowing cost is capitalised.



A single contract can be bifurcated — part guaranteed (financial), part user-funded (intangible).

AN INFRA OR RENEWABLE PROJECT, THREE WAYS

One project, three sets of books ($m)

Build $1,000m over 2 yrs, then $200m a year for 8 yrs. Watch the journal entries diverge.

Intangible (IAS 38)		Financial asset (IFRS 9)		Fixed asset (IAS 16)	
Yr 1	Construction revenue 525	Yr 1	Construction revenue 525	Yr 1	Construction-in-progress 500
Yr 1	Capitalise borrowing 34	Yr 2	→ Receivable 1,082	Yr 1	Capitalise borrowing 34
Yr 2	→ Intangible asset 1,084	Yr 3	Finance income 67	Yr 2	→ Fixed asset 1,034
Yr 3+	Amortisation 135 / yr	Yr 3	Repay receivable 121	Yr 3+	Depreciation 129 / yr
Operator charges users · demand risk on operator		*Grantor guarantees cash · demand risk on grantor*		*You own & control it · IFRIC 12 does not apply*	

Identical cash flows → three different income statements. Classification is the first decision, not the last.

IN THE REAL WORLD

Concessions in roads — and in renewables

ROADS (e.g. a national highway)

Toll road

Developer collects toll → bears traffic risk

→ **Intangible asset**

Annuity / availability road

Grantor pays fixed amounts, whatever the traffic

→ **Financial asset**

Hybrid (part-build support + annuities)

Risk mostly with the grantor

→ **Financial (often bifurcated)**

RENEWABLES (solar / wind / grid)

Govt concession, guaranteed offtake

State pays for capacity/output, takes asset back

→ **Financial asset**

Concession, you sell to users at a set tariff

State controls price & residual; you carry volume

→ **Intangible asset**

Ordinary IPP you own (even with a PPA)

You keep control & residual value

→ **Your PP&E — IAS 16, not IFRIC 12**

Same test for both: does the government control the service, price and residual — and who bears demand risk?

IN PRACTICE

Pitfalls to avoid — and how

Booking concession infra as your PP&E

You may not control it — use receivable / intangible

Expensing construction interest

Capitalise under IAS 23 (in the intangible model)

Loan fees charged fully in Year 1

Roll fees into the EIR so the cost spreads fairly

Toll road treated like an annuity road

Opposite IFRIC 12 models — check who bears risk

Forgetting deferred tax

Every adjustment creates one; the bridge won't balance

Ignoring decommissioning

Recognise a discounted provision now (IAS 37)

Six more questions are answered in the companion guide.

IN SUMMARY

The five things to remember

01 IFRS is the shared language; IFRIC interpretations keep it consistent.

02 You're paid to build — revenue = cost + a margin (IFRS 15).

03 The effective interest method spreads interest & fees fairly — it never changes cash.

04 IFRS 16 puts long leases on the balance sheet as an asset and a liability.

05 IFRIC 12: if the government controls the asset, you hold a receivable or intangible — not PP&E.



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Connect on LinkedIn for a deeper discussion. • The companion guide in the Knowledge Center has the full explanations & worked examples.

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