

## *Query No. 50*

**Subject:** *Accounting for sovereign crude oil purchase, sale and inventory by the Company on behalf of Government of India (GoI) under Ind AS framework.*<sup>1</sup>

### **A. Facts of the Case**

1. Union Cabinet, on 7<sup>th</sup> January 2004, decided to build and operate strategic crude oil reserves of 5 million metric tonne (MMT) capacity through a special purpose vehicle (SPV), which would be 100% owned by one of the oil public sector undertakings (PSUs), namely, I Ltd. Accordingly, a company (hereinafter referred to as ‘the Company’) was incorporated on 16<sup>th</sup> June 2004 as a subsidiary of I Ltd.

2. Further, in line with Cabinet Committee on Economic Affairs (CCEA) meeting held on 6<sup>th</sup> January 2006, the Company was made subsidiary of Oil Industry Development Board (OIDB) by transferring the entire shareholding held by I Ltd. to OIDB. The share transfer was completed on 9<sup>th</sup> May 2006.

3. The Company constructed strategic crude oil storages/caverns at three locations. Capital costs for construction of caverns were provided by OIDB against which shares were allotted to OIDB.

4. All these caverns were commissioned by the year 2019 and currently are fully operational. Day-to-day expenditure for operation and maintenance is incurred by the Company out of grants/reimbursement given by the Ministry of Petroleum and Natural Gas (MoPNG)/GoI.

5. Vide a Note dated July 2021, Cabinet has approved partial commercialisation of the Company in the following manner:

- a. Leasing / renting of 30% of overall storage capacity to Indian or foreign companies (Refer Note 1),
- b. Sale / purchase of 20% of overall storage capacity of crude oil to Indian companies (Refer Note 2).

Remaining 50% of overall storage capacity will remain strategic.

**Note 1:** The Company has sold crude oil around 30% of total capacity to create space for leasing/renting and sale proceeds from the same have been remitted back to the GoI.

**Note 2:** No transaction of sale/purchase of crude oil from 20% as mentioned in point (b) above, has been undertaken by the Company till date.

### *Ownership of Crude Oil*

6. The Note of Cabinet Committee on Economic Affairs dated 22<sup>nd</sup> December 2005 for meeting held on 06<sup>th</sup> January 2006 also states that crude oil stored in the Company’s caverns is a strategic crude oil. (A copy of minutes of meeting of the Cabinet Committee on Economic Affairs along with Note of the Cabinet Committee has been supplied separately by the querist

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<sup>1</sup> Opinion finalised by the Committee on 29.1.2024.

for the perusal of the Committee.) MoPNG in the meeting held on 07<sup>th</sup> December 2015 further clarified that the crude oil stored in the Company's caverns is a core critical sovereign reserve, owned by GoI. (A copy of the letter received from MoPNG has been supplied separately by the querist for the perusal of the Committee.) MoPNG in a reply to CAG query, replied on 16<sup>th</sup> February 2021 in point number 5 that the sovereign crude oil asset is owned by GoI and the Company is only custodian (A copy of the reply has been supplied by the querist for the perusal of the Committee).

The Company, being custodian of sovereign crude oil, carries out purchase and sale of crude oil as per instructions of inter-ministerial committee consisting of secretaries.

7. Summary of procedure of sovereign crude oil purchase and sale by the Company is as below:

*Purchase of sovereign crude oil*

- (i) Sovereign crude oil is being purchased as per the instructions of the Ministry after obtaining necessary approvals. The representative of Ministry issues instructions to public sector oil marketing companies (OMCs) to purchase crude oil on behalf of the GoI and handover the consignment of crude oil to the Company under high sea sale agreement as custodian. The funds for crude oil purchase are provided by MoPNG/GoI to the Company through Government Budgetary Support (GBS) under *PFMS Scheme No. 3372 – Payment to the Company for Crude Oil reserve*. The Company is disbursing cost of crude oil and associated expenses on no profit no loss basis to OMCs.
- (ii) Oil marketing companies purchase crude oil in their own name on behalf of GoI and subsequently sell crude to the Company on no profit no loss basis through high sea sales agreement. Oil marketing companies issue sales invoice in the name of the Company.
- (iii) All crude oil imported by the Company under high sea sale agreement with oil companies are under the Import Export Code (IEC) of the Company and Bill of Entry for import is filed in the name of the Company.
- (iv) Any short/excess funds received from the Ministry for purchase of crude oil are claimed/returned from/to the Ministry and utilisation certificate is submitted for utilisation of grant.

*Sale of sovereign crude oil*

- (i) Sovereign crude oil is sold by the Company to Indian companies on behalf of the GoI and invoice is issued by the Company under its own name.
- (ii) VAT number of the Company is used to discharge any VAT liability as per the Act and to file VAT return.
- (iii) 'Sale on behalf of GoI' is specifically mentioned on sale invoice issued by the Company to specify that the Company is selling crude oil as custodian on behalf of GoI.

- (iv) Sale proceeds for crude oil are remitted back to MoPNG along with interest (net of TDS). TDS deducted by bank or buyer is reflected in Form 26AS of the Company. The Company claims TDS through Income-tax return and all refunds are returnable to the GoI.

It is important to note that same VAT registration and IEC code will be used by the Company for purchase/sale of crude oil on behalf of the GoI and for commercialisation transactions of the Company.

*Current Accounting practice by the Company*

8. Following accounting practices are being adopted by the Company with respect to sovereign crude oil reserves purchase, sale and inventory on behalf of the GoI:

- (i) No inventory based accounting is being done by the Company for purchase, sale and holding of inventory of sovereign crude oil and no inventory in current asset of the Company is being reported/reflected/shown in the financial statements of the Company, as the Company is mere custodian of crude oil on behalf of GoI.
- (ii) However, a suitable disclosure is made in Notes to Accounts regarding movement of sovereign crude oil reserve during the period (*Refer Note No. 31 (ii)(a) of the audited financial statements*).
- (iii) Accounting and complete records with respect to receipt of funds from the MoPNG for purchase of crude oil and payment done by the Company to OMCs for purchase of crude oil and other associated payments to other vendors are being maintained by the Company. Also, records of crude oil sold on behalf of GoI and remittance to MoPNG by the Company are maintained by the Company. (*Refer Note No. 31 (ii)(a) & 31 (viii) of the audited financial statements.*)
- (iv) The Company submits utilisation certificate for use of grant used for purchase of crude oil and associated expenses; any excess fund is refunded back to MoPNG.
- (v) Monthly stock assessment is done through independent surveyor for all the locations where crude oil is stored.
- (vi) Any inventory gain/loss is not accounted for in the books of the Company and not reported in its financial statements as inventory of crude oil is sovereign crude oil reserve.
- (vii) Sale proceeds of sovereign crude oil is not shown as revenue in the books and not shown in financial statements of the Company. However, details of crude oil sold on behalf of MoPNG/GoI and amount paid to them is disclosed in Note No. 31(viii) of the financial statements for F.Y. 2022-23.
- (viii) Accounting for sale proceeds is done on contra basis, i.e., receivable from the buyer and payable to GoI.

9. Vide letter dated 1<sup>st</sup> December 2021, the Company had raised queries/clarification on accounting and disclosure to be done by the Company in its books of account to MoPNG. This is under active consideration at MoPNG. Further, an office order dated 15<sup>th</sup> December 2015 was issued by the Office of the Comptroller and Auditor General of India with regard to

procedure for accounting under head/sub heads in finance account of union government for fund released to the Company for procurement of sovereign crude oil reserve through oil PSUs. The Company has shared documents related to procedure issued by CAG vide letter dated 19<sup>th</sup> April 2023 with commercial audit team of CAG for their perusal. At present, in finance accounts of union government, grant related to procurement of sovereign crude oil is released under the head - *4802 Capital outlay on petroleum, Sub Head -03 Creation of Sovereign Strategic Crude Oil Reserve* and minor head - *101 Creation of Sovereign Strategic Crude Oil Reserve*.

10. The Company is consistently following the above-mentioned accounting practice since its inception. However, every year, observation/comments are given by the Comptroller and Auditor General of India (CAG) that proper accounting is not being done by the Company for sovereign crude oil reserve held by the Company, receipt of crude oil sale proceeds and inventory gains/losses, by not showing in its financial statements, which is leading to understatement of current asset, income and losses of the Company.

11. The Company has suitably disclosed the facts in Note No. 31 (ii)(a) of the audited financial statements for F.Y. 2022-23. The statutory auditor has reported this point under 'Emphasis of Matter' in audit report for F.Y. 2022-23 on the basis of observation given by CAG. Considering the difference of opinion about the depiction of transactions related to sovereign crude oil reserve in the books of account and in financial statements of the Company, assurance was given by the Company to CAG during F.Y. 2021-22 and F.Y. 2022-23, that the Company will obtain opinion from Expert Advisory Committee of the Institute of Chartered Accountants of India (ICAI).

## **B. Query**

12. Based on the above facts, the querist has sought the opinion of the Expert Advisory Committee with respect to sovereign crude oil transactions undertaken by the Company on the following issues:

- (i) Whether accounting practice/process followed by the Company as stated above by not showing sale, purchase, inventory of crude oil (under 'Current Asset'), inventory gain / loss and revenue from sale of crude oil in its financial statements is correct.
- (ii) If answer to (i) above is yes, opinion is sought on the following:
  - (a) Whether disclosure of sovereign crude oil in notes to accounts as done in Note No. 31(ii)(a) of financial statements is correct or not.
  - (b) Is there any better accounting presentation in financial statements, which should be adopted by the Company? Or should there be any improvement/addition in current disclosures of the Company in its financial statements.
- (iii) If answer to (i) above is no, opinion is sought on the following:
  - (a) Whether sovereign crude oil stock is to be shown as 'inventory' (under 'current assets' of financial statements) or any other presentation is required to be done in the asset side of financial statement?

- (b) How the valuation of sovereign crude oil stock is to be done as on balance sheet date, i.e., cost or net realisable value (NRV) or any other method to be adopted by the Company?
  - (c) How the liability is to be shown in financial statements for the corresponding sovereign crude oil stock?
  - (d) If in case of 3(b) above, valuation of crude oil is to be done on the basis other than cost, how difference in value should be accounted in books of the Company and whether such difference will form part of profit and loss of the Company or not? Also, how corresponding liability would be affected by such change in value of inventory?
  - (e) How inventory gain/loss (both normal and abnormal) as on balance sheet date should be accounted in the books of the Company? Further, whether such difference will form part of profit and loss of the Company or not? How corresponding liability would be affected by such gain/loss?
  - (f) Whether sale proceeds of sovereign crude oil reserve will form part of revenue of the Company (i.e. being part of Profit and Loss Statement of the Company)?
  - (g) If answer to 3(f) above is yes, then how accounting for refund of full sale proceeds to GoI/MoPNG is to be done as amount equal to cost (or any other valuation method) might be reflected on liability side of the balance sheet of the Company and difference between book value of crude oil and sales proceeds will form part of profit and loss of the Company.
- (iv) Any other accounting method(s) and presentation in financial statements which should be adopted by the Company with respect to sovereign crude oil reserve.

### **C. Points considered by the Committee**

13. The Committee notes that the basic issue raised by the querist relates to accounting of sovereign crude oil purchase, sale and inventory by the Company on behalf of GoI/MoPNG. The Committee has, therefore, considered only this issue and has not examined any other issue that may arise from the Facts of the Case, such as, appropriateness of using the term 'grant' in respect of funds provided by the Ministry, accounting for funds received by the Company from OIIB/MoPNG/GoI, accounting for remittance of sale proceeds to GoI, accounting for short/excess funds received from the Ministry for purchase of crude oil claimed/returned from/to the Ministry, accounting in the finance account of Union Government, role (if any) of Board of Directors of the Company if they are part of Empowered Committee of Government in determination of 'control' over crude oil, etc. The Committee wishes to point out that the analysis contained in this opinion is specific to the issue raised in the query and whether or not the same is relevant to other financial reporting aspects depends on the specific facts and circumstances pertaining to those aspects. Furthermore, the opinion hereinafter has been expressed in the context of Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time and is purely from accounting perspective and the Committee has not examined any regulatory or legal aspects including under Income-tax Act, 1961 or Goods

and Service Tax Act or legal interpretation of Memorandum of Association (MoA) of the Company, grant sanction documents, various office orders submitted, etc.

14. With regard to the issue raised by the querist regarding whether sale proceeds of sovereign crude oil reserve will form part of revenue of the Company, the Committee notes that the first and foremost issue to be examined in the extant case is the relationship between the Company and the Government of India (GoI). In this context, the Committee notes the following requirements of Ind AS 115, 'Revenue from Contracts with Customers':

“B34 When another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (ie the entity is a principal) or to arrange for those goods or services to be provided by the other party (ie the entity is an agent). An entity determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer (see paragraphs 27–30). If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others.

B34A To determine the nature of its promise (as described in paragraph B34), the entity shall:

- (a) identify the specified goods or services to be provided to the customer (which, for example, could be a right to a good or service to be provided by another party (see paragraph 26)); and
- (b) assess whether it controls (as described in paragraph 33) each specified good or service before that good or service is transferred to the customer.

B35 An entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. However, an entity does not necessarily control a specified good if the entity obtains legal title to that good only momentarily before legal title is transferred to a customer. An entity that is a principal may satisfy its performance obligation to provide the specified good or service itself or it may engage another party (for example, a subcontractor) to satisfy some or all of the performance obligation on its behalf.

B35A When another party is involved in providing goods or services to a customer, an entity that is a principal obtains control of any one of the following:

- (a) a good or another asset from the other party that it then transfers to the customer.
- (b) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.
- (c) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer. For example, if an entity provides a significant service of integrating goods

or services (see paragraph 29(a)) provided by another party into the specified good or service for which the customer has contracted, the entity controls the specified good or service before that good or service is transferred to the customer. This is because the entity first obtains control of the inputs to the specified good or service (which includes goods or services from other parties) and directs their use to create the combined output that is the specified good or service.

B35B When (or as) an entity that is a principal satisfies a performance obligation, the entity recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred.

B36 An entity is an agent if the entity's performance obligation is to arrange for the provision of the specified good or service by another party. An entity that is an agent does not control the specified good or service provided by another party before that good or service is transferred to the customer. When (or as) an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

B37 Indicators that an entity controls the specified good or service before it is transferred to the customer (and is therefore a principal (see paragraph B35)) include, but are not limited to, the following:

- (a) the entity is primarily responsible for fulfilling the promise to provide the specified good or service. This typically includes responsibility for the acceptability of the specified good or service (for example, primary responsibility for the good or service meeting customer specifications). If the entity is primarily responsible for fulfilling the promise to provide the specified good or service, this may indicate that the other party involved in providing the specified good or service is acting on the entity's behalf.
- (b) the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return). For example, if the entity obtains, or commits itself to obtain, the specified good or service before obtaining a contract with a customer, that may indicate that the entity has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the good or service before it is transferred to the customer.
- (c) the entity has discretion in establishing the price for the specified good or service. Establishing the price that the customer pays for the specified good or service may indicate that the entity has the ability to direct the use of that good or service and obtain substantially all of the remaining benefits. However, an agent can have discretion in establishing prices in some cases. For example, an agent may have some flexibility in setting prices in order to generate additional revenue from its service of arranging for goods or services to be provided by other parties to customers.

- B37A The indicators in paragraph B37 may be more or less relevant to the assessment of control depending on the nature of the specified good or service and the terms and conditions of the contract. In addition, different indicators may provide more persuasive evidence in different contracts.
- B38 If another entity assumes the entity’s performance obligations and contractual rights in the contract so that the entity is no longer obliged to satisfy the performance obligation to transfer the specified good or service to the customer (ie the entity is no longer acting as the principal), the entity shall not recognise revenue for that performance obligation. Instead, the entity shall evaluate whether to recognise revenue for satisfying a performance obligation to obtain a contract for the other party (ie whether the entity is acting as an agent).”
- “26 Depending on the contract, promised goods or services may include, but are not limited to, the following:
- (a) sale of goods produced by an entity (for example, inventory of a manufacturer);
  - (b) resale of goods purchased by an entity (for example, merchandise of a retailer);
  - ...
  - (f) providing a service of arranging for another party to transfer goods or services to a customer (for example, acting as an agent of another party, as described in paragraphs B34–B38);
  - ...”
- “33 Goods and services are assets, even if only momentarily, when they are received and used (as in the case of many services). Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly in many ways, such as by:
- (a) using the asset to produce goods or provide services (including public services);
  - (b) using the asset to enhance the value of other assets;
  - (c) using the asset to settle liabilities or reduce expenses;
  - (d) selling or exchanging the asset;
  - (e) pledging the asset to secure a loan; and
  - (f) holding the asset.”

The Committee notes that as per the requirements of Ind AS 115, where another party is involved in providing goods or services to the customer, the entity should first determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (ie the entity is a principal) or to arrange for those goods or services to be provided by the other party (ie the entity is an agent).

Further, as per the requirements of Ind AS 115, the entity should assess whether it controls each specified good or service before that good or service is transferred to the customer. The Committee further notes from the above-reproduced requirements of Ind AS 115 that control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Further, the Standard provides three indicators of when an entity controls the specified good or service (and is, therefore, a principal) in paragraph B37. The Committee notes that these indicators are meant to support an entity's assessment of control, not to replace it. These indicators do not override the assessment of control; and should not be viewed in isolation. Furthermore, they should not be considered as a checklist of criteria to be met or factors to be considered in all scenarios. As per paragraph B37A of Ind AS 115, these indicators, depending on the facts and circumstances, may be more or less relevant or persuasive to the assessment of control.

15. In this context, with regard to assessment of 'control', the Committee notes the following from the letter/communication from the MoPNG dated 8<sup>th</sup> December, 2015:

"3.2 ... it was inter alia approved the funding the strategic reserve being the **core critical sovereign reserve** by the Government. The Company (a SPV) was assigned the task of implementation and management of strategic crude oil storage.

...

3.4 The crude oil required for filling the cavern would be procured by one of the Public Sector Oil Marketing Companies (OMCs), on behalf of the Government as per their procurement process.

4. Hence, crude oil stored in the Company caverns is owned by Government of India as **core critical sovereign reserve.**"

Further, it is noted from the Minutes of the meeting of the Cabinet Committee on Economic Affairs for discussion on Note for financing of Approved Crude Oil Storages held on 6<sup>th</sup> January 2006 as follows:

#### **"Release Mechanism**

7. The release / sale of strategic crude oil will be through an Inter-Ministerial Empowered Committee chaired by the Secretary, MoP&NG with Secretary, Department of Expenditure, MOF; Secretary, Home; Secretary, Planning Commission; Secretary, Defence; Secretary, National Security Council and Secretary, Ministry of Shipping, as members. The release of crude oil will be authenticated by the Committee in the event of any natural calamity or disruption in supplies or any unforeseen global event leading to scarcity of supplies /

abnormal increase in prices as may be decided by the Inter-Ministerial Empowered Committee.

8. The sale of the strategic crude oil to various refineries, including private refineries, of the country, if and when decided by the Committee in cases of emergency, would be priced not below the acquisition cost or the replenishment cost (price prevalent at that time) of the crude oil, whichever is higher. Losses in transmission / operation would also be taken into account while determining the sale price of the strategic crude oil. The Inter-Ministerial Empowered Committee could also consider issue of crude on replacement of equivalent crude basis or any other mechanism found appropriate.”

From the above, the Committee notes that crude oil stored in the Company’s caverns is owned by the Government of India as core critical sovereign reserve and the stocks from the storage will be drawn or released *only* in specific circumstances as specified and under the specific instructions of the Government at the price mechanism established by the Government. Further, the crude oil will be procured by one of the OMCs on behalf of the Government.

16. In the above context, the Committee notes that as per Ind AS 115, ‘control’ refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. In this regard, as noted above, in the extant case, stocks from the storage will be drawn or released *only* in specific circumstances as specified and under the specific instructions of the Government. Further, even the price mechanism for release or sale of crude oil shall be decided by the Empowered Committee/Government and not by the Company at its own discretion, which indicates that the discretion in establishing the price for the specified good or service is not with the Company in the extant case. Furthermore, the decisions as to when and from whom the crude oil is to be procured, whether any transmission loss is to be recovered or not while selling the crude oil etc. are not decided by the Company. Thus, based on the above discussion, it can be said that the decisions with regard to physical outflow or inflow of crude oil are not taken by the Company and therefore, the Company does not have the ability to direct the use of crude oil that it obtains (as per the decision of Empowered Committee). Also, since the entire proceeds from selling of crude oil belong to the Ministry/GoI and not to the Company, it appears that the Company does not obtain substantially all of the remaining benefits from, the asset.

Accordingly, the Committee is of the view that the Company in the extant case doesn’t control the crude oil before it is transferred to the buyer. Therefore, it can be inferred that the Company is acting only as an agent and not as principal in respect of crude oil for the purpose of accounting under Ind AS 115; and its performance obligation is to manage the procurement and sale of crude oil rather than purchasing and selling crude oil itself.

Therefore, the sale of crude oil should not be presented as revenue of the Company. For similar reasons, since the Company does not have control over the crude oil, the same cannot be considered as an ‘inventory’ of the Company and therefore, the Company should not recognise purchases/ cost of goods sold in its Statement of Profit and Loss.

17. The Committee also notes that Ind AS 1, ‘Presentation of Financial Statements’ and Ind AS 115 state the following:

*Ind AS 1*

“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.* (Emphasis supplied by the Committee)”

**“122<sup>2</sup> An entity shall disclose, along with material accounting policy information or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.”**

*Ind AS 115*

“119 An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:

...

(c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (ie if the entity is acting as an agent);

...”

“123 An entity shall disclose the judgements, and changes in the judgements, made in applying this Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers. ...”

From the above, the Committee is of the view that in the financial statements of the Company, under the significant accounting policies or other notes, the Company should give appropriate disclosures with regard to judgement made by the management in the process of applying the Company’s accounting policies and with regard to application of Ind AS 115, nature of its performance obligations to arrange for sale and purchase of crude oil, etc.; and should also provide additional disclosures including those related to impact of its relationship with the GoI and transactions of sale and purchase on behalf of GoI to enable users of financial statements to understand the impact of these transactions on the entity’s financial position and financial performance as per the above-mentioned requirements of Ind AS 1 and Ind AS 115.

#### **D. Opinion**

18. On the basis of the above, the Committee is of the following opinion, read with paragraph 13, on the issues raised in paragraph 12 above:

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<sup>2</sup> Substituted vide Notification No. G.S.R. 242(E) dated 31st March, 2023.

- (i) & (ii) As the Company is only acting as an agent of the Government of India, the sale and purchase of crude oil should not be presented as revenue or purchases/ cost of goods sold in the Statement of Profit and Loss, as discussed in paragraphs 14 to 16 above. The Company should give appropriate disclosures with regard to judgement made by the management in the process of applying the Company's accounting policies and with regard to application of Ind AS 115, nature of its performance obligations to arrange for sale and purchase of crude oil, impact of its relationship with the GoI and transactions of sale and purchase on behalf of GoI to enable users of financial statements to understand the impact of these transactions on the entity's financial position and financial performance etc. as per requirements of Ind AS 1 and Ind AS 115, as discussed in paragraph 17 above.
- (iii) & (iv) In view of above, the answer to this question does not arise.
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