Query No. 24

Subject: Classification of Corporate Liquid Term Deposits (CLTDs)/Flexi Deposits in financial statements under Ind AS framework.[1]

A. Facts of the Case

Company Background:

1. A company (hereinafter referred to as 'the Company'), is a schedule 'A', 'Maharatna' Public Sector Enterprise of Government of India which was incorporated on 23rd October 1989 under the erstwhile Companies Act, 1956. The Company is a listed company, with 51.34% holding by Government of India (GoI). The Company is engaged in the business of transmission of power from the generating units to different State Electricity Board (SEBs) through its transmission network. The Company prepares financial statements in compliance of Indian Accounting Standards (Ind AS) w.e.f. financial year (F.Y.) 2016-17.

2. The Company has centralised treasury operations at Corporate Centre. Funds available with the Company are invested in various instruments like Corporate Liquid Term Deposits (CLTD), Fixed Deposits (FD), Mutual Funds etc. based on estimated fund requirement. Corporate Liquid Term Deposits is a facility offered by State Bank of India (SBI). Similar products under different names are offered by other banks as well, such as Surabhi accounts/Liquid fixed deposits.

Operation of CLTDs:

3. The balances in the current account are transferred by means of sweep facility to CLTD on auto basis or as per instructions of the Company.

As part of cash management, when fund is needed, the requisite amount is being withdrawn prematurely after diligent consideration of return on investment (ROI) and holding period of available CLTDs in order to reduce the interest loss, in cases where each CLTD account is opened separately on the instructions of the Company. In cases where CLTD is created by auto means, such withdrawals shall be by means of reverse sweep on LIFO basis, to meet the fund requirement and to maintain minimum balance.

As compared to FD, withdrawal from a CLTD account is more flexible in terms of formalities. In case of pre-mature withdrawal of FD, a formal letter addressed to bank authenticated by authorised signatories shall be required. Whereas in case of CLTD, it is done by simpler means by sending an e-mail to banker. In both the cases, the judgement for the period for which the deposit shall be kept do not alter.

The original period of CLTD is decided based on estimate and judgement based on past experience and on a conservative approach, which shall more likely be more than 3 months to get better yield returns. In case of pre-mature withdrawal, necessary reduction in maturity value based on actual holding period as per the interest rates in vogue for CLTDs shall become applicable.

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[1] Opinion finalised by the Committee on 29.1.2026.

All pre-mature withdrawals are typically subject to significant risk of change in value on account of reduced interest rate applicable for the actual tenure of the deposit and, in some cases, an additional penalty. This results in reduced maturity value upon withdrawal before the agreed term. CLTDs offer flexibility in withdrawals as compared to FDs in terms of operations as stated above.

Classification followed by the Company:

4. The Company classifies the amount invested in CLTDs and FDs/Term Deposits as follows:

(i) having original maturity of less than 3 months - Cash and Cash Equivalents

(ii) having original maturity of more than 3 months but less than 12 months/ having remaining maturity of less than 12 months from the reporting date -Bank Balances other than Cash and Cash Equivalents

(iii) having remaining maturity of more than 12 months from the reporting date -Other Non-Current Financial Assets

(iv) Further, the Company classifies CTLDs and FDs having 91 days maturity as cash and cash equivalents in line with Educational Material on Ind AS 7, 'Statement of Cash Flows', issued by the Ind AS (IFRS) Implementation Committee of the Institute of Chartered Accountants of India (ICAI).

Comptroller and Auditor General of India's (C&AG) provisional comment on supplementary audit for F.Y. 2024-25:

5. During supplementary annual accounts audit of the Company for the F.Y. 2024-25, the C&AG auditor raised the following provisional comment:

Provisional Comment

Paragraph 6 of Ind AS 7, 'Statement of Cash Flows' defines cash to include cash on hand and demand deposits with banks. Cash equivalents are short-term, *highly liquid investments* that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

As per ICAI's Guidance Note, cash equivalents are held for the purpose of meeting short-term cash requirements rather than for investment or other purposes. An investment normally qualifies to be a cash equivalent only when it has a short maturity (say not more than three months) from the date of acquisition, readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value. *Accordingly, readily convertible investments for which the amount of cash that will be received is known at the time of initial investment will be treated as cash equivalents for the purpose of statement of cash flows.* Examples of cash equivalents are:

- Balances with bank in short-term deposits say not more than three months.
- Short-term money market instruments, such as, 91 days' treasury bills, certificate of deposit, etc.

The “Other non-current financial assets” (Note 11) and “Bank balances other than Cash and Cash equivalents” (Note 16) include Rs. 154.12 crore and Rs. 2383.61 crore respectively, which were invested in Flexi Deposits and Corporate Liquid Term Deposits (CLTD) with the State Bank of India. These instruments offer the facility of free cash withdrawals from the home branch and allow an unlimited number of payments across branches in India. Additionally, no penalty was levied for premature withdrawals, and interest was applied at the applicable card rates for the actual period the funds remained in the account.

These deposits are *highly liquid investments* and can be convertible to amount at any time without insignificant risk of changes in value. Thus, these should have been classified under ‘Cash and Cash Equivalents’. Due to no restrictions on withdrawal and earning higher interest on idle funds in current account, the Company invested in these flexi/CLTD deposits; and withdrawal from these accounts can be made whenever required without insignificant risk of changes in value.

This resulted in overstatement of ‘Other non-current financial assets’ by Rs. 154.12 crore, ‘Bank balances other than Cash and Cash equivalents’ by Rs. 2383.61 crore and understatement of ‘Cash and cash equivalents’ by Rs. 2537.73 crore.

Management reply to provisional comment

6. As per Ind AS 7, ‘Statement of Cash Flows’, cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Ind AS 7 further clarifies that an investment normally qualifies as a cash equivalent only when it has a short maturity of *three months or less from the date of acquisition.* Accordingly, investments with an original maturity of three months or less are classified as cash and cash equivalents. This is also emphasised in Guidance Note on Division II - Ind AS Schedule III to the Companies Act, 2013, issued by the Institute of Chartered Accountants of India (ICAI).

Further, Guidance Note on Division II - Ind AS Schedule III to the Companies Act, 2013 states that:

> “**8.1.11. Other non-current financial assets**
>
> …
>
> As per Ind AS Schedule III, Bank deposits with more than 12 months maturity shall be disclosed under ‘Other financial assets’. The maturity should be construed as remaining maturity of more than 12 months.”
>
> **“8.1.16. Cash and Bank Balances**
>
> …
>
> The disclosure regarding ‘bank balances other than cash and cash equivalents’ should include items such as Balances with banks held as margin money or security against borrowings, guarantees, etc. and bank deposits with original maturity of more than three months but less than 12 months.”

As the Term Deposits/CLTDs/Flexi Deposits amounting to Rs. 2383.61 crore were made with original maturity period of more than 3 months but less than 12 months, these are shown under

'Bank balances other than cash and cash equivalents' in line with Division II of Schedule III to the Companies Act, 2013. Similarly, in respect of deposits amounting to Rs. 154.12 crore, the investments in deposits were made for a period of more than 12 months and were classified under 'Other non-current financial assets'. *Based on estimations/ projections of utilisation of funds, these deposits are made with an intention to meet the long-term fund requirements beyond 3 months. Further, the intention of management as on 31st March 2025 was to hold these deposits till maturity*. However, during exigencies to meet requirement of funds, the amount is prematurely withdrawn from Term Deposits/ CLTD/Flexi Deposits.

Further, the interest on deposits is calculated based on interest rate applicable for number of days from the date of deposit till date of withdrawal, which is normally less than the interest rate applicable for original term. This results in applicability of lower rate of interest (ROI) and thus *impacting the maturity value of these deposits*. Hence, the early withdrawal does have impact on amount realisable from CLTD. Therefore, *they are not convertible to known amounts of cash and thus, are subject to significant risk of change in value contrary to the criteria for cash equivalents under Ind AS 7.*

It is also pertinent to mention that as per clauses mentioned above of Ind AS and Guidance Note, *the classification is based only on original maturity period and remaining maturity period as the case may be.*

Since the original maturity period is more than 3 months and remaining maturity is less than 12 months or more than 12 months *based on terms and conditions agreed with Banks*, the above deposits are correctly classified as 'Bank Balances other than Cash and Cash Equivalents'/ 'Other non-current financial assets' as per referred Guidance Note and Ind AS 7.

(Emphasis supplied by the querist.)

Management's further supplementary reply to provisional comment

7. It is further submitted that:

Audit observed that classification of Corporate Liquid Term Deposit (CLTD) should be only based on liquidity of investment for classifying between cash and cash equivalents and bank balances. However, the criteria mentioned in Ind AS 7 and Guidance Note on Division II of Schedule III are twin conditions which are:

A. Liquidity and

B. Convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

It is submitted that normal Term Deposits are also liquid i.e., can be withdrawn at any point of time but does not satisfy the second condition, i.e. are subjected to significant risk of change in value if prematurely withdrawn through penalties. These penalties are normally in the nature of reduced interest rates.

Further, Question No. 5 in Education Material on Ind AS 7 also states that:

> "Term deposit is a deposit held at a bank/financial institution at an agreed rate of interest for fixed period of time. The money so deposited along with the interest at agreed rate

can be withdrawn at the end of such period, or *amount deposited can be withdrawn earlier along with interest at lower rate for the period for which the deposit was held.*

…

… *term deposits placed for a specified long period (say, more than three months) with an intention to meet the long-term fund requirements will not satisfy the definition of cash equivalents. ...*"

It can be observed from above that the possibility of early withdrawal is considered by the Institute of Chartered Accountants of India (ICAI) in defining the classification of Term Deposits.

It is pertinent to mention that CLTDs are also similar in all terms to normal Term Deposits with a feature of flexibility over withdrawal. CLTDs are also subject to penalties in the nature of reduced interest rates on premature withdrawal. Hence, CLTDs fail to meet the second condition under Ind AS 7.

It is submitted that CLTDs are placed over varied periods based on the requirements of funds and collection of receivables. Further, CLTDs placed for more than 3 months are to meet the long-term fund requirements. Based on Ind AS 7 and the guidance of ICAI through Guidance Note on Division II of Schedule III and Education Material, CLTDs having original maturity of 3 months to 12 months are classified as 'Bank Balances other than Cash and Cash Equivalents' and having remaining maturity of more than 12 months are classified as 'Other Non-Current Financial Assets'.

Submissions by the Company

8. From combined reading of Ind AS 7 and 'Guidance Note on Division II - Ind AS Schedule III to the Companies Act, 2013', it can be stated that the classification of an instrument as cash/cash equivalent is decided at the time of making such instrument rather than at the time of reporting date. At reporting date, the classification based on remaining maturity is determined for classification as 'Bank Balances other than Cash and Cash Equivalents' or 'Other Non-Current Financial Assets'.

At the time of making of CLTDs/FDs for multiple periods of time, the future requirements and potential flow of funds are considered. As the CLTDs made for original maturity of 3 months or less are to meet the short term (3 months as referred in Ind AS 7) requirements and the fact of withdrawal within 3 months is established at the time of making such deposits, these are considered as cash equivalents. In respect of the CLTDs made for other periods, the fact of withdrawal within 3 months cannot be established without significant uncertainty at the time of making such deposit and hence are classified accordingly.

B. Query

9. In view of the facts explained above, opinion of the Expert Advisory Committee is sought on the following issues:

(i) Whether the classification adopted by the Company in respect of Corporate Liquid Term Deposits (CLTD)/Flexi Deposits (as mentioned in paragraphs 2 to 4 above) is correct or not.

(ii) If not, what should be the classification of –

(a) CLTD/Flexi Deposit having original maturity of less than 3 months?

(b) CLTD/Flexi Deposit having original maturity of more than 3 months and less than 12 months?

(c) CLTD/Flexi Deposit having remaining maturity of more than 12 months?

(iii) If CLTDs/Flexi Deposits are to be presented separately from Term deposits, it is requested to provide the necessary disclosures.

(iv) Whether the CLTD/FDs having maturity period of 91 days be classified as Cash and Cash Equivalents or not.

C. Points considered by the Committee

10. The Committee notes that the basic issue raised by the querist relates to classification of Corporate Liquid Term Deposits (CLTDs)/flexi deposits having original or remaining maturity of less than 3 months, 91 days, more than 3 months but less than 12 months and more than 12 months, in the financial statements. 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 investment in Mutual Funds, Fixed Deposits, etc., accounting for interest earned on investments made, accounting for penalty (if any) levied on premature withdrawals, etc. Further, the opinion expressed hereinafter is in the context of Indian Accounting Standards, notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended or revised from time to time.

11. The Committee notes from the facts supplied that the Company has centralised treasury operations and invests funds in instruments such as CLTDs, Flexi Deposits etc. based on estimated fund requirements. The balances in the current account are transferred by means of sweep facility to CLTD on auto basis or as per instructions of the Company. CLTDs allow flexible and operationally simpler premature withdrawals. The original tenure of CLTDs is determined conservatively, usually exceeding three months to optimise returns/yield. Premature withdrawals from deposits may lead to reduced interest rate to be applied on shorter period deposits, impacting maturity value. The Company has classified CLTDs with original maturity of less than three months as ‘Cash and Cash Equivalents’. Deposits with original maturity over three months but less than twelve months or having remaining maturity of more than 3 months but less than 12 months from the reporting date are classified as ‘Bank Balances other than Cash and Cash Equivalents’ and deposits having remaining maturity exceeding twelve months are classified as ‘Other Non-Current Financial Assets’. Further, 91-days CLTDs are also classified as ‘Cash and Cash Equivalents’.

12. In this regard, the Committee notes the following requirements of Ind AS 1, ‘Presentation of Financial Statements’, Ind AS 7, ‘Statement of Cash Flows’, Division II of Schedule III to the Companies Act, 2013 and the Guidance Note on Division II- Ind AS Schedule III to the Companies Act, 2013 (Revised January, 2022 Edition), issued by the ICAI (hereinafter referred to as ‘the Guidance Note’):

Ind AS 1

“66 An entity shall classify an asset as current when:

(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within twelve months after the reporting period; or

(d) the asset is cash or a cash equivalent (as defined in Ind AS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current."

Ind AS 7

"*Cash* comprises cash on hand and demand deposits.

***Cash equivalents* are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value."**

"7 Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents, for example in the case of preference shares acquired within a short period of their maturity and with a specified redemption date."

"45 An entity shall disclose the components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the balance sheet."

"Other disclosures

48 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group[2].

49 There are various circumstances in which cash and cash equivalent balances held by an entity are not available for use by the group.[3] Examples include cash and cash equivalent balances held by a subsidiary that operates in a country where exchange controls or other legal restrictions apply when the balances are not available for general use by the parent or other subsidiaries."

Division II of Schedule III to the Companies Act, 2013

"Notes:

[2] The requirements shall be equally applicable to the entities in case of separate financial statements also.

[3] Ibid.

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

1. An entity shall classify an asset as current when-

    (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

    (b) it holds the asset primarily for the purpose of trading;

    (c) it expects to realise the asset within twelve months after the reporting period; or

    (d) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

    An entity shall classify all other assets as non-current.

    …

6. A company shall disclose the following in the Notes:

A. Non-Current Assets

I. Property, Plant and Equipment:

…

IX. Other financial assets:

(i) …
(ii) Bank deposits with more than 12 months maturity;
(iii) Others (to be specified).
…

B. Current Assets

…

IV. Cash and cash equivalents: Cash and cash equivalents shall be classified as –

a. Balances with Banks (of the nature of cash and cash equivalents);
b. Cheques, drafts on hand;
c. Cash on hand; and
d. Others (specify nature).
…

C. Cash and Bank balances

The following disclosures with regard to cash and bank balances shall be made:

(a) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.
(b) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
(c) Repatriation restrictions, if any in respect of cash and bank balances shall be separately stated.”

"8.1.11. Other non-current financial assets

Other financial assets include:

(i) Security Deposits

(ii) Bank deposits with more than 12 months maturity

(iii) others (to be specified)

…

As per Ind AS Schedule III, Bank deposits with more than 12 months maturity shall be disclosed under 'Other financial assets'. The maturity should be construed as remaining maturity of more than 12 months."

"**8.1.16. Cash and Bank Balances**

(i) Cash and cash equivalents shall be classified as:

(a) Balances with banks (of the nature of cash and cash equivalents);

(b) Cheques, drafts on hand;

(c) Cash on hand;

(d) Others (specify nature).

(ii) Bank balances other than cash and cash equivalents as above, shall be disclosed below cash and cash equivalents on the face of the Balance Sheet

Further, Note 6(C) of General Instructions for Preparation of Balance Sheet requires the following disclosures with regard to cash and bank balances:

(a) Earmarked balances with banks (for e.g., for unpaid dividend) shall be separately stated;

(b) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately;

(c) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

Cash and cash equivalents is not defined in Ind AS Schedule III however, according to *Ind AS-7 Statement of Cash Flows*, Cash is defined to include cash on hand and demand deposits with banks. Cash Equivalents are defined as short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Ind AS 7 further explains that an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. This would include term deposits with banks that have an original maturity of three months or less. However, bank balances (including term deposits) held as margin money or security against borrowings are neither in the nature of demand deposits, nor readily available for use by the company, and accordingly, do not meet the aforesaid definition of cash equivalents.

> The disclosure regarding 'bank balances other than cash and cash equivalents' should include items such as Balances with banks held as margin money or security against borrowings, guarantees, etc. and bank deposits with original maturity of more than three months but less than 12 months.
>
> Generally, there should not be a difference in the amount of cash and cash equivalent as per Ind AS 1 and as per Ind AS 7. …"

13. From the above, the Committee notes that Ind AS 7 defines cash equivalents as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Further, paragraph 7 explains that cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes and that an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. The Committee notes from this that the critical criteria in the definition of cash equivalents are that these are: (i) 'short-term, highly liquid investments; (ii) 'readily convertible to known amounts of cash'; (iii) 'subject to an insignificant risk of changes in value' and (iv) 'held for the purpose of meeting short-term cash commitments rather than for investment or other purposes'.

14. As per first criterion of short-term, highly liquid investments, Ind AS 7 considers a maturity date of say, three months or less from the date of acquisition to be short-term. Further, in the context of highly liquid, the asset must be able to be convertible or redeemed or realisable into cash at any time. Therefore, in making this assessment, one should consider the nature of any redemption restrictions in place as these may prevent the redemption of the asset in the short term.

As per the second criterion, the short-term and highly liquid investment/asset must also be readily convertible into known amounts of cash. This means that the amount of cash that will be received must be known at the time of the initial investment.

The third criterion of 'subject to an insignificant risk of changes in value' requires assessment of potential value changes due to various risks, including interest penalty due to early redemption.

The last criterion of 'held for meeting short-term commitments and not for earning investment returns', essentially requires assessment of intent of the management and the commercial reason of holding the asset/investment. In this regard, the Committee is of the view that whether an asset is held for meeting short-term cash commitments (or cash needs) and not for earning investment returns is matter of judgement and would require consideration of actual facts and circumstances including management intention, past practice, investment policy and actual experience of utilisation, etc.

15. In this context, the Committee notes that the querist has stated that the original period of CLTDs or flexi deposits is decided based on estimate and judgment based on past experience to get better yield returns. In case of pre-mature withdrawal, necessary reduction in maturity value based on actual holding period as per the interest rates in vogue for CLTDs/flexi deposits shall become applicable and therefore, all pre-mature withdrawals are typically subject to significant risk of change in value on account of reduced interest rate applicable for the actual tenure of the deposits. Further, the querist has specifically stated that the CLTD/flexi deposits with original maturity period of more than 3 months but less than 12 months and for more than 12 months are made b*ased on estimations/ projections of utilisation of funds, and with an*

intention to meet the long-term fund requirements beyond 3 months. However, during exigencies to meet requirement of funds, the amount is prematurely withdrawn from CLTD/flexi deposits.

16. Considering these facts, the Committee is of the view that in the extant case, CLTDs/flexi deposits with original maturity period of more than 3 months but less than 12 months and for more than 12 months may meet the criterion of highly liquid investments as these can be redeemed or realised at any time and as there are no restrictions on their realisation. However, considering the above submissions made by the querist, these do not meet the other requirements/criteria of cash equivalents as per Ind AS 7. This is so because these deposits are not held for meeting short-term cash commitments, which is clear from their term of deposits. Further, since these deposits may be withdrawn in case of exigencies, which may occur at any point of time and in that event, the interest rate applicable for the period of deposit will be applied to the funds deposited to arrive at the interest amount on the deposits, the total amount to be realised from these deposits or maturity value will be subject to change and cannot be ascertained at the time of initial investment due to such uncertainty. Also, as per the assertion made by the querist, such change in maturity value is significant. Therefore, these deposits do not meet the criteria of 'subject to an insignificant risk of changes in value' and 'known amounts of cash' as per the definition of cash equivalents.

17. Accordingly, CLTDs/flexi deposits of original maturity more than 3 months but less than 12 months at the reporting date in the extant case cannot be classified as cash equivalents. However, considering the expectation of their realisability within twelve months after the reporting date, as per the definition of current asset and the requirements of Guidance Note, as reproduced above, these should be classified as bank balances other than cash equivalents. Also, even if the remaining period of maturity (at the reporting date) of any of these CLTD or flexi deposits (viz., with original maturity period of more than 3 months but less than 12 months) is 3 months or less, it shall not be classified as cash equivalent since the Standard (paragraph 7 of Ind AS 7) requires to measure short-term maturity from the date of acquisition of asset and not remaining maturity at the reporting date. Further, the Committee is of the view that CLTDs/flexi deposits of remaining maturity of more than 3 months but less than 12 months at the reporting date should be classified as bank balances other than cash equivalents.

18. Similarly, CLTDs/flexi deposits of original or remaining maturity more than 12 months at the reporting date in the extant case cannot be classified as cash equivalents. Further, considering the expectation of their realisability beyond twelve months after the reporting date, these do not meet the definition of current asset. Accordingly, considering the requirements of Schedule III to the Companies Act and Guidance Note, as reproduced above, these should be classified as 'other financial assets' under 'non-current assets'. Further, even if in respect of any of these CLTDs/flexi deposits (viz., with original maturity period of more than 12 months), the remaining period of maturity (at the reporting date) is 3 months or less, it shall not be classified as cash equivalent since, as discussed above, the Standard requires to measure short-term maturity from the date of acquisition of asset and not remaining maturity at the reporting date.

19. Also, the Committee is of the view that since the CLTDs and flexi deposits in the extant case are deposited for a fixed term (though there is flexibility of withdrawal), these are 'term deposits' and not demand deposits (which form part of 'cash' as per Ind AS 7). Moreover, if the above-mentioned deposits (having maturity of more than 3 months) cannot be classified as cash equivalents, as discussed above, the question of considering these as 'cash' under Ind AS 7 does not arise.

20. The Committee further notes that CLTDs and flexi deposits having an original maturity of upto 3 months in the extant case meet all the criteria of cash equivalents, as discussed in paragraph 13 above, viz., 'short-term, highly liquid investments', 'readily convertible to known amounts of cash', 'subject to an insignificant risk of changes in value' and 'held for the purpose of meeting short-term cash commitments rather than for investment or other purposes'. In this regard, the Committee wishes to point out that although the period of three months is included in the Standard (Ind AS 7) only as an example, deposits with more than three months original maturity could be classified as cash equivalents only in limited circumstances, when they meet the above criteria of cash equivalent. Since 91 days deposits in the extant case shall meet the relevant criteria of cash equivalent, the same can also be classified as 'cash equivalents'.

21. Accordingly, the Committee is of the view that CLTDs and flexi deposits having an original maturity of 3 months or 91 days have been appropriately classified and presented by the Company in the extant case as 'cash equivalents' in its financial statements. Also, considering the discussion in paragraphs 13 to 18 above in the extant facts and circumstances, the Committee is of the view that the Company's presentation of CLTDs and flexi deposits with original maturity of more than three months but less than twelve months as bank balances other than cash and cash equivalents, and deposits with maturity exceeding twelve months as other non-current financial assets is appropriate and in compliance with Ind AS 1 and Schedule III to the Companies Act, 2013.

22. With regard to the issue raised by the querist related to presenting CLTDs/flexi deposits separately from term deposits, the Committee notes that term deposit is a deposit held at a bank/financial institution at an agreed rate of interest for a fixed period of time. The money so deposited along with the interest at agreed rate can be withdrawn, normally, at the end of such period, or earlier also, along with interest at lower rate for the period for which the deposit was held. Thus, these are essentially similar to CLTDs and flexi deposits only with the latter having certain simplified early or pre-mature withdrawal features. As such, as per the requirements of Ind AS 7 and Schedule III or Guidance Note, no separate presentation is required unless there are certain features which make them different from each other, such as, any restrictions on withdrawal or use during the term of deposits, or considering the materiality considerations, which may require separate presentation or disclosure as per the requirements of Ind AS 1, Ind AS 7, Schedule III or the Guidance Note etc.

D. Opinion

23. On the basis of the above, the Committee is of the opinion on the issues raised in paragraph 9 above that:

(i) The classification adopted by the Company in respect of CLTD/flexi deposits is appropriate, as discussed in paragraphs 13 to 21 above.

(ii) Answer to this question does not arise considering (i) above

(iii) Refer paragraph 22 above.

(iv) CLTDs and flexi deposits having an original maturity of 91 days are appropriately classified as cash and cash equivalents, as discussed in paragraph 20 above.

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