

ADVANCED ACCOUNTING

5th semester

TOPIC:

INDIAN ACCOUNTING STANDARDS

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INTRODUCTION TO INDIAN ACCOUNTING STANDARD:

Indian AS stands for Indian Accounting Standard and are converged standards for IFRS (International Financial Reporting Standards). Indian AS are documents and policies that provide principles for recognition, measurement, treatment, presentation and disclosures of accounting transactions in the Indian AS financial statements.

For example: Indian AS 16 on Property, Plant and Equipment (PPE) will provide principles on the criteria on the basis of which PPE is recognized, what all cost will form part of PPE, how to treat those cost and how to present PPE in the financial statement and relevant disclosures..

Indian AS are prepared keeping IFRS in mind, in actual these are IFRS in their converged form. There are 41 Indian AS notified till now

The Accounting Standards Board of the ICAI is the issuing committee of the Indian Accounting Standards in India. All Indian companies are to follow these accounting standards when preparing their accounts, no other standards are acceptable. However, we are taking steps to converge with the IFRS. Let us take a look.

APPLICABILITY OF IND AS – INDIAN ACCOUNTING STANDARDS

The Ministry of Corporate Affairs (MCA), in 2015, had notified the Companies (Indian Accounting Standards (IND AS)) Rules 2015, which stipulated the adoption and applicability of IND AS in a phased manner beginning from the Accounting period 2016-17. The MCA has since issued three Amendment Rules, one each in year 2016, 2017, and 2018 to amend the 2015 rules. The IND AS are basically standards that have been harmonized with the IFRS to make reporting by Indian companies more globally accessible.

Since Indian companies have a far wider global reach now as compared to earlier, the need to converge reporting standards with international standards was felt, which has led to the introduction of IND AS.

Phases of adoption

MCA has notified a phase-wise convergence to IND AS from current accounting standards. IND AS shall be adopted by specific classes of companies based on their Net worth and listing status. Let's see the each of the phases in detail below:

Phase I

Mandatory applicability of IND AS to all companies from 1st April 2016, provided:

It is a listed or unlisted company

Its Net worth is greater than or equal to Rs. 500 crore*

*Net worth shall be checked for the previous three Financial Years (2013-14, 2014-15, and 2015-16).

Phase II

Mandatory applicability of IND AS to all companies from 1st April 2017, provided:

It is a listed company or is in the process of being listed (as on 31.03.2016)

Its Net worth is greater than or equal to Rs. 250 crore but less than Rs. 500 crore (for any of the below mentioned periods).

Net worth shall be checked for the previous four Financial Years (2014-14, 2014-15, 2015-16, and 2016-17)

Phase III

Mandatory applicability of IND AS to all Banks, NBFCs, and Insurance companies from 1st April 2018, whose:

Net worth is more than or equal to INR 500 crore with effect from 1st April 2018.

IRDA (Insurance Regulatory and Development Authority) of India shall notify the separate set of IND AS for Banks & Insurance Companies with effect from 1st April 2018. NBFCs include core investment companies, stock brokers, venture capitalists, etc. Net Worth shall be checked for the past 3 financial years (2015-16, 2016-17, and 2017-18)

Phase IV

All NBFCs whose Net worth is more than or equal to INR 250 crore but less than INR 500 crore shall have IND AS mandatorily applicable to them with effect from 1st April 2019.

Net Worth Calculation

Net worth will be determined based on the stand-alone accounts of the company as on 31st March 2014, or the first audited period ending after that date.

Net Worth is the total of Paid-up share Capital and all reserves out of profit & securities premium account, after deducting accumulated losses, deferred expenditure, and miscellaneous expenditure not written off. Only capital Reserve arising out of Promoters Contribution and Government Grants received can be included. Reserves created out of revaluation of assets and written back depreciation cannot be included.

Voluntary adoption

Companies can voluntarily choose to incorporate IND AS in their reports for accounting periods beginning on or after April 01, 2015. While reporting, such companies must include a comparative report for the periods ending 31 March 2015 or thereafter, where IND AS have been incorporated to present a comparative view. However, once a company has started reporting as per the IND AS, it cannot change to reporting as per previous laws.

SEBI Clarification

For all the issuer companies whose offer documents are filed with SEBI on or after 1st April 2016, SEBI has issued a clarification on the applicability of the Indian Accounting Standards (IND AS) and disclosures to be made in the offer documents. Typically, SEBI requires issuer companies to disclose financial information for the previous 5 financial years immediately preceding the year of filing of the offer document, while

following uniform accounting policies for each of the financial years. For those issuer companies filing an offer document these points can be noted:

Up to March 31, 2017, all of the financial statements filed by them can be under Indian GAAP. Between April 1, 2017 and March 31, 2018, disclosures in the previous three financial years immediately preceding the relevant financial year will have to be made under the IND AS principles,

while disclosures for the remaining two financial years may be done under Indian GAAP. Between April 1, 2018, and March 31, 2019, disclosures in the previous three financial years immediately preceding the relevant financial year will have to be made under the IND AS principles, while disclosures for the remaining two financial years may be done under Indian GAAP.

Between April 1, 2019 and March 31, 2020, disclosures in the previous four financial years immediately preceding the relevant financial year will have to be made under the IND AS principles, while disclosures for the remaining one financial year may be done under Indian GAAP.

On or after April 1, 2020, disclosures in all the previous five financial years will have to be made as per the IND AS principles.

SEBI has also provided discretion to issuer companies to present financial statements for all five financial years under IND AS on a voluntary basis. This clarification does not apply to issuer companies making rights issue.

COMPLIANCE WITH ACCOUNTING STANDARDS ISSUED BY ICAI

Sub Section(3A) to section 211 of Companies Act, 1956 requires that every Profit/Loss Account and Balance Sheet shall comply with the Accounting Standards.

Accounting Standards means the standard of accounting recommended by the ICAI and prescribed by the Central Government in consultation with the National Advisory Committee on Accounting Standards (NACAs) constituted under section 210(1) of Companies Act, 1956.

INDIAN ACCOUNTING STANDARDS

| (IAS NO) | NAME OF INDIAN ACCOUNTING STANDARD |
|------------|--|
| Ind AS 101 | First-time Adoption of Indian Accounting Standards |
| Ind AS 102 | Share-based Payment |
| Ind AS 103 | Business Combinations |
| Ind AS 104 | Insurance Contracts |
| Ind AS 105 | Non-current Assets Held for Sale and Discontinued Operations |
| Ind AS 106 | Exploration for and Evaluation of Mineral Resources |
| Ind AS 107 | Financial Instruments: Disclosures |
| Ind AS 108 | Operating Segments |
| Ind AS 109 | Financial Instruments |

| (IAS NO) | NAME OF INDIAN ACCOUNTING STANDARD |
|-----------------|---|
| Ind AS 110 | Consolidated Financial Statements |
| Ind AS 111 | Joint Arrangements |
| Ind AS 112 | Disclosure of Interests in Other Entities |
| Ind AS 113 | Fair Value Measurement |
| Ind AS 114 | Regulatory Deferral Accounts |
| Ind AS 115 | Revenue from Contracts with Customers |
| Ind AS 1 | Presentation of Financial Statements |
| Ind AS 2 | Inventories |
| Ind AS 7 | Statement of Cash Flows |
| Ind AS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| Ind AS 10 | Events after the Reporting Period |

| (IAS NO) | NAME OF INDIAN ACCOUNTING STANDARD |
|-----------------|--|
| Ind AS 12 | Income Taxes |
| Ind AS 16 | Property, Plant, and Equipment |
| Ind AS 17 | Leases |
| Ind AS 19 | Employee Benefits |
| Ind AS 20 | Accounting for Government Grants and Disclosure of Government Assistance |
| Ind AS 21 | The Effects of Changes in Foreign Exchange Rates |
| Ind AS 23 | Borrowing Costs |
| Ind AS 24 | Related Party Disclosures |
| Ind AS 27 | Separate Financial Statements |
| Ind AS 28 | Investments in Associates and Joint Ventures |

| (IAS NO) | NAME OF INDIAN ACCOUNTING STANDARD |
|-----------------|--|
| Ind AS 29 | Financial Reporting in Hyperinflationary Economies |
| Ind AS 32 | Financial Instruments: Presentation |
| Ind AS 33 | Earnings per Share |
| Ind AS 34 | Interim Financial Reporting |
| Ind AS 36 | Impairment of Assets |
| Ind AS 37 | Provisions, Contingent Liabilities and Contingent Assets |
| Ind AS 38 | Intangible Assets |
| Ind AS 40 | Investment Property |
| Ind AS 41 | Agriculture |

THANK YOU