

Overview of Indian Accounting Standards (Ind AS)



CA Rajkumar S Adukia

B.Com (Hons), FCA, ACS, ACWA, LLB, DIPR, DLL
&LP, IFRS(UK), MBA

email id: rajkumarradukia@caaaa.in

Mob: 09820061049/09323061049

To receive regular updates kindly send test email to :
rajkumarfca-subscribe@yahoogroups.com & _
rajkumarfca+subscribe@googlegroups.com

The need to know Accounting Standards

- Auditor needs to know the accounting progress
- Accounting is undergoing change in India as per global financial reporting.
- What is accounting standards - standards of accounting
- Accounting is a language to record monetary transactions into accounting entries and finally financial statements

Accounting

- Accounting consists of two things Systems and Methods
- Systems are of two types - Single entry book keeping/double entry book keeping
- Method of Accounting - Cash, Accrual, Mixed
- 1494 Italian Economist introduced double entry principals
- Every debit has to have equal credit

Principles of accounting

- All account heads have to fall in 3 types
- Personal, Real and Nominal
- Golden Rules
 - Personal -Debit the Receiver , Credit the Giver
 - Real -Debit what comes in, Credit what goes out
 - Nominal -Debit all expenses and losses, Credit all gains and income

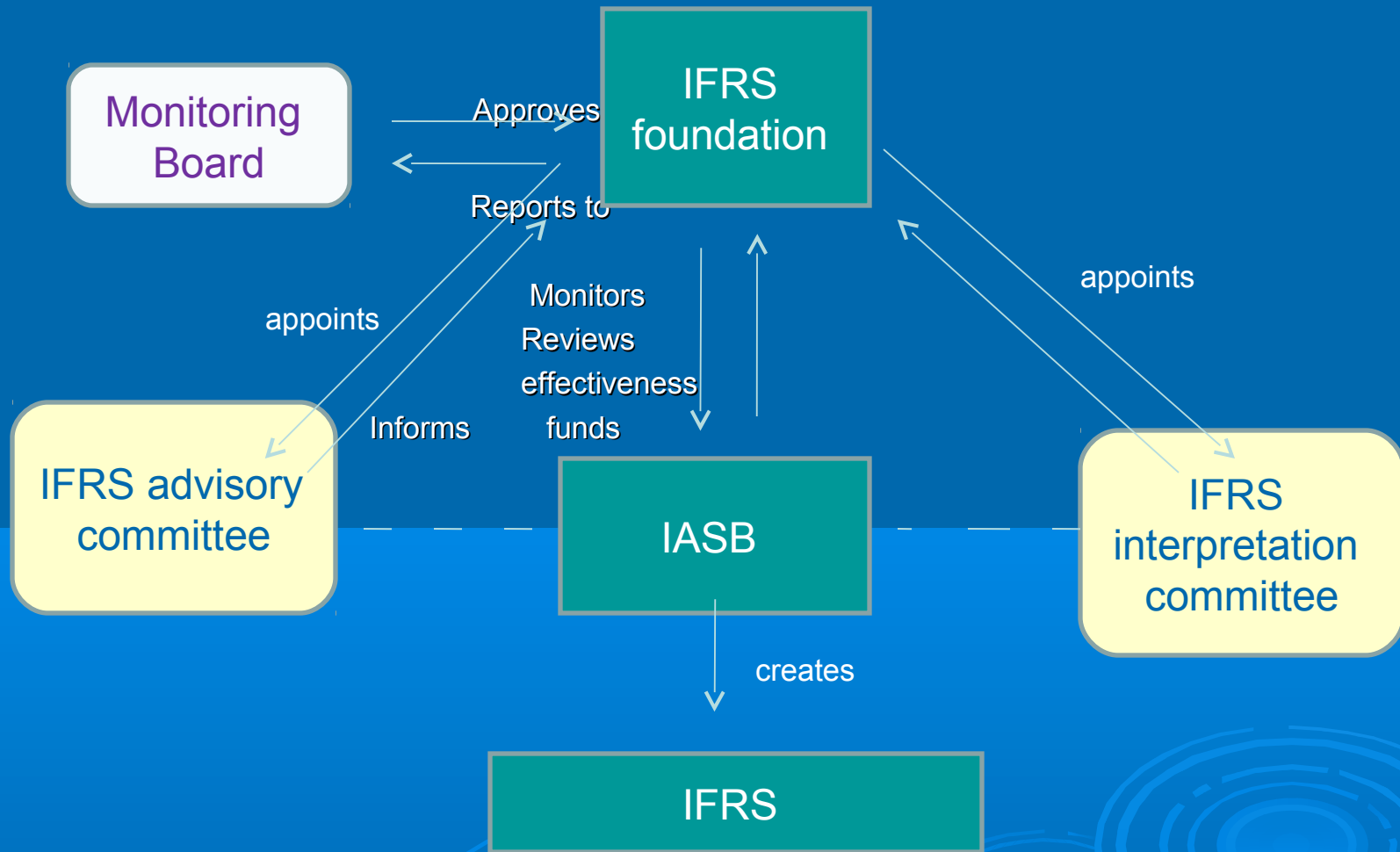
How to learn New Ind As effectively

- Unlearn what we have learned so far
- Apply double entry book keeping principles and understand journal entries for each transaction
- Learn new terminology for account heads
- Learn from maker –original source

Few relevant websites

- www.ifrs.org
- www.mca.gov.in
- www.icaai.org
- www.ifac.org/public sector
- www.gasb.org & www.fasb.org of USA

Working of IASB



Various sets of Accounting Standards

- Multiple accounting standards
- Companies (Accounting Standards) Rules, 2006
- Accounting standards Under section 145 of Income tax Act 1961
- Accounting standards for local bodies issued by ICAI
- GASAB Standards-IGAS-1 similar to IPSAS

New Terminologies

- Tangible fixed assets – Property, Plant & Equipment (PPE)
- Investment in Real estate –Investment Property
- Build, Operate ,Transfer transactions – Service Concession Arrangements
- Equity- Share Capital , plus Reserves & Surplus
- Business Combinations- when control of business is there

New Terminologies

- Financial Instruments – for all financial assets- Receivables, Investments in shares, debentures etc.
- Share based Payment
- Impairment
- Unwinding of interest- present value
- Some concepts are not there in new system

New Terminologies

- Prior period items
- Extra ordinary items
- Deferred revenue expenditure

Ind AS

- Standards are not comprehensive and does not cover all money transactions
- The Conceptual Framework for Financial Reporting
- Elements of financial statements
- Assets , Liabilities, Equity, Income and Expenses
- Components of Financial statements

Components of Financial Statements

- Balance sheet(includes accompanying statement of changes in Equity)
- Statement of profit and loss
- Statement of Cash flows
- Notes
- IN SOME CASES- Balance Sheet at the beginning of Earliest Reporting period

Why Accounting Standards ?

- Assets may be debited to expenses and vice versa
- Loan may be recorded as income
- First accounting standards in 1935 in USA
- Great Depression of 1929, birth of securities exchange commission

History of Accounting

- Other countries started making their own standards UK, Australia etc.
- 1966 committee on accounting (at world level)
- 1973 International Accounting Standards Committee
- 2001 IFRS Foundation and IASB

New Principles

- Until now 99% of transactions were at historical cost except in fixed assets
- Revaluation at discretion of management
- Now transactions may be at fair value or cost(on management selection)
- E.g. PPE

Few Examples of New Accounting Framework

- Purchase of shares at less than fair value
- Revenue recognition –receivable after 1 year – present value
- Customer Loyalty Programmes
- Business Purchase at less than fair value
- Depreciation on PPE –useful life
- Component accounting for PPE
- Recognition of Intangible assets

Few Examples of New Accounting Framework

- Issues of esops
- Recording of share based payment transactions

What is Ind AS?

Indian Accounting Standards, abbreviated as **Ind AS** are

- A set of accounting standards notified by the Ministry of Corporate Affairs
- Converged with International Financial Reporting Standards (IFRS).
- These accounting standards are formulated by Accounting Standards Board (ASB) of Institute of Chartered Accountants of India.

What is IFRS?

- IFRSs refers to the entire body of IASB pronouncements, including standards and interpretations approved by the IASB and IASs and SIC interpretations approved by the predecessor International Accounting Standards Committee
- IFRS
- IAS
- SIC Interpretations
- IFRIC Interpretations

International Financial Reporting Standards - IFRS

The IFRS Standards

Two sets of IFRS standards have been issued

- **IFRS**
- **IFRS for SMEs** (Small and Medium Enterprises)
-released on 9th July 2009

TOTAL NUMBER OF IFRS

Total number of IFRS (w e f 1st January 2013) = 65

- IFRS = 13
- IAS = 28
- IFRIC= 15
- SIC = 9

List of IFRS



IFRSs-IFRSs

S.No	IFRS	Name of the Standard
1	IFRS 1	First – time Adoption of International Financial Reporting Standards
2	IFRS 2	Share-based Payment
3	IFRS 3	Business Combinations
4	IFRS 4	Insurance Contracts
5	IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
6	IFRS 6	Exploration for and evaluation of Mineral Resources
7	IFRS 7	Financial Instruments: Disclosures

IFRSs-IFRSs (contd)

S.No	IFRS	Name of the Standard
8	IFRS 8	Operating Segments
9	IFRS 9	Financial Instruments (This standard will replace IAS 39 Financial Instruments: Recognition and Measurement on being updated completely)
10	IFRS 10	Consolidated Financial Statements
11	IFRS 11	Joint Arrangements
12	IFRS 12	Disclosure of Interests in Other Entities
13	IFRS 13	Fair Value Measurement

IFRSs – IAS

S.No	IAS	Name of the Standard
1	IAS 1	Presentation of Financial Statements
2	IAS 2	Inventories
3	IAS 7	Statement of Cash Flows
4	IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
5	IAS 10	Events After the Reporting Period
6	IAS 11	Construction Contracts
7	IAS 12	Income Taxes

IFRSs – IASs (contd)

8	IAS 16	Property, Plant and Equipment
9	IAS 17	Leases
10	IAS 18	Revenue
11	IAS 19	Employee Benefits
12	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
13	IAS 21	The Effects of Changes in Foreign Exchange Rates
14	IAS 23	Borrowing Costs
15	IAS 24	Related Party Disclosures

IFRSs – IAS (contd)

16	IAS26	Accounting and Reporting by Retirement Benefit Plans
17	IAS27	Separate Financial Statements
18	IAS28	Investments in Associates and Joint Ventures
19	IAS29	Financial Reporting in Hyperinflationary Economies
20	IAS32	Financial Instruments: Presentation
21	IAS33	Earnings Per Share
22	IAS34	Interim Financial Reporting
23	IAS36	Impairment of Assets

IFRSs – IAS (contd)

24	IAS 37	Provisions, Contingent Liabilities and Contingent Assets
25	IAS 38	Intangible Assets
26	IAS 39	Financial Instruments: Recognition and Measurement
27	IAS 40	Investment Property
28	IAS 41	Agriculture

IFRSs-List of IFRIC Interpretations.....

1	IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
2	IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments
3	IFRIC 4	Determining whether an Arrangement contains Lease
4	IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
5	IFRIC 6	Liabilities arising from Participation in a Specific Market- Waste Electrical and Electronic Equipment
6	IFRIC 7	Applying restatement approach under IAS 29
7	IFRIC 10	Interim Financial Reporting and Impairment

IFRSs-List of IFRIC Interpretations.

8	IFRIC12	Service Concession Arrangements
9	IFRIC13	Customer Loyalty Programmes
10	IFRIC14	IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction
11	IFRIC15	Agreements for the Construction of Real Estate
12	IFRIC16	Hedges of a Net Investment in a Foreign Operation
13	IFRIC17	Distribution of Non – Cash assets to owners
14	IFRIC18	Transfer of assets from customers
15	IFRIC19	Extinguishing Financial Liabilities with Equity Instruments

IFRSs-List of SIC Interpretations..

1	SIC 7	Introduction of the EURO
2	SIC 10	Government Assistance- No Specific Relation to Operating Activities
3	SIC 15	Operating Lease- Incentives
4	SIC 21	Income Taxes- Recovery of Revalued Non Depreciable Assets
5	SIC 25	Income Taxes- Change in Tax Status of an Entity or its Shareholders
6	SIC 27	Evaluating the Substance of Transaction Involving the Legal Form of a Lease
7	SIC 29	Service Concession Arrangements: Disclosures
8	SIC 31	Revenue: Barter Transaction Involving Advertising Services
9	SIC 32	Intangible Assets- Web Site Costs

IFRS for SMEs

- On 9 July 2009, the IASB issued the *IFRS for SMEs*.
- This is the first set of international accounting requirements developed specifically for small and medium-sized entities (SMEs).
- It has been prepared on IFRS foundations but is a stand-alone product that is separate from the full set of International Financial Reporting Standards (IFRSs).
- The *IFRS for SMEs* has simplifications that reflect the needs of users of SMEs' financial statements and cost-benefit considerations.

Major principles of IFRSs

Type of asset / liability	Initial Measurement	Subsequent measurement
Inventories	Cost	Lower of cost and net realizable value
Property, Plant and Equipment	Cost	Cost model or revaluation model
Investment property	Cost	Fair value model or cost model
Intangible assets	Cost	Cost model or revaluation model
Exploration and Evaluation of mineral assets	Tangible asset and / or intangible asset	Tangible asset and / or intangible asset / Impairment
Government grants	Capital approach and income approach	Capital approach and income approach
Non-current assets held for sale	After classification – lower of carrying value and fair value less costs to sale	Re-measurement – measure the carrying amount and fair value
Agriculture	Fair value less estimated point-of-sales costs	Fair value less estimated point-of-sales costs

Measurement of Financial Assets

Nature of Financial Assets	Initial recognition	Subsequent measurement
Held for trading	At fair value	At fair value (through profit or loss)
Available for sale	At fair value plus directly attributable transaction costs	At fair value(through equity)
Held to maturity	At fair value plus directly attributable transaction costs	At amortised cost
Loans and Receivables	At fair value plus directly attributable transaction costs	At amortised cost

Measurement of Financial Liability

Nature of Financial Liability	Initial recognition	Subsequent measurement
Financial liabilities at fair value through profit and loss includes derivative liability	At fair value directly attributable transaction cost is charged to profit and loss account	At fair value
Financial liability arising out of continuing involvement asset	Measured at amortised cost or fair value	
Financial guarantee contract less cumulative amortisation recognised		Higher of the 1.Amount initial recognition 2.Valuation as per IAS 37
Other financial liabilities including debentures, bonds, preference shares classified as	At fair value directly attributable transactions cost is included in the fair value	At amortised cost

IASB (International Accounting Standard Board)

- The IASB is the independent standard-setting body of the IFRS Foundation.
- Its members (currently 15 full-time members) are responsible for the development and publication of IFRSs, including the IFRS for SMEs and for approving Interpretations of IFRS as developed by the IFRS Interpretations Committee (formerly called the IFRIC)

The IND AS Literature

- *Preface to the Statements of Accounting Standards* sets out
 - ASB's mission and objectives
 - Scope of Ind AS
 - Due process for developing IND AS
 - Interpretations
 - Policies on effective dates, format, and language for IND AS

The IND AS Literature

➤ *Framework for the Preparation and Presentation of Financial Statements*

- serves as a guide to resolving accounting issues that are not addressed directly in a standard.
- sets out basic principles of recognition and measurement of all elements adopted for all the IND AS and
- Interpretations from ASB
- Nothing in this framework overrides any specific Accounting Standard

List of Indian Accounting Standards

1. Ind AS 101 First-time Adoption of Indian Accounting Standards
2. Ind AS 102 Share based Payment
3. Ind AS 103 Business Combinations
4. Ind AS 104 Insurance Contracts
5. Ind AS 105 Non current Assets Held for Sale and Discontinued Operations
6. Ind AS 106 Exploration for and Evaluation of Mineral Resources
7. Ind AS 107 Financial Instruments: Disclosures
8. Ind AS 108 Operating Segments and Measurement

List of Indian Accounting Standards

- 9. Ind AS 1 Presentation of Financial Statements
- 10. Ind AS 2 Inventories
- 11. Ind AS 7 Statement of Cash Flows
- 12. Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- 13. Ind AS 10 Events after the Reporting Period
- 14. Ind AS 11 Construction Contracts
- 15. Ind AS 12 Income Taxes

List of Indian Accounting Standards

- 16. Ind AS 16 Property, Plant and Equipment
- 17. Ind AS 17 Leases
- 18. Ind AS 18 Revenue
- 19. Ind AS 19 Employee Benefits
- 20. Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance

List of Indian Accounting Standards

- 21. Ind AS 21 The Effects of Changes in Foreign Exchange Rates
- 22. Ind AS 23 Borrowing Costs
- 23. Ind AS 24 Related Party Disclosures
- 24. Ind AS 27 Consolidated and Separate Financial Statements
- 25. Ind AS 28 Investments in Associates

List of Indian Accounting Standards

- 26. Ind AS 29 Financial Reporting in Hyperinflationary Economies
- 27. Ind AS 31 Interests in Joint Ventures
- 28. Ind AS 32 Financial Instruments: Presentation
- 29. Ind AS 33 Earnings per Share

List of Indian Accounting Standards

- 30. Ind AS 34 Interim Financial Reporting
- 31. Ind AS 36 Impairment of Assets
- 32. Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets
- 33. Ind AS 38 Intangible Assets
- 34. Ind AS 39 Financial Instruments: Recognition
- 35. Ind AS 40 *Investment Property*

(Applicable SIC and IFRIC form part of the relevant Ind AS (converged with IFRS))

Accounting Standard Board (ASB)

- ICAI constituted ASB on 21st April, 1977
- The composition of the ASB is fairly broad-based and ensures participation of all interest-groups in the standard-setting process.
- ASB propagates and persuades concerned parties to adopt Ind AS in the preparation and presentation of Financial Statements
- Ind AS are issued under the authority of the Council of the ICAI

Applicability of Ind AS

➤ Accounting Standards apply to

- General Purpose Financial Statements and
- Other Financial Reporting.
- In respect of any enterprise
 - Whether organized in corporate, co-operative or other forms

Engaged in commercial, Industrial or business activities,

- Irrespective of whether it is profit oriented or it is established for charitable or religious purposes.

Applicability of Ind AS

- Accounting Standards will not apply to
 - enterprises only carrying on the activities
 - which are not of commercial, Industrial or business nature,
 - (e.g., an activity of collecting donations and giving them to flood affected people).

Applicability of Ind AS

- Even if a very small proportion of the activities of an enterprise is considered to be commercial, Industrial or business in nature, the Accounting Standards would apply to all its activities including those which are not commercial, Industrial or business in nature

Grouping of Ind AS

Ind AS on Group Reporting

Standard Number	Standard Name
Ind AS 103	Business Combinations
Ind AS 27	Consolidated and separate financial statements
Ind AS 28	Investment in Associates
Ind AS 31	Interest in joint ventures

Ind AS on Assets

Standard Number	Standard Name
Ind AS 2	Inventories
Ind AS 16	Property, Plant & Equipment
Ind AS 40	Investment Property
Ind AS 38	Intangible Assets
Ind AS 32, Ind AS 39, Ind AS 107, Ind AS 109	Financial Assets
Ind AS 105	Non-Current Assets held for sale & Discontinued operations
IAS 17	Leases
Ind AS 106	Exploration and Evaluation of Mineral Assets

Ind AS on Expenses & Liabilities

- Ind AS 12- Income Taxes
- Ind AS 19 – Employee Benefits
- Ind-AS 37 – Provisions, Contingent Liabilities and Contingent Assets
- Ind AS 102- Share-based Payment

Ind AS on Financial Instruments

- Financial Assets & Financial Liabilities
 - Ind AS 32 Financial Instruments: Presentation
 - Ind AS 39 Financial Instruments: Recognition and Measurement
 - Ind AS 107 Financial Instruments: Disclosure

Ind ASs on income

- Construction Contracts (Ind AS 11)
- Revenue (Ind AS 18)

Ind ASs on Disclosure

- Ind AS 24 Related Party Disclosures
- Ind AS 108 Operating Segments

Industry Specific Ind ASs

- Ind AS 104 Insurance Contracts
- Ind AS 106 Exploration & Evaluation of Mineral Resources

Ind ASs on Financial reporting

- Separate financial statements
 - Ind AS 1,7,8,10,21,29,33
- Interim financial reporting
 - Ind AS 34
- Consolidated financial statements
 - Ind AS 103, Ind AS 27,28,31

Scope of Accounting Standards

- **Accounting Standards are generally in conformity with the provisions of the applicable laws, customs, usages and business environment in India.**
- **If a particular Accounting Standard is found to be not in conformity with law, the provisions of the said law will prevail and the financial statements should be prepared in conformity with such law.**

Scope of Accounting Standards

- The Accounting Standards are intended to apply only to items which are **material**
- No standard will have retroactive application, unless otherwise stated.
- The date from which a particular Standard will come into effect, as well as the class of enterprises to which it will apply, will also be specified by the ICAI.

Scope of Accounting Standards

- An entity shall apply this Ind-AS in:
- (a) its first Ind-AS financial statements and
- (b) each interim financial report, if any, that it presents in accordance with Ind AS 34 *Interim Financial Reporting* for part of the period covered by its first Ind-AS financial statements.

Need for Accounting Standards

- Accounting Standards are formulated with a view to **harmonise different accounting policies** and practices in use in a India.
- **Reduce the use of alternative accounting practices** to ensure comparability of Financial Statements
- The Accounting Standards are issued with a view to **describe the accounting principles** and the methods of applying these principles in the preparation and presentation of financial statements so that they give a true and fair view.

Objective of Financial Statement

Is to help provide

- Information about financial position is primarily provided in a **balance sheet**.
- Information about performance is primarily provided in a **statement of profit and loss**
- Information about cash flows is provided in the financial statements by means of a **cash flow statement**.

Basic Assumptions in the Preparation of Financial Statements

- Accrual Basis
- Going Concern

Components of Financial Statements

- IND AS 1.10 details a set of Financial Statements to be comprised of the following:
- A complete set of financial statements comprises:
 - (a) A balance sheet as at the end of the period (including statement of changes in equity which is presented as a part of the balance sheet);
 - (b) A statement of profit and loss for the period;
 - (c) (Paragraph 10(c) of IAS 1 is with reference to the separate statement of changes in equity. As Ind AS 1 does not require it, the same is deleted. However, paragraph number 10(c) has been retained in Ind AS 1 to maintain consistency with paragraph numbers of IAS 1)

Components of Financial Statements

- (d) A statement of cash flows for the period;
- (e) Notes, comprising a summary of significant accounting policies and other explanatory information; and
- (f) A balance sheet as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Compliance with Ind AS

- Accounting Standards issued by the ICAI have legal **recognition through the Companies Act, 1956**, whereby every company is required to comply with the Accounting Standards
 - Section 211 of the Companies Act, 1956 - the form and contents of balance sheet and profit and loss account.

Compliance with Ind AS

- Section 217 (2AA) - Prescribes that the Board's report should include a **Directors' Responsibility Statement** Indicating therein that in the preparation of the annual accounts, the applicable accounting standards had been followed
- Section 227(3)(d) - Duty upon the **auditor of the company to report** on such compliance

Compliance with Ind AS

- Section 211(3C) – **NACAS** constituted under section 210A advise the Central Government on **formulation and laying down of the accounting standards for adoption by companies**
- IRDA (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2000 requires insurance companies to follow the Accounting Standards issued by the ICAI.

Compliance with AS

- SEBI and RBI require compliance with the Accounting Standards issued by the ICAI from time to time

More about Ind AS

- **Ind ASs** are the near final Indian Accounting Standards issued by Institute of Chartered Accountants of India and notified by the Government of India.
- All the 35 standards issued are converged with IFRS.
- The date of implementation of the Ind AS will be notified by the Ministry of Corporate Affairs at a later date.
- Both by presentation and measurement principles they are new set of accounting standards developed in the line of IFRS

Terminologies used in Ind AS

- The term “Statement of Financial Position” has been replaced by “Balance Sheet”
- The term “Statement of Comprehensive Income” by “Statement of Profit and Loss”
- The words “ authorization of the financial statements for issue” have been replaced by “approval of the financial statements for issue”

First Time Adoption

- Unlike IFRS, Indian Accounting Standards are a new set of accounting standards issued by ICAI, which have not been followed by any one before, **hence all the entities will be adopting these standards for the first time in India.**
- Para 2A to Ind AS 101 has granted special exemption to entities by granting them special concession pertaining to preparation of opening balance sheet as per Ind AS.

Comparative Financial Information

- In accordance with Ind-AS 101, a first time adopter need not provide the corresponding previous period financial statements in accordance with Ind - AS when it reports its first Ind-AS financial statements
- The first time adopter shall present latest corresponding previous periods' financial statements prepared as per the previous GAAP when presenting its first Ind-AS financial statements.

Comparative Financial Information

- In terms of this Ind-AS, a first time adopter has the following two options:
 - This first Ind-AS financial statements would include the previous years' comparative figures as per the previous GAAP.
 - Voluntarily provide the previous years' comparatives corresponding to the first Ind-AS financial statements also under Ind-AS on a memorandum basis

Comparative Financial Information

- An entity's comparative financial statements under Ind-ASs should:
 - i. Apply consistent accounting policies for the first Ind-AS financial statements and comparative period
 - ii. Apply the optional exemptions consistently as at the date of transition, i.e, beginning date of the financial year for which an entity presents financial information under Ind -ASs and
 - iii. Deemed date of transition, i.e, beginning date of the comparative financial year for which an entity presents financial information under Ind-ASs.

Transition Explanation – Ind AS

- According to Para 23 of the Ind AS 101
“An entity shall explain how the transition from previous GAAP to Ind - ASs affected its reported Balance Sheet, financial performance and cash flows.”

Reconciliations

- An entity's first Ind -AS financial statements shall include:
 - (a) **Reconciliation of its Equity** reported in accordance with Ind -ASs to its equity in accordance with previous GAAP on the date of transition to Ind-ASs.
 - (b) Significant differences between previous GAAP and Ind -AS in respect of its **total comprehensive income** (or if it did not report such a total, profit or loss).

Application of Other Standards

- Ind AS 8 does not apply to changes in accounting policies an entity makes when it adopts Ind-ASs or to changes in those policies until after it presents its first Ind-AS financial statements.
- If during the period covered by its first Ind -AS financial statements an entity changes its accounting policies or its use of the exemptions contained in this Ind-AS, it shall explain the changes between its first Ind-AS interim financial report and its first Ind-AS financial statements

If an entity did not present financial statements for previous periods, its first Ind AS financial statements shall disclose that fact.

Application of Other Standards

- Ind AS 104 on Insurance Contracts – The standard is made effective for the accounting period beginning on or after the date of transition, hence there is no question of retrospective effect unlike IFRS which requires retrospective application in accordance with transitional provision that dates back to the accounting period beginning on or after 1.4 2004

Application of Other Standards

- Ind AS 23 – Borrowing Cost – Transitional provisions of Ind AS 23 on Borrowing Cost is applicable

Ind AS Notified – MCA Press Release dated 25.2.2011

- Thirty five Indian Accounting Standards converged with International Financial Reporting Standards (henceforth called IND AS) are being notified by the Ministry and placed on the website.
- These are: IND ASs 1, 2, 7, 8, 10, 11, 12, 16, 17, 18, 19, 20, 21, 23, 24, 27, 28, 29, 31, 32, 33, 34, 36, 37, 38, 39, 40, 101, 102, 103, 104, 105, 106, 107 and 108.

Ind AS Notified – MCA Press Release dated 25.2.2011

- The Ministry of Corporate Affairs will implement the IFRS converged Indian Accounting Standards in a phased manner after various issues including tax related issues are resolved with the concerned Departments.
- It would be ensured that the implementation of the converged standards in a phased manner is smooth for the stakeholders.
- The date of implementation of the IND AS will be notified by the Ministry at a later date.

Revised Schedule VI

- The Ministry of Corporate Affairs (MCA) has on February 28, 2011 released a revised version of Schedule VI that will apply to all companies uniformly for the financial statements to be prepared for the financial year 2010-11 and onwards.
- The revised Schedule VI has been framed as per the existing non-converged Indian Accounting Standards notified under the Companies (Accounting Standards), Rules, 2006 and has nothing to do with the converged Indian Accounting Standards.

MCA Notifications on IFRS

Determination of Applicability

12th January 2010/22nd January 2010/31st March 2010/05th April 2010

- **Companies covered in Phase I** will prepare their financial statements for 2011-12 in accordance with the first set of Accounting Standards (i.e. the converged Accounting Standards) but will show previous years' figures as per the financial statements for 2010-11 i.e. as per non-converged accounting standards.
- The entity shall have the option to add an additional column to indicate what these figures could have been if the first set of Accounting Standards (i.e. converged accounting standards) had been applied in that previous year

MCA Notifications on IFRS

- Companies which make this additional disclosure will, for this purpose, convert their opening balance sheet as at the date on which this previous year commences
- **Companies covered in 2nd / 3rd phase** for application of the **first set of Accounting Standards** will have an option for application of the first set of accounting standards (i.e. the converged Accounting Standards) only for the financial year commencing on 1st April, 2011 or thereafter

MCA Notifications on IFRS

Phase I Companies - will prepare their financial statements for 2011-12 in accordance with the first set of Accounting Standards

- Companies which are part of NSE –Nifty 50
- Companies which are part of BSE –Sensex 30
- Companies whose shares or other securities are listed on stock exchanges outside India
- Companies, whether listed or not, which have a net worth in excess of
- Rs.1, 000 crores

MCA Notifications on IFRS

- **Banking Companies and NBFCs - will convert their opening balance sheet at 1st April 2013**
- All scheduled commercial banks and those urban co-operative banks which have a net worth in excess of Rs. 300 crores will convert their opening balance sheet as at 1st April, 2013 in compliance with the first set of accounting standards (i.e., converged accounting standards)

MCA Notifications on IFRS

➤ NBFCs

- Companies which are part of NSE – Nifty 50
- Companies which are part of BSE– Sensex 30
- Companies, whether listed or not, which have a net worth in excess of Rs.1, 000 crores. The date for determination of the criteria is the Balance Sheet as at 31st March 2011 or the first Balance Sheet prepared thereafter when the accounting year ends on another date

MCA Notifications on IFRS

- **Phase II Companies - will convert their opening balance sheet as at 1st April, 2013.** The companies, whether listed or not, having a net worth exceeding Rs. 500 crores but not exceeding Rs. 1,000 crores will convert their opening balance sheet as at 1st April, 2013, if the financial year commences on or after 1st April, 2013 in compliance with the notified accounting standards which are convergent with IFRS.

MCA Notifications on IFRS

- **Phase-III: - will convert their opening balance sheet as at 1st April 2014.** Listed companies which have a net worth of Rs. 500 crores or less will convert their opening balance sheet as at 1st April, 2014, if the financial year commences on or after 1st April, 2014, whichever is later, in compliance with the notified accounting standards which are convergent with IFRS

MCA Notifications on IFRS

- **Banking companies**
- All scheduled commercial banks and those urban co-operative banks (UCBs) which have a **net worth in excess of Rs. 300 crores** will convert their opening balance sheet as at 1st April, 2013
- Urban co-operative banks which have a net worth in excess of Rs. 200 crores but not exceeding Rs. 300 crores will convert their opening balance sheets as at 1st April, 2014
- Urban co-operative banks which have a net worth not exceeding Rs. 200crores and Regional Rural banks (RRBs) will not be required to apply the first set of Accounting Standards

MCA Notifications on IFRS

- **Insurance Companies** - All insurance companies will convert their opening balance sheet as at 1st April, 2012 in compliance with the converged Indian Accounting Standards.
- **NBFCs**
- Non-banking financial companies (NBFCs) will convert their opening balance sheet as at 1st April, 2013 are
 - Companies which are part of NSE – Nifty 50
 - Companies which are part of BSE - Sensex 30
 - Companies, whether listed or not, which have a net worth in excess of Rs.1, 000 crores.

MCA Notifications on IFRS

- All listed NBFCs and those unlisted NBFCs which do not fall in the above categories and which have a net worth in excess of Rs. 500 crores will convert their opening balance sheet as at 1st April 2014
- Unlisted NBFCs which have a net worth of Rs. 500 crores or less will not be required to follow the first set of accounting standards (i.e the converged Indian accounting standards), though they may voluntarily opt to do so, but need to follow only the notified Indian accounting standards which are not converged with the IFRSs.

About the Author

- *CA. Rajkumar S Adukia is an eminent business consultant, academician, writer, and speaker. He is the senior partner of Adukia & Associates.*
- *In addition to being a Chartered Accountant, Company Secretary, Cost Accountant, MBA, Dip IFR (UK), Mr. Adukia also holds a Degree in Law and Diploma in Labor Laws and IPR.*
- *Mr. Adukia, a rank holder from Bombay University completed the Chartered Accountancy examination with 1st Rank in Inter CA & 6th Rank in Final CA, and 3rd Rank in Final Cost Accountancy Course in 1983.*
- *He started his practice as a Chartered Accountant on 1st July 1983, in the three decades following which he left no stone unturned, be it academic expertise or professional development.*

About the Author

- *He has been coordinating with various Professional Institutions, Associations, Universities, University Grants Commission and other Educational Institutions.*
- *Authored more than 50 books on a vast range of topics including Internal Audit, Bank Audit, SEZ, CARO, PMLA, Anti-dumping, Income Tax Search, Survey and Seizure, IFRS, LLP, Labour Laws, Real estate, ERM, Inbound and Outbound Investments, Green Audit etc.*
- *The author can be reached at rajcumarradukia@caaa.in
Mob – 09820061049 / 09323061049*
- *For more details log on to www.caaa.in*

THANK YOU

