

Indian Accounting Standards (Ind As)

As we all know that as per Notification of Ministry of Corporate Affairs on 16th February 2015 Ind As has come into force. They shall come into force on the **1st day of April, 2015**. I have gone through the notification and would like to share with you the basic points of notification i.e. applicability of Ind As.

Applicability of Accounting Standards:

1. The Indian Accounting Standards (**Ind AS**) shall be the accounting standards applicable to classes of **companies specified in rule 4** of Companies (Indian Accounting Standards) Rules, 2015.
2. The **Accounting Standards** Rules, 2006 shall be the Accounting Standards applicable to the companies **other than the classes of companies specified in rule 4**. (3)
3. A company which follows the Indian Accounting Standards (**Ind AS**) specified in **rule 4** of Companies (Indian Accounting Standards) Rules, 2015 **shall follow such standards only**.
4. A company which follows the **accounting standards** specified in Annexure to the Companies (Accounting Standards) Rules, 2006 shall comply with such standards only and **not the Standards** specified in Companies (**Indian Accounting Standards**) Rules, 2015.

Obligation to comply with Indian accounting Standards (Ind AS)

The **Companies** and **their auditors** shall comply with the Indian Accounting Standards (**Ind AS**) specified in Annexure to Companies (**Indian Accounting Standards**) Rules, 2015 in **preparation of their financial statements** and **audit** respectively, in the following manner, namely:-

1. For **Accounting periods** beginning **on or after 1st April, 2015** with the **comparatives** for periods **ending on 31st March, 2015, or thereafter**.

a) **Any company** may comply with the Ind AS.

2.

S.No	Conditions	Net worth of Rs. 500 Cores or more	Net worth less than Rs. 500 Cores.
(a)	Companies whose equity or debt securities are listed or are in the process of being listed in India or outside India.	Apply Accounting periods beginning on or after 1st April, 2016 with the comparatives for periods ending on 31st March, 2016, or thereafter	Apply For Accounting periods beginning on or after 1st April, 2017 with the comparatives for periods ending on 31st March, 2017, or thereafter
(b)	Companies whose equity or debt securities are Not listed on any stock	Apply Accounting periods beginning on or after 1st April, 2016 with the comparatives for periods ending on 31st March,	<u>Net worth of Rs. 250 Cores but less than Rs. 500 Cores.</u> Apply For Accounting periods beginning on or

	exchange in India or outside India.	2016, or thereafter	after 1 st April, 2017 with the comparatives for periods ending on 31st March, 2017, or thereafter
(c)	Holding, subsidiary, joint venture or associate companies of companies covered in point 1, & 2 of this table.		

Note: Both conditions of Net worth & Listing are mandatory to apply Ind As.

3. companies whose **securities are listed or are in the process of being listed on SME exchange** (as referred to in Chapter XB or on the Institutional Trading Platform) **without initial public offering** (in accordance with the provisions of Chapter XC of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009) **only clause (i)** i.e. Any company may comply with Ind AS for financial statements for **accounting periods beginning on or after 1st April, 2015**, with the **comparatives** for the periods **ending on 31st March, 2015**, or thereafter; shall apply.

Other Points :

- A. Ind As once required to be complied with in accordance with Companies (Indian Accounting Standards) Rules, 2015, shall **apply to both stand-alone financial statements and consolidated financial statements.**
- B. for companies which are not in existence on 31st March, 2014 or an existing company falling under any of thresholds specified for the first time after 31st March, 2014, the net worth shall be calculated on the basis of the first audited financial statements ending after that date in respect of which it meets the thresholds specified .
- Explanation:** - The companies meeting the specified thresholds given in sub-rule (1) for the first time at the end of an accounting year shall apply Ind AS **from the immediate next accounting year** in the manner specified
- Illustration:** - (i) The companies meeting threshold for the first time as on 31st March, 2017 shall apply Ind AS for the financial year 2017-18 onwards.
- (ii) The companies meeting threshold for the first time as on 31st March, 2018 shall apply Ind AS for the financial year 2018-19 onwards and so on.
- C. **Overseas** subsidiary, associate, joint venture and other similar entities **of an Indian company** may prepare its standalone financial statements in accordance with the requirements of the specific jurisdiction, provided that **such Indian company** shall prepare its **consolidated financial statements** in accordance with Ind AS either voluntarily or mandatorily if it meets the criteria.

- D. Indian company** which is a subsidiary, associate, joint venture and other similar entities of a foreign company shall prepare its financial statements in accordance with the Ind AS either voluntarily or mandatorily if it meets the criteria.
- E.** Any company opting to apply the Ind AS voluntarily shall prepare its financial statements as per the Ind AS **consistently**.
- F.** Once the Ind AS are applied voluntarily, it shall be **irrevocable** and such companies shall not be required to prepare another set of financial statements in accordance with Accounting Standards specified in Annexure to Companies (Accounting Standards) Rules, 2006.
- G.** Once a company starts following the Ind AS either voluntarily or mandatorily on the basis of criteria, it shall be required to follow the Ind AS for all the **subsequent financial statements** even if any of the criteria specified in this rule does not subsequently apply to it.

Exemption:

- (i) Insurance companies,
- (ii) Banking companies and
- (iii) non-banking finance companies

Shall not be required to apply Ind AS for preparation of their financial statements either voluntarily or mandatorily as specified.

Notes:

- (i) SME Exchange shall have the same meaning as assigned to it in Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- (ii) “Comparatives” shall mean comparative figures for the preceding accounting period.

By: Ashima Chachra

Your valuable suggestions, feedback, query are always welcomed at cchachra@gmail.com