

1. WORLD SCENARIO

1971 :

- **Internationally Accounting Standards Committee (IASC)** was formed for common Standards across Eurozone. These Standards were recommendatory. (IAS 1, 2,..... IAS 41)
- **SIC-** Standing Interpretation Committee on IAS was also formed for interpretation of standards.

2001 :

- IASC was re-constituted and made International Accounting Standards Board (IASB).
- IASB started issuing International Financial Reporting Standards (IFRS).
- IASB also took over IAS I to IAS 41.
- These are being reviewed or amended as per needs.
- IFRS is the new version of IAS.
- IFRS is now widely recognised as Global Accounting Standards.
- Till date, there are 25 International Accounting Standards (IAS 1 to IAS 41) and 17 IFRS (IFRS 1 to IFRS 17), both are referred as IFRS.

IFRS COMPOSITION :

- **IAS** : International Accounting Standards issued before April 2001
- **IFRS** : International Financial reporting Standards issued after April 2001
- **SIC** : Interpretations by Standing Interpretation Committee on IAS.
- **IFRIC** : Interpretations by International Financial Reporting Interpretation Committee on IFRS.

2. INDIAN SCENARIO

2006

- The Government of India expressed its commitment to converge with IFRS (Similar Standards to be issued). This commitment was given by Honorable EX-PM Shri. Manmohan Singh in G20 Summit. India decided to “converge” with IFRS rather than “adopting” IFRS.
- Adoption means to apply IFRS as it is, i.e, without any changes.
- In India, Indian Accounting Standards were to be introduced as modified version of IFRS, called Ind AS.
- India has taken the convergence approach rather than adoption making some significant changes know as carve-outs.
- **These have been notified by the MCA under Companies (Indian Accounting Standards) Rules, 2015 vide notification dated February 16, 2015, after recommendation of the National Advisory Committee on Accounting Standards (NACAS).**
- **In some cases, India added something new, it called “Carve-In.”**
- **In some cases, India deleted something, called “Carve-out.”**
- High level of disclosures are required for carve-in and “Carve-out.”
- **Broadly, three categories of changes were made in Ind AS :**
 - ⇒ **Various terminologies related changes** - “Balance Sheet” term is used in place of “Statement of Financial position”. “Statement of Profit and Loss” term is used in place of “Statement of Comprehensive Income.” The reason is to make it consistent with terminology used in law.
 - ⇒ **Removal of options in accounting principles and policies** - IFRS provides lot of options (alternatives). Ind AS removed lot of options. For example, IFRS allows 52 weeks or 365 Days. These changes will not result into carve-outs.
 - ⇒ **Deviation to the accounting principles and practices** (Carve-in/Carve-out) – these changes are made considering economic environment of the country.

3. CONVERGENCE TO IFRS IN INDIA

- **IND AS IS NOT AN ADOPTED IFRS BUT CONVERGED IFRS.**
- Convergence means to achieve harmony with IFRSs.
- Convergence doesn’t mean that IFRS should be adopted word by word, e.g., replacing the term ‘true & fair’ for ‘present fairly’, in IAS 1, ‘Presentation of Financial Statements’.
- Such changes do not lead to non-convergence with IFRS.
- Convergence is not “copy-paste” of IFRS. **It is a process of having IFRS customized for Indian environment.**

- To meet this objective, IFRS-converged Indian Accounting Standards (Ind AS) were formulated. While keeping these Ind AS, as far as possible, in line with the corresponding IFRS, certain departures have been made where it was considered absolutely essential.

4. WHY IFRS HAS BEEN CONVERGED?

- **STANDARDIZATION** - A single set of accounting standards would enable internationally to standardize training and assure better quality on a global screen.
- **COMPARABILITY of financial statements across the countries.**
- **INTERNATIONAL CAPITAL FLOW** - It would also permit international capital to flow more freely, enabling companies to develop consistent global practices on accounting problems.
- **BENEFICIAL TO REGULATORS** - It would be beneficial to regulators too, as complexity associated with understanding various reporting regimes would be reduced.
- **CONSOLIDATION OF FINANCIAL STATEMENTS when a company has presence in different countries.**

5. INDIAN ACCOUNTING STANDARDS (Ind AS) – APPLICABILITY

1. APPLICABLE TO :

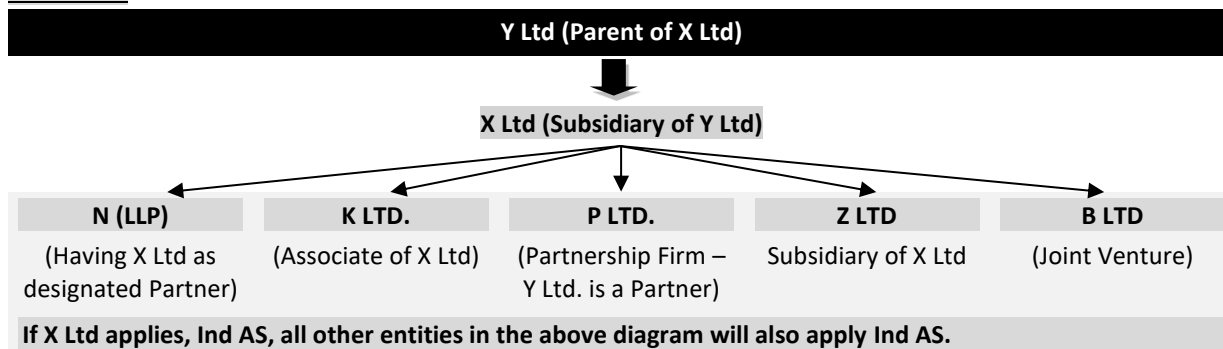
- Listed Companies or Companies in process of listing** any security (equity share, debenture, etc.) on any exchange.
- Listed NBFC or NBFC in process of listing.**
Note – Banks and Insurance Companies do not apply Ind AS. As on date, no date has been specified. It was proposed to be applied w.e.f. 1.4.2020.
- Unlisted companies having Networth > Rs 250 Crores on 31st March of previous year.**

Networth =

- Equity share capital
 - Add: Preference share capital (if treated as equity)
 - Add: securities premium
 - Add : free reserve
 - Add: Capital reserve arising from grant received on promoter contribution.
 - Less: accumulated losses and deferred expenditure and miscellaneous expenditure not written off as per audited balance sheet.
 - Do not include any other capital reserve or specific reserve [Source : FAQ issued by ICAI]
 - AS per IFRS, grant in nature of promoter contribution is like free reserve, hence included in networth.
 - Share forfeiture is not included in networth.
 - Networth will be calculated as per standalone balance sheet.
 - Once Ind AS are applicable, an entity shall be required to follow the Ind AS for all the subsequent financial statements even if the networth falls below Rs.250 crores or it gets delisted.
 - Networth has to be checked on the last day of previous year. Example – Companies meeting networth criteria for the first time on 31.3.2024 will apply Ind-AS from financial year 2024-25 onward.
 - Private limited companies and Section 8 Companies are also included if they meet networth criteria.
 - A company can voluntarily adopt Ind AS. If a company adopts Ind AS voluntarily, later it can not be revoked.
 - Ind AS will also be applicable to government companies if they meet Ind AS applicability criteria.
- Real Estate Investment Fund (SEBI has notified it for Ind AS.)
 - Infrastructure Investment fund (SEBI has notified it for Ind AS)

2) SPECIAL CASES :

- Wherever Ind AS are applied, then all entities in family will apply Ind AS. It means if A Ltd. applies Ind AS, then following entities will also apply Ind AS-
 - Subsidiary of A Ltd
 - Associate of A Ltd
 - Joint Venture of A Ltd
 - Parent of A Ltd
 - LLP of A Ltd
 - Partnership Firm in which A Ltd is a partner.

EXAMPLE :

- (II) **Where subsidiary, Associate or Joint Venture is a banking or insurance company**, it will not apply Ind AS. But, it will provide the relevant financial statement data in accordance with the accounting policies (Ind AS) followed by the parent company for consolidation purposes
- (III) **Where parent is banking or insurance company**, but **subsidiary, Associate or Joint Venture** is applying Ind AS, the subsidiary will provide data as per AS to its parent for consolidation.
- (IV) **Overseas Parent** - will not apply Ind AS.
- (V) **Overseas Subsidiary but parent is in India** - Overseas Subsidiary will not apply Ind AS but it will provide data as per Ind AS to its Indian Parent.

Banking company - RBI has postponed the implementation of Ind AS until further notice. (RBI circular dated March 22, 2019).

Insurers /Insurance companies - implementation of Ind AS has been postponed until further notice.

Voluntary adoption is not allowed for NBFC, Banking and Insurance companies.

Companies listed on SME exchange - not required to apply Ind AS

6. COMPARATIVE STATEMENT OF INTERNATIONAL ACCOUNTING STANDARDS AND INDIAN ACCOUNTING STANDARDS

IAS/IFRS		Converged standards	
IAS/ IFRS	Title of the Standard	Ind AS	Title of the Standard
IAS 1	Presentation of Financial Statements	Ind AS 1	Presentation of Financial Statements
IAS 2	Inventories	Ind AS 2	Inventories
IAS 7	Statement of Cash Flows	Ind AS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in accounting Estimates and Errors	Ind AS 8	Accounting Policies, Changes in accounting Estimates and Errors
IAS 10	Events after the Reporting Period	Ind AS 10	Events after the Reporting Period
IAS 12	Income Taxes	Ind AS 12	Income Taxes
IAS 16	Property, Plant and Equipment	Ind AS 16	Property, Plant and Equipment
IAS 19	Employee Benefits	Ind AS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Ind AS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates	Ind AS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs	Ind AS 23	Borrowing Costs
IAS 24	Related Party Disclosures	Ind AS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans		No corresponding standard
IAS 27	Separate Financial Statements	Ind AS 27	Separate Financial Statements
IAS 28	Investment in Associates and Joint Ventures	Ind AS 28	Investment in Associates and Joint Ventures
IAS 29	Financial Reporting in Hyper-Inflationary Economies	Ind AS 29	Financial Reporting in Hyper-Inflationary Economies
IAS 32	Financial Instruments - Presentation	Ind AS 32	Financial Instruments - Presentation
IAS 33	Earnings Per Share	Ind AS 33	Earnings Per Share
IAS 34	Interim Financial Reporting	Ind AS 34	Interim Financial Reporting
IAS 36	Impairment of Assets	Ind AS 36	Impairment of Assets

IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets	Ind AS 38	Intangible Assets
IAS 40	Investment Property	Ind AS 40	Investment Property
IAS 41	Agriculture	Ind AS 41	Agriculture
IFRS 1	First Time Adoption of IFRS	Ind AS 101	First Time Adoption of Ind AS
IFRS 2	Share Based Payment	Ind AS 102	Share Based Payment
IFRS 3	Business Combinations	Ind AS 103	Business Combinations
IFRS 5	Non-current Assets held for Sale and Discontinued Operations	Ind AS 105	Non-current Assets held for Sale and Discontinued Operations
IFRS 6	Exploration for and evaluation of mineral resources	Ind AS 106	Exploration for and evaluation of mineral resources
IFRS 7	Financial Instruments - Disclosures	Ind AS 107	Financial Instruments - Disclosures
IFRS 8	Operating Segments	Ind AS 108	Operating Segments
IFRS 9	Financial Instruments	Ind AS 109	Financial Instruments
IFRS 10	Consolidated Financial Statements	Ind AS 110	Consolidated Financial Statements
IFRS 11	Joint Arrangements	Ind AS 111	Joint Arrangements
IFRS 12	Disclosure of Interest in other Entities	Ind AS 112	Disclosure of Interest in other Entities
IFRS 13	Fair Value Measurements	Ind AS 113	Fair Value Measurements
IFRS 14	Regulatory Deferral Accounts	Ind AS 114	Regulatory Deferral Accounts
IFRS 15	Revenue from contracts with customers	Ind AS 115	Revenue from contracts with customers
IFRS 16	Leases	Ind AS 116	Leases
IFRS 17	Insurance Contracts	Ind AS 117	Insurance Contracts (draft)

FLOW CHART FOR APPLICABILITY OF IND AS

