

## Convergence of Indian Accounting Standards with IFRS

### 4.1 Convergence process

- 4.1.1 As per the road-map announced by Ministry of Corporate Affairs (MCA) in March 2010, the Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) were to be applied to specified class of companies in phases beginning with the financial year 1 April 2011. Audit observed that MCA could not notify the date of implementation of Ind AS as per its notified road-map. Slippages in the implementation of Ind AS were discussed in Chapter 4 of Audit Report No. 2 of 2014.
- 4.1.2 Subsequently, in pursuance of the Budget Statement of the Finance Minister in February 2014, MCA after consultations with various stakeholders and regulators, issued a press note on 2 January 2015 wherein a revised Road map for implementation of Ind AS converged with IFRS was laid down for companies other than Banking Companies, Insurance Companies and Non-Banking Finance Companies (NBFC). The Ind AS shall be applicable to the companies as follows:
- (i) On **voluntary basis** for financial statements for accounting periods beginning on or after 1 April 2015, with the comparatives for the periods ending 31 March, 2015 or thereafter;
  - (ii) On **mandatory basis** for the accounting periods beginning on or after 1 April 2016, with comparatives for the periods ending 31 March 2016, or thereafter, for the companies specified below:
    - (a) Companies whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth of ₹ 500 crore or more.
    - (b) Companies other than those covered in (ii) (a) above, having net worth of ₹ 500 crore or more.
    - (c) Holding, subsidiary, joint venture or associate companies of companies covered under (ii) (a) and (ii) (b) above.
  - (iii) On mandatory basis for the accounting periods beginning on or after 1 April 2017, with comparatives for the periods ending 31 March, 2017, or thereafter, for the companies specified below:
    - (a) Companies whose equity and/or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than ₹ 500 crore .
    - (b) Companies other than those covered in paragraph (ii) and paragraph (iii)(a) above that is unlisted companies having net worth of ₹ 250 crore or more but less than ₹ 500 crore.

- (c) Holding, subsidiary, joint venture or associate companies of companies covered under paragraph (iii) (a) and (iii) (b) above.

However, companies whose securities are listed or in the process of listing on SME exchanges shall not be required to apply Ind AS. Such companies shall continue to comply with the existing Accounting Standards unless they choose otherwise.

- (iv) Once a company opts to follow the Ind AS, it shall be required to follow the Ind AS for all the subsequent financial statements.
- (v) Companies not covered by the above roadmap shall continue to apply existing Accounting Standards prescribed in Annexure to the Companies (Accounting Standards) Rules, 2006.

#### **4.1.3 Notification of Ind AS**

Companies Act, 2013 specified that the financial statements shall comply with accounting standards notified by Central Government and shall be in form or forms as may be provided for class or classes of companies. This would facilitate implementation of Ind AS in phases. Accordingly, MCA vide its notification dated 16 February 2015 notified the Companies (Indian Accounting Standards) Rules 2015 specifying 39 Ind AS to be implemented as per the above road-map. The Ind AS have been formulated by MCA in consultation with National Advisory Committee on Accounting Standards (NACAS).

## **4.2 Challenges to convergence**

- 4.2.1 As Ind AS are essentially based on the concept of fair value measurement of assets and liabilities, corresponding standards under the Income Tax Act are essential to ensure smooth and harmonised transition. Draft Income Computation and Disclosure Standards released by Ministry of Finance in this regard in January 2015 are under finalisation.
- 4.2.2 Banks and Insurance Companies have been kept out of the proposed road map for transition to Ind AS in view of the specific needs and concerns of these two sectors.
- 4.2.3 Issues such as cost of compliance, capacity building, managing two sets of standards (one for entities that seek transition and the other for those which do not) and the impact of exceptions or 'carve outs' on the achievement of objectives of convergence would need to be addressed through a well-coordinated mechanism among MCA, DPE and ICAI.

The chapter was issued to Ministry of Corporate Affairs in March 2015; reply was awaited (April 2015).