CHAPTER 1

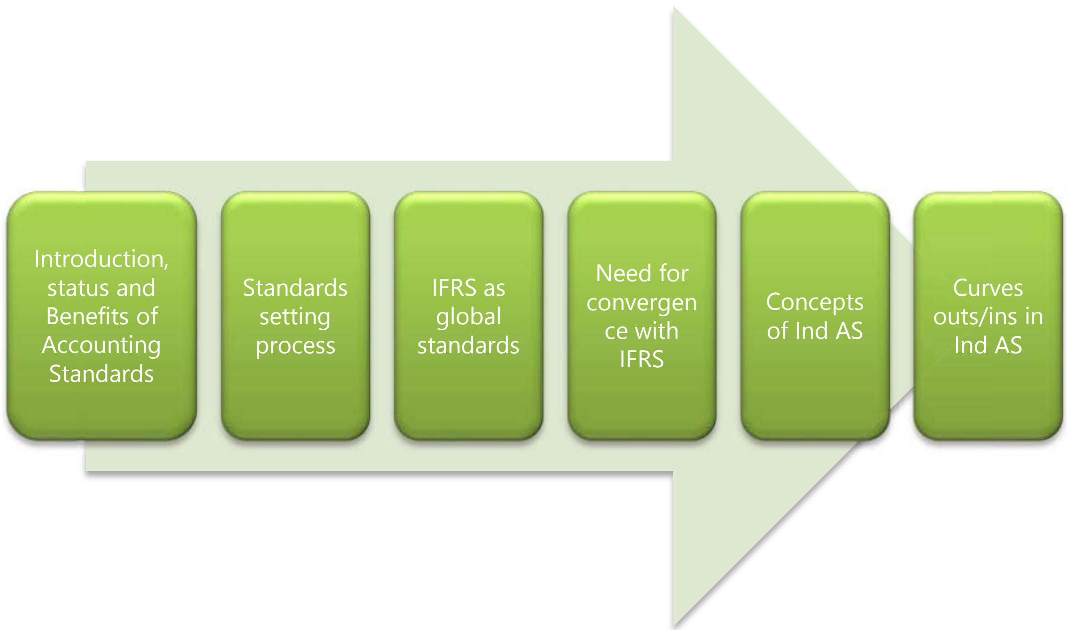
INTRODUCTION TO ACCOUNTING STANDARDS

LEARNING OUTCOMES

After studying this unit, you will be able to–

- Understand the concept of Accounting Standards;
- Grasp the objectives and benefits and limitations of Accounting Standards;
- Learn the standards setting process;
- Familiarize with the status of Accounting Standards in India;
- Recognize the International Accounting Standard Authorities;
- Appreciate the emergence of International Financial Reporting Standards as global standards;
- Differentiate between convergence vs. adoption;
- Understand the process of convergence of IFRS in India;
- Understand the objectives and concepts of carve outs/ins.

CHAPTER OVERVIEW



1. INTRODUCTION

Generally Accepted Accounting Principles

Generally accepted accounting principles (GAAP) refer to a common set of accepted accounting principles, standards, and procedures that business reporting entity must follow when it prepares and present its financial statements.

GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. At international level such authoritative standards are known as International Financial Reporting Standards (IFRS) and in India we have authoritative standards named as AS and IND-AS.

Accounting Standards (ASs) are written policy documents issued by the Government with the support of other regulatory bodies (e.g., Ministry of Corporate Affairs (MCA) issuing Accounting Standards for corporates in consultation with National Financial Reporting Authority (NFRA) covering the following aspects of accounting transaction in financial statements

- recognition,

- measurement,
- presentation,
- and disclosure.

The ostensible purpose of the standard setting bodies is to promote the dissemination of timely and useful financial information to investors and certain other stakeholders, having an interest in the company's economic performance.

Accounting Standards reduce the accounting alternatives in the preparation of financial statements within the bounds of rationality, thereby, ensuring comparability of financial statements of different enterprises.

Accounting Standards deal with the following:

(i) recognition of events and transactions in the financial statements,

(ii) measurement of these transactions and events,

(iii) presentation of these transactions and events in the financial statements in a manner that is meaningful and understandable to the reader, and

(iv) the disclosure relating to these transactions and events to enable the public at large and the stakeholders and the potential investors in particular, to get an insight into what these financial statements are trying to reflect and thereby facilitating them to take prudent and informed business decisions.

Accounting Standards deal with			
Recognition of events and transactions	Measurement of transactions and events	Presentation of transactions and events	Disclosure requirements

The following are the benefits of Accounting Standards:

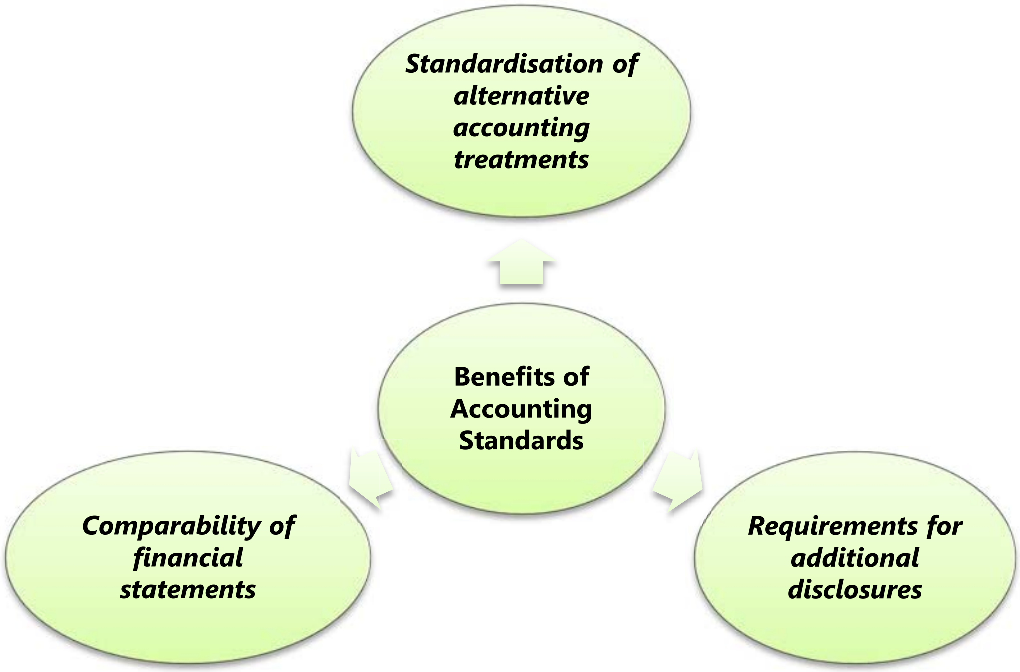
(i) ***Standardisation of alternative accounting treatments:*** Accounting Standards reduce to a reasonable extent or eliminate altogether confusing variations in the accounting treatment followed for the purpose of preparation of financial statements. The standard policies are **intended to reflect a consensus on accounting policies to be used in different identified area**, e.g. inventory valuation, capitalisation of costs, depreciation and amortisation, etc. Since it is not possible to prescribe a single set of policies for any specific area that would be appropriate for all enterprises, it is not enough to comply with the standards and state that they have been followed. In other words, one must also disclose the accounting policies used in preparation of financial statements. (Refer AS 1, Disclosure of Accounting Policies given in Accounting Pronouncements). For example, an enterprise should disclose which of the permitted cost formula (FIFO, Weighted Average, etc.) has actually been used for ascertaining inventory costs.

(ii) ***Requirements for additional disclosures:*** There are certain areas where important is not statutorily required to be disclosed. Standards may call for disclosure beyond that required by law.

(iii) ***Comparability of financial statements:*** In addition to **improving credibility of accounting data**, standardisation of accounting procedures **improves comparability of financial statements, both intra-enterprise and inter-enterprise**. Such comparisons are very effective and most widely used tools for assessment of enterprise's financial health and performance by users of financial statements for taking economic decisions, e.g., whether or not to invest, whether or not to lend and so on.

The intra-enterprise comparison involves **comparison of financial statements of same enterprise over number of years.** The intra-enterprise comparison is possible if the enterprise uses same accounting policies every year in drawing up its financial statements.

The inter-enterprise comparison involves **comparison of financial statements of different enterprises for same accounting period**. This is possible only when comparable enterprises use similar accounting policies in preparation of respective financial statements (or in case the policies are slightly different, the same is disclosed in the financial statements). The disclosure of accounting policies allows a user to make appropriate adjustments while comparing the financial statements of comparable enterprises.



Since Accounting Standards are principle based, application of Accounting Standards becomes judgemental in case of complex business transactions. Accounting Standards have to be read in line with the legal requirements, i.e., in case of any conflict, Statute would prevail over Accounting Standards.

Another advantage of standardisation is **reduction of scope for *creative accounting.*** The creative accounting refers to twisting of accounting policies to produce financial statements favourable to a particular interest group. For example, it is possible to overstate profits and assets by capitalising revenue expenditure or to understate them by writing off a capital expenditure against revenue of current accounting period. Such practices can be curbed only by framing policies for capitalisation, particularly for the borderline cases where it is possible to have divergent views. The accounting standards provide adequate guidance in this regard.

2. STANDARDS SETTING PROCESS

The Institute of Chartered Accountants of India (ICAI), being a premier accounting body in the country, took upon itself the leadership role by constituting the Accounting Standards Board (ASB) in 1977. The ICAI has taken significant initiatives in the issuing of Accounting Standards to ensure that the standard-setting process is fully consultative and transparent. The ASB considered the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs) while framing Indian Accounting Standards (ASs) and tried to integrate them, in the light of the applicable laws, customs, usages and business environment in the country. The composition of ASB includes representatives of industries (namely, ASSOCHAM, CII, FICCI), regulators, academicians, government departments, etc. Although ASB is a body constituted by the Council of the ICAI, it (ASB) is independent in the formulation of accounting standards and Council of the ICAI is not empowered to make any modifications in the draft accounting standards formulated by ASB without consulting with the ASB. It may be noted that ASB is a committee under Institute of Chartered Accountants of India (ICAI) which consists of representatives from government department, academicians, other professional bodies viz. ICSI, ICAI, representatives from ASSOCHAM, CII, FICCI, etc. NFRA recommend these standards to the Ministry of Corporate Affairs (MCA). MCA has to spell out the accounting standards applicable for companies in India.

The standard-setting procedure of Accounting Standards Board (ASB) can be briefly outlined as follows:

- Identification of broad areas by ASB for formulation of AS.
- Constitution of study groups by ASB to consider specific projects and to prepare preliminary drafts of the proposed accounting standards. The draft normally includes objective and scope of the standard, definitions of the terms used in the standard, recognition and measurement principles wherever applicable and presentation and disclosure requirements.
- Consideration of the preliminary draft prepared by the study group of ASB and revision, if any, of the draft on the basis of deliberations.
- Circulation of draft of accounting standard (after revision by ASB) to the Council members of the ICAI and specified outside bodies such as Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI), Comptroller and Auditor General of India (C&AG), Central Board of Direct Taxes (CBDT), Standing Conference of Public Enterprises (SCOPE), etc. for comments.
- Meeting with the representatives of the specified outside bodies to ascertain their views on the draft of the proposed accounting standard.
- Finalisation of the exposure draft of the proposed accounting standard and its issuance inviting public comments.
- Consideration of comments received on the exposure draft and finalisation of

the draft accounting standard by the ASB for submission to the Council of the ICAI for its consideration and approval for issuance.

- Consideration of the final draft of the proposed standard and by the Council of the ICAI, and if found necessary, modification of the draft in consultation with the ASB is done.
- The accounting standard on the relevant subject (for non-corporate entities) is then issued by the ICAI. For corporate entities the accounting standards are issued by the Central Government of India.

Standard – Setting Process

Earlier, ASB used to issue Accounting Standard Interpretations which address questions that arise in course of application of standard. These were, therefore, issued after issuance of the relevant standard. Authority of the accounting standard interpretation (ASIs) was same as that of the accounting standard (AS) to which it relates. However, after notification of Accounting Standards by the Central Government for the companies, where the consensus portion of ASI was merged as 'Explanation' to the relevant paragraph of the Accounting Standard, the Council of ICAI also decided to merge the consensus portion of ASI as 'Explanation' to the relevant paragraph of the Accounting Standard issued by them. This initiative was taken by the Council of the ICAI to harmonise both the set of standards, i.e., Accounting Standards issued by the ICAI and Accounting Standards notified by the Central Government.

It may be noted that as per Section 133 of the Companies Act, 2013, the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority (NFRA)

3. HOW MANY ACCOUNTING STANDARDS?

The Council of the Institute of Chartered Accountants of India has, so far, issued twenty nine Accounting Standards. However, AS 6 on 'Depreciation Accounting' has been withdrawn on revision of AS 10 'Property, Plant and Equipment*' and AS 8 on 'Accounting for Research and Development' has been withdrawn consequent to the issuance of AS 26 on 'Intangible Assets'. Thus effectively, there are 27 Accounting Standards at present. The 'Accounting Standards' issued by the Accounting Standards Board establish standards which have to be complied by the business entities so that the financial statements are prepared in accordance with generally accepted accounting principles.

The following is the list of Accounting Standards with their respective date of applicability:

AS No.	AS Title	Date
1	Disclosure of Accounting Policies	01/04/1993
2	Valuation of Inventories (Revised)	01/04/1999

* Earlier AS 10 was on 'Accounting for Fixed Assets'.

3	Cash Flow Statement	01/04/2001
4	Contingencies and Events Occurring after the Balance Sheet Date (Revised)	01/04/1998
5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	01/04/1996
7	Construction Contracts	01/04/2002
9	Revenue Recognition	01/04/1993
10	Property, Plant and Equipment (Revised)	01/04/2016
11	The Effects of Changes in Foreign Exchange Rates	01/04/2004
12	Accounting for Government Grants	01/04/1994
13	Accounting for Investments (Revised)	01/04/1995
14	Accounting for Amalgamations (Revised)	01/04/1995
15	Employee Benefits	01/04/2006
16	Borrowing Costs	01/04/2000
17	Segment Reporting	01/04/2001
18	Related Party Disclosures	01/04/2001
19	Leases	01/04/2001
20	Earnings Per Share	01/04/2001
21	Consolidated Financial Statements (Revised)	01/04/2001
22	Accounting for Taxes on Income	01/04/2006
23	Accounting for Investments in Associates in Consolidated Financial Statements	01/04/2002
24	Discontinuing Operations	01/04/2004

25	Interim Financial Reporting	01/04/2002
26	Intangible Assets	01/04/2003
27	Financial Reporting of Interests in Joint Ventures	01/04/2002
28	Impairment of Assets	01/04/2008
29	Provisions, Contingent Liabilities and Contingent Assets (Revised)	01/04/2004

NOTE: ***AS 1; AS 2 (Revised); AS 3; AS 10 (Revised); AS 11; AS 12; AS 13 (Revised); AS 16 are covered in the syllabus of this paper at Intermediate Level.***

4. STATUS OF ACCOUNTING STANDARDS

It has already been mentioned that the Accounting Standards are developed by the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India and are issued under the authority of its Council. The Institute not being a legislative body can enforce compliance with its standards only by its members. Also, the standards cannot override laws and local regulations. The Accounting Standards are nevertheless made mandatory from the dates specified in respective standards and are generally applicable to all enterprises, subject to certain exception. The implication of mandatory status of an Accounting Standard depends on whether the statute governing the enterprise concerned requires compliance with the Accounting Standards. The Companies Act had earlier notified 28 accounting standards and mandated the corporate entities to comply with the provisions stated therein. ***However, in 2016 the MCA has withdrawn AS 6. Hence, effectively there are now only 27 notified Accounting Standards as per the Companies (Accounting Standards) Rules, 2006 (as amended in 2016).***

5. NEED FOR CONVERGENCE TOWARDS GLOBAL STANDARDS

The last decade has witnessed a sea change in the global economic scenario. The emergence of trans-national corporations in search of money, not only for fuelling growth, but to sustain on-going activities has necessitated raising of capital from all parts of the world, cutting across frontiers.

Each country has its own set of rules and regulations for accounting and financial reporting. Therefore, when an enterprise decides to raise capital from the markets other than the country in which it is located, the rules and regulations of that other country will apply and this in turn will require that the enterprise is in a position to understand the differences between the rules governing financial reporting in the foreign country as compared to its own country of origin. Therefore, translation and re-instatements are of utmost importance in a world that is rapidly globalising in all ways. Further, the accounting standards and principle need to be robust so that the larger society develops degree of confidence in the financial statements, which are put forward by organisations.

International analysts and investors would like to compare financial statements based on similar accounting standards, and this has led to the growing support for an internationally accepted set of accounting standards for cross-border filings. The harmonization of financial reporting around the world will help to raise confidence of investors generally in the information they are using to make their decisions and assess their risks.

Also, a strong need was felt by legislation to bring about uniformity, rationalisation, comparability, transparency and adaptability in financial statements. Having a multiplicity of accounting standards around the world is against the public interest. If accounting for the same events and information produces different reported numbers, depending on the system of standards that are being used, then it is self-evident that accounting will be increasingly discredited in the eyes of those using the numbers. It creates confusion, encourages error and facilitates fraud. The cure for these ills is to have a single set of global standards, of the highest quality, set in the interest of public. Global Standards facilitate cross border flow of money, global listing in different stock markets and comparability of financial statements.

The convergence of financial reporting and Accounting Standards is a valuable process that contributes to the free flow of global investment and achieves substantial benefits for all capital market stakeholders. It improves the ability of investors to compare investments on a global basis and, thus, lower their risk of errors of judgment. It facilitates accounting and reporting for companies with global operations and eliminates some costly requirements say reinstatement of financial statements. It has the potential to create a new standard of accountability and greater transparency provides value to all market participants including regulators. It reduces operational challenges for accounting firms and focuses their value and expertise around an increasingly unified set of standards. It creates an unprecedented opportunity for standard setters and other stakeholders to improve the reporting model. For the companies with joint listings in both domestic and foreign country, the convergence is very much significant.

6. INTERNATIONAL ACCOUNTING STANDARD BOARD

With a view of achieving these objectives, the London based group namely the International Accounting Standards Committee (IASC), responsible for developing International Accounting Standards, was established in June, 1973. It is presently known as International Accounting Standards Board (IASB), The IASC comprises the professional accountancy bodies of over 75 countries (including the Institute of Chartered Accountants of India). Primarily, the IASC was established, in the public interest, to formulate and publish, International Accounting Standards to be followed in the presentation of financial statements. International Accounting Standards were issued to promote acceptance and observance of International Accounting Standards worldwide. The members of IASC have undertaken a responsibility to support the standards promulgated by IASC and to propagate those standards in their respective countries.

Between 1973 and 2001, the International Accounting Standards Committee (IASC) released International Accounting Standards. Between 1997 and 1999, the IASC restructured their organisation, which resulted in formation of International Accounting Standards Board (IASB). These changes came into effect on 1st April, 2001. Subsequently, IASB issued statements about current and future standards IASB publishes its Standards in a series of pronouncements called International Financial Reporting Standards (IFRS). However, IASB has not rejected the standards issued by the ISAC. Those pronouncements continue to be designated as “International Accounting Standards” (IAS).

7 INTERNATIONAL FINANCIAL REPORTING STANDARDS AS GLOBAL STANDARDS

The term International Financial Reporting Standards (IFRS) comprises IFRS issued by IASB; IAS issued by International Accounting Standards Committee (IASC); Interpretations issued by the Standard Interpretations Committee (SIC) and the IFRS Interpretations Committee of the IASB.

International Financial Reporting Standards (IFRSs) are considered a "principles-based" set of standards. In fact, they establish broad rules rather than dictating specific treatments. Every major nation is moving toward adopting them to some extent. Large number of authorities permits public companies to use IFRS for stock-exchange listing purposes, and in addition, banks, insurance companies and stock exchanges may use them for their statutorily required reports. So over the next few years, number of companies will adopt the international standards. This requirement will affect thousands of enterprises, including their subsidiaries, equity investors and joint venture partners. The increased use of IFRS is not limited to public-company listing requirements or statutory reporting. Many lenders and regulatory and government bodies are looking to IFRS to fulfil local financial reporting obligations related to financing or licensing.

8. BECOMING IFRS COMPLIANT

Any country can become IFRS compliant either by adoption process or by convergence process. Adoption would mean that the country sets a specific timetable when specific entities would be required to use IFRS as issued by the IASB. Convergence means that the country will develop high quality, compatible accounting standards over time. Convergence means alignment of the standards of different standard setters with a certain rate of compromise, by adopting the requirements of the standards either fully or partially. Indian Accounting Standards are almost similar to IFRS but with few carve outs so as to make them suitable for Indian Environment.

Convergence with IFRS will result in following benefits:

- Improves investor confidence across the world with transparency and comparability
- Improves inter-unit/ inter-firm/inter-industry comparison
- Group consolidation will be easy with same standard by all companies in group irrespective of their global location.
- Acceptability of financial statements stock exchanges across the globe, which will facilitate entry of any Indian company to any stock exchange.

9. WHAT ARE CARVE OUTS/INS IN IND AS?

The Government of India in consultation with the ICAI decided to converge and not to adopt IFRS issued by the IASB. The decision of convergence rather than adoption was taken after the detailed analysis of IFRS requirements and extensive discussion with various stakeholders.

Accordingly, while formulating IFRS converged Indian Accounting Standards (Ind AS), efforts have been made to keep these Standards, as far as possible, in line with the corresponding IAS/IFRS and departures have been made where considered absolutely essential. These changes have been made considering various factors, such as

- Various terminology related changes have been made to make it consistent with the terminology used in law, e.g., 'statement of profit and loss' in place of 'statement of comprehensive income' and 'balance sheet' in place of 'statement of financial position'.
- Removal of options in accounting principles and practices in Ind AS vis-a-vis IFRS, have been made to maintain consistency and comparability of the financial statements to be prepared by following Ind AS. However, these changes will not result into carve outs.
- Certain changes have been made considering the economic environment of the country, which is different as compared to the economic environment presumed to be in existence by IFRS. These differences are due to differences in economic conditions prevailing in India. These differences which are in deviation to the accounting principles and practices stated in IFRS, are commonly known as **'Carve-outs'.**

  Additional guidance given in Ind AS over and above what is given in IFRS, is termed as **'Carve in'.**

10. CONVERGENCE TO IFRS IN INDIA

In the scenario of globalisation, India cannot insulate itself from the developments taking place worldwide. In India, so far as the ICAI and the Government authorities such as the National Advisory Committee on Accounting Standards established under the Companies Act, 2013, and various regulators such as Securities and Exchange Board of India and Reserve Bank of India are concerned, the aim is to comply with the IFRS to the extent possible with the objective to formulate sound financial reporting standards for the purpose of preparing globally accepted financial statements. The ICAI, being a member of the International Federation of Accountants (IFAC), considered the IFRS and tried to integrate them, to the extent possible, in the light of the laws, customs, practices and business environment prevailing in India.

Also, the recent stream of overseas acquisitions by Indian companies makes a compelling case for adoption of high quality standards to convince foreign enterprises about the financial standing as also the disclosure and governance standards of Indian acquirers.

In India, the Institute of Chartered Accountants of India (ICAI) has worked towards convergence by considering the application of IFRS in Indian corporate environment of Indian Accounting Standards with Global Standards. Recognising the growing need of full convergence of Indian Accounting Standards with IFRS, ICAI constituted a Task Force to examine various issues involved. Full convergence involves adoption of IFRS in the same form as that issued by the IASB.

For convergence of Indian Accounting Standards with International Financial Reporting Standards (IFRS), the Accounting Standard Board in consultation with the Ministry of Corporate Affairs (MCA)), has decided that there will be two separate sets of Accounting Standards viz. (i) Indian Accounting Standards converged with the IFRS – standards which are being converged by eliminating the differences of the Indian Accounting Standards vis-à-vis IFRS (known as Ind AS) and (ii) Existing Notified Accounting Standards.

11. WHAT ARE INDIAN ACCOUNTING STANDARDS (IND AS)?

Indian Accounting Standards (Ind AS) are IFRS converged standards issued by the Central Government of India under the supervision and control of Accounting Standards Board (ASB) of ICAI and in consultation with NFRA.

ASB is a committee under Institute of Chartered Accountants of India (ICAI) which consists of representatives from government department, academicians, other professional bodies viz. ICSI, ICAI, representatives from ASSOCHAM, CII, FICCI, etc. NFRA recommend these standards to the Ministry of Corporate Affairs (MCA). MCA has to spell out the Accounting Standards applicable for companies in India.

Ind AS are named and numbered in the same way as the corresponding International Financial Reporting Standards (IFRS).

Indian Accounting Standards			
Globalization and Libreralization	Transparency of financial statements	Comparability of financial statements	Enhanced Disclosure requirements

12. HISTORY OF IFRS-CONVERGED INDIAN ACCOUNTING STANDARDS (IND AS)

First Step towards IFRS

The Institute of Chartered Accountants of India (ICAI) being the accounting standards-setting body in India, way back in 2006, initiated the process of moving towards the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) with a view to enhance acceptability and transparency of the financial information communicated by the Indian corporates through their financial statements. This move towards IFRS was subsequently accepted by the Government of India.

The Government of India in consultation with the ICAI decided to converge and not to adopt IFRS issued by the IASB. The decision of convergence rather than adoption was taken after the detailed analysis of IFRS requirements and extensive discussion with various stakeholders. Accordingly, while formulating IFRS converged Indian Accounting Standards (Ind AS), efforts have been made to keep these Standards, as far as possible, in line with the corresponding IAS/IFRS and departures have been made where considered absolutely essential. These changes have been made considering various factors, such as, various terminology related changes have been made to make it consistent with the terminology used in law, e.g., 'statement of profit and loss' in place of 'statement of profit and loss and other comprehensive income' and 'balance sheet' in place of 'statement of financial position'. Certain changes have been made considering the economic environment of the country, which is different as compared to the economic environment presumed to be in existence by IFRS.

Government of India - Commitment to IFRS Converged Ind AS

Consistent, comparable and understandable financial reporting is essential to develop a robust economy. With a view to achieve international benchmarks of financial reporting, the Institute of Chartered Accountants of India (ICAI), as a proactive role in accounting, set out to introduce Indian Accounting Standards (Ind AS) converged with the International Financial Reporting Standards (IFRS). This endeavour of the ICAI is supported by the Government of India.

Initially Ind AS were expected to be implemented from the year 2011. However, keeping in view the fact that certain issues including tax issues were still to be addressed, the Ministry of Corporate Affairs decided to postpone the date of implementation of Ind AS.

In July 2014, the Finance Minister of India at that time, Shri Arun Jaitely ji, in his Budget Speech, announced an urgency to converge the existing accounting standards with the International Financial Reporting Standards (IFRS) through adoption of the new Indian Accounting Standards (Ind AS) by the Indian companies.

Pursuant to the above announcement, various steps have been taken to facilitate the implementation of IFRS-converged Indian Accounting Standards (Ind AS). Moving in this direction, the Ministry of Corporate Affairs (MCA) has issued the Companies (Indian Accounting Standards) Rules, 2015 vide Notification dated February 16, 2015 covering the revised roadmap of implementation of Ind AS for companies other than Banking companies, Insurance Companies and NBFCs and Indian Accounting Standards (Ind AS). As per the Notification, Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) shall be implemented on voluntary basis from 1st April, 2015 and mandatorily from 1st April, 2016. Separate roadmaps have been presecribed for implementation of Ind AS to Banking, Insurance companies and NBFCs respectively.

13. LIST OF IND AS

The following is the list of Ind AS *vis-a-vis* IFRS and AS:

Ind AS	IFRS	Title of Ind AS/IFRS	AS/GN	AS/GN Title
101	1	First Time Adoption of Indian Accounting Standards	-	-
102	2	Share Based Payment	GN 18	Guidance Note on Accounting for Employee Share-based Payments

103	3	Business Combinations	AS 14	Accounting for Amalgamations
104	4	Insurance Contracts	-	-
105	5	Non-current Assets Held for Sale and Discontinued Operations	AS 24	Discontinuing Operations
106	6	Exploration for and Evaluation of Mineral Resources	GN 15	Guidance Note on Accounting for Oil and Gas Producing Activities
107	7	Financial Instruments: Disclosures		
108	8	Operating Segments	AS 17	Segment Reporting
109	9	Financial Instruments		
110	10	Consolidated Financial Statements	AS 21	Consolidated Financial Statements
111	11	Joint Arrangements	AS 27	Financial Reporting of Interests in Joint Ventures
112	12	Disclosure of Interests in Other Entities	-	-
113	13	Fair Value Measurement	-	-
114	14	Regulatory Deferral Accounts	GN	Accounting for Rate Regulated Activities
115	15	Revenue from contracts with customers	AS 7 AS 9	Construction Contract Revenue Recognition
116	16	Leases	AS 19	Leases
1	1	Presentation of Financial Statements	AS 1	Disclosure of Accounting Policies
2	2	Inventories	AS 2	Valuation of Inventories
7	7	Statement of Cash Flows	AS 3	Cash Flow Statements

8	8	Accounting Policies, Changes in Accounting Estimates and Errors	AS 5	Net Profit or Loss for the Period, Prior period Items and Changes in Accounting Policies
10	10	Events after the Reporting Period	AS 4	Contingencies and Events Occurring After the Balance Sheet date
12	12	Income Taxes	AS 22	Accounting for Taxes on Income
16	16	Property, Plant and Equipment	AS 10	Property, Plant and Equipment
19	19	Employee Benefits	AS 15	Employee Benefits
20	20	Accounting for Government Grants and Disclosure of Government Assistance	AS 12	Accounting for Government Grants
21	21	The Effects of Changes in Foreign Exchange Rates	AS 11	The Effects of Changes in Foreign Exchange Rates
23	23	Borrowing Costs	AS 16	Borrowing Costs
24	24	Related Party Disclosures	AS 18	Related Party Disclosures
27	27	Separate Financial Statements	-	-
28	28	Investment in Associates and Joint Ventures	AS 23	Accounting for Investment in Associates in Consolidated Financial Statements
29	29	Financial Reporting in Hyperinflationary Economies	-	-
32	32	Financial Instruments: Presentation		
33	33	Earnings per Share	AS 20	Earnings per Share

34	34	Interim Financial Reporting	AS 25	Interim Financial Reporting
36	36	Impairment of Assets	AS 28	Impairment of Assets
37	37	Provisions, Contingent Liabilities and Contingent Assets	AS 29	Provisions, Contingent Liabilities and Contingent Assets
38	38	Intangible Assets	AS 26	Intangible Assets
40	40	Investment Property	AS 13	Accounting for Investments
41	41	Agriculture	-	-

14 ROADMAP FOR IMPLEMENTATION OF INDIAN ACCOUNTING STANDARDS (IND AS): A SNAPSHOT

For Companies other than banks, NBFCs and Insurance Companies

Phase I: 1st April 2015 or thereafter (with Comparatives): Voluntary Basis for any company and its holding, subsidiary, JV or associate company

1st April 2016: Mandatory Basis

(a) Companies listed/in process of listing on Stock Exchanges in India or Outside India having net worth of INR 500 crore or more;

(b) Unlisted Companies having net worth of INR 500 crore or more;

(c) Parent, Subsidiary, Associate and JV of above.

Phase II: 1st April 2017: Mandatory Basis

(a) All companies which are listed/or in process of listing inside or outside India on Stock Exchanges not covered in Phase I (other than companies listed on SME Exchanges);

(b) Unlisted companies having net worth of INR 250 crore or more but less than INR 500 crore;

(c) Parent, Subsidiary, Associate and JV of above.

Special Points to Consider:-

- Companies listed on SME exchange are not required to apply Ind AS
- Once Ind AS are applicable, an entity shall be required to follow the Ind AS for all the subsequent financial statements.
- Companies not covered by the above roadmap shall continue to apply Accounting Standards notified in Companies (Accounting Standards) Rules, 2006.

For Scheduled Commercial Banks (Excluding RRBs), Insurers/Insurance Companies and Non-Banking Financial Companies (NBFC's)

Non-Banking Financial Companies (NBFC's)	
Phase I:	From 1st April, 2018 (with comparatives)
	• NBFCs (whether listed or unlisted) having net worth 500 crore or more
	• Holding, Subsidiary, JV and Associate companies of above NBFC other than those already covered under corporate roadmap shall also apply from said date
Phase II:	From 1st April, 2019 (with comparatives)
	• NBFCs 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 less than 500 crore
	• NBFCs that are unlisted having net worth 250 crore or more but less 500 crore
	• Holding, Subsidiary, JV and Associate companies of above other than those already covered under corporate roadmap shall also apply from said date
➢ Applicable for both Consolidated and individual Financial Statements	
➢ NBFC having net worth below 250 crore shall not apply Ind AS.	
➢ Adoption of Ind AS is allowed only when required as per the roadmap.	
➢ Voluntary adoption of Ind AS is not allowed.	
Scheduled Commercial banks (excluding RRB's) and Insurers/Insurance companies	

➢	From 1st April, 2019* (with comparatives) for Scheduled Commercial Banks (Excluding RRB's) and 1st April, 2021 for Insurers/Insurances Companies:
•	Holding, subsidiary, JV and Associates companies of scheduled commercial banks (excluding RRB's) shall also apply from the said date irrespective of it being covered under corporate roadmap.
•	Applicable for both Consolidated and individual Financial Statements
➢	Urban Cooperative banks (UCBs) and Regional Rural banks (RRBs) are not required to apply Ind AS.

SUMMARY

The accounting standards aim at improving the quality of financial reporting by promoting comparability, consistency and transparency, in the interests of users of financial statements. The ICAI has, so far, issued twenty nine Accounting Standards. However, AS 6 on 'Depreciation Accounting' has been withdrawn on revision of AS 10 'Property, Plant and Equipment and AS 8 on 'Accounting for Research and Development' has been withdrawn consequent to the issuance of AS 26 on 'Intangible Assets'. Thus effectively, there are 27 Accounting Standards at present.

As per the Notification, Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) shall be implemented on voluntary basis from 1st April, 2015 and mandatorily from 1st April, 2016. Separate roadmaps have been prescribed for implementation of Ind AS to Banking, Insurance companies and NBFCs respectively.

In the scenario of globalisation, India cannot insulate itself from the developments taking place worldwide. In India, so far as the ICAI and the Government authorities and various regulators such as Securities and Exchange Board of India and Reserve Bank of India are concerned, the aim has always been to comply with the IFRS to the extent possible with the objective to formulate sound financial reporting standards.

Indian Accounting Standards (Ind-AS) are IFRS converged standards issued by the Central Government of India under the supervision and control of Accounting Standards Board (ASB) of ICAI and in consultation with National Financial Reporting Authority.

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* *It has been decided to defer implementation of Ind AS for Scheduled Commercial Banks (excluding RRB's) till further notice vide RBI circular dated 22nd March, 2019.*

TEST YOUR KNOWLEDGE

MCQs

1. Accounting Standards for non-corporate entities in India are issued by

(a) Central Govt.

(b) State Govt.

(c) Institute of Chartered Accountants of India.

2. Accounting Standards

(a) Harmonise accounting policies and eliminate the non-comparability of financial statements.

(b) Improve the reliability of financial statements.

(c) Both (a) and (b).

3. It is essential to standardize the accounting principles and policies in order to ensure

(a) Transparency.

(b) Consistency.

(c) Both (a) and (b).

4. Which committee is responsible for approval of accounting standards and their modification for the purpose of applicability to companies?

(a) NFRA.

(b) Central Government Advisory Committee.

(c) Advisory Committee for approval of Accounting Standards.

5. Global Standards facilitate

(a) Cross border flow of money.

(b) Comparability of financial statements.

(c) Both (a) and (b).

Theoretical Questions

1. Explain the objective of "Accounting Standards" in brief. State the advantages of setting Accounting Standards.
2. What is the significance of issue of Indian Accounting Standards?
3. Explain the significance of emergence of IFRS as Global Standards.

ANSWER/HINTS

MCQs

1.	(c)	**2.**	(c)	**3.**	(c)	**4.**	(a)	**5.**	(c)

Theoretical Questions

1. Accounting Standards are selected set of accounting policies or broad guidelines regarding the principles and methods to be chosen out of several alternatives. These standards harmonize the diverse accounting policies and practices at present in use in India. The main advantage of setting accounting standards is that the adoption and application of accounting standards ensure uniformity, comparability and qualitative improvement in the preparation and presentation of financial statements.
2. The Government of India in consultation with the ICAI decided to converge and not to adopt IFRSs issued by the IASB. The decision of convergence rather than adoption was taken after the detailed analysis of IFRSs requirements and extensive discussion with various stakeholders. Accordingly, while formulating IFRS-converged Indian Accounting Standards (Ind AS), efforts have been made to keep these Standards, as far as possible, in line with the corresponding IAS/IFRS and departures have been made where considered absolutely essential.
3. Global Standards facilitate cross border flow of money, global listing in different bourses and comparability of financial statements. Global Standards improves the ability of investors to compare investments on a global basis and thus lowers their risk of errors of judgment. It facilitates accounting and reporting for companies with global operations and eliminates some costly requirements say reinstatement of financial statements.