



INDIAN ACCOUNTING STANDARDS (IND AS): AN OVERVIEW

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Abstract: Since last few decades, demand of uniformity of accounting is becoming strong. Various multi nations are also expanding their business of multi products. On the other hand, due to differences in financial reporting and accounting standards; the hurdles are creating in financial comparisons at the international level also. So, to solve this problem, IASB (International Accounting Standard Board) came up with the concept of unified accounting standards i.e. IFRS (International Financial Reporting Standard). There are few countries in the world who have already adopted this revolution and making efforts for convergence of IFRS. This paper is a brief talk about Indian Accounting Standards converged with IFRS (IND AS). Here various aspects of IND.- AS are discussed.

Keywords: Convergence of IFRS, International Accounting Standards Board IASB, International Financial Reporting Standards IFRS, Indian Accounting Standard IND.- AS, MCA

Introduction:

Ind AS is the Accounting standard accepted by companies in India and published under the guidance of International Accounting Standards Board (IASB) which was recognized as a committee in the year 1977. IASB is a body under Institute of Chartered Accountants of India (ICAI) which covers experts from Academicians, government department and other professional bodies viz. ICAI, representatives from ASSOCHAM (The Associated Chambers of Commerce and Industry of India), CII (Confederation of Indian Industry), FICCI (The Federation of Indian Chambers of Commerce and Industry), etc.

The Ind AS are named and numbered in the same manner as the International Financial Reporting Standards (IFRS). National Advisory Committee on Accounting Standards (NACAS) suggested these standards to the Ministry of Corporate Affairs (MCA). As on date MCA has disclosed 41 Ind AS. This shall be imposed to the companies of financial year 2015-16 voluntarily and from 2016-17 on a mandatory basis.

Based on the international unanimity, the regulators will separately disclose the date of execution of Ind-AS for the insurance companies, banks etc. Standards for the calculation of Tax have been notified as ICDS in February 2015.

Accounting Standards (AS)

Accounting Standards (AS) are fundamental policy documents. Their main aim is to make sure liquidity, reliability, regularity, consistency, and comparability of the financial statements. They do so by standardizing accounting principles and policies of a nation/economy. So the transactions of all companies will be recorded in a same manner if they follow accounting standards.

- Accounting Standards mainly deal with four major issues of accounting, namely
 - Recognition of financial events
 - Measurement of financial transactions
 - Presenting financial statements in a fair manner
 - Disclosure requirement of companies to make sure stakeholders are not misinformed

IASB (International Accounting Standards Board)

The International Accounting Standards Board (IASB) is an autonomous, private-sector body that approves International Financial Reporting Standards (IFRSs). The IASB operates under the observation of the IFRS Foundation. The IASB was established in 2001 to replace the International Accounting Standards Committee (IASC).

IFRS (International Financial Reporting Standard)

IFRS (International Financial Reporting Standards) is a range of accounting standards issued by an autonomous, called the International Accounting Standards Board (IASB).

The goal of IFRS is to give a international framework for how public companies prepare and

issue their financial statements. IFRS gives general guidance for the preparation of financial statements, rather than setting rules for specific reporting.

MCA (Ministry of Corporate Affairs)

MCA is an Indian government ministry. It is mainly related with administration of the Companies Act 2013, the Companies Act 1956, the Limited Liability Partnership Act 2008 & other related Acts, rules and regulations framed there under primarily for regulating for the functioning of the corporate sector in accordance with law. It is responsible primarily for regulation of Indian companies in Service and Industrial sector.

IND AS (Converged Indian Accounting Standards with IFRS)

For getting international reputation in financial reporting practices, India has revised Indian Accounting Standards according to IFRS. This is known as convergence of Indian accounting standards with IFRS and refurbished Indian accounting standards are named as IND.- AS recently by The Institute of Chartered Accountants of India (ICAI).

Objectives of the Study

1. To understand the fundamentals of GAAP, IFRS and IND AS.
2. To study positive and negative outcomes of convergence of GAAP with IFRS.
3. To identify how far convergence is fruitful to India.

Research Methodology

The basic nature of this study is descriptive. This research is based on secondary data. This data is collected by review of various types of literatures like, books, periodicals, journals, websites of ICAI and IFRS and reports published on internet etc.

Process of Convergence in India

In past India has promised in G20 that it will adopt IFRS, but while going through this International Accounting Standards. But, for this India has found some difficulties in deciding of convergence of Indian Accounting Standards with International Financial Reporting Standards. To get rid of this problem, Institute of Chartered Accountants of India (ICAI) has played significant role in setting and introducing converged accounting standards in India. The initial attempt to implement IFRS was made in the year 2011 at that time 35 converged accounting standards were notified but because of some issues concern to taxation laws the Ministry of Corporate Affairs has

decided to postpone the implementation of IND AS at that time.

Road Map of Implementation of IND AS

Pursuant to the declaration by honorable Finance Minister in July 2014, for the adoption of converged Accounting Standards; on 16 February, 2015 Ministry of Corporate Affairs (MCA) has notified that implementation of IND AS will be in **three phases**. From the financial year **2015-16** on voluntary basis, from **2016-17** on mandatory basis to the companies whose **net worth is more than 500 crore** and listed in Indian Stock Market and from **2017-18**, it will be mandatory for all companies whose **net worth is more than 250 crores**.

Why Convergence with IFRS?

Here question can be arise that why convergence instead of adoption of IFRS, Because of if India adopt IFRS directly than in future any type of amendments in IFRS will not be absorbable in India because India is a country with multi regulatory authorities. Amending whole regulation because of agreement of adopting IFRS will disturb entire corporate sector of the country.

Positive Outcomes of Convergence with IFRS

- IFRS is such type of accounting framework which will make comparison of financial statements easy and understandable to domestic as well as international investors. Because there will be no disparities and variances in reported figures.
- For covering wide area of world market Indian companies are needed to have dealings in international market and source of vast amount of capital for dealings, for which cheap source of finance is foreign capital market, which will be available after meeting their regulatory requirement by convergence with IFRS.
- Convergence with IFRS will also give great exposure to the intelligent and well trained accounting professionals at national as well as international level.

Negative Outcomes of Convergence with IFRS

- This process of convergence with IFRS will involve much time and more amount of money of the companies, ventures and other service sector units. Final effect of this will be on the economy of the country.
- Convergence will also create too many complexities in too many ways to

companies and other entities which will be affected by Ind.- As. For example introduction of new concepts of fair value and present value will make changes in the assets and liabilities valuation while financial reporting.

- Last but not least, most important thing which is necessary to be considered is effect on medium business entities. Convergence with IFRS will become headache for this medium enterprises because since long time those units were in comfort zone with Indian GAAP and sudden implication of Ind.- As is challenge for them with concern to cost and expertise both.

Conclusion

Good or bad impacts of anything are a product of thoughts and perception of people. Convergence of Indian accounting standards with IFRS will have some negative impacts but we cannot neglects that it will be beneficial to India. It is a matter of international reputation of India because it's a path for international exposure of Indian economy. Efforts are required by country for successful and smooth implementation of converged accounting standards. ICAI should arrange seminars and workshops and make aware about new challenges and international corporate motives of convergence to accounting professionals in India, For which firstly it's a basic task of the ICAI to win trust of industry people as well as accounting professionals for getting developmental support in country because intention and ethical trials is only way to make convergence possible in India.

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