

# ACCOUNTING STANDARDS

## INDIA

Accounting Standard Board  
(Established in 1977)

Accounting Standards (AS)

INDAS (IFRS Converged Standards)

## INTERNATIONAL

International Accounting Standard  
Committee (Board)  
Established: IASC in 1973 IASB in 2001

International Accounting Standards (IAS)

International Financial Reporting Standard (IFRS)

# Accounting Standards

AS

No. 1 to 29 (-6, -8)

Non corporate Entities: ICAI

Corporate Entities: MCA with NFRA  
(Rules 2015)

- \* Rule based Standards
- \* Substance over Form ↓
- \* Limited use of Fair value concept

Ind AS

Corporate Entities: MCA with NFRA  
(Rules 2015)

- \* Principle based Standards
- \* Substance over Form ↑
- \* More use of Fair value concept

## Brief History

1929 : Great Depression : Misleading Accounting & Reporting → Inflated stock Prices  
↓  
Stock Market crashes

1933 & 1934 : Securities Act & Securities Exchange Act : To restore Investor confidence

1938 to 1959 : Committee on Accounting Procedure (CAP) which is a committee of American Institute of Accountants. 1st private sector standard setting body.  
Issued 51 Accounting Research Bulletins

1959 to 1973 : CAP replaced by Accounting Principle Board (APB) : Issued 31 opinions

1973 : APB replaced by Financial Accounting Standards Board (FASB) : Issues US GAAP

1973 : Formation of International Accounting Standards Committee (IASC) : Issues IAS

1977 : Formation of Accounting Standard Board (ASB) in India : Issues AS

1983 : IOSCO (International Organisation of Securities Commission) : Enhance Investor Protection

2001 : IASC replaced by IASB : IAS taken over & issue IFRS

2006 : G-20 Summit : Prime minister Manmohanji promises to be IFRS compliant.

2015 : Application of IndAS (IFRS converged standards) : Applicable to Companies.

# Companies (Indian Accounting Standard) Rules, 2015

(Notification issued by MCA dated 16/2/15)

Voluntary Basis  
(From 1/4/2015)

Mandatory Basis  
(From 1/4/2016)

Phasewise Roadmap for Applicability of Ind AS for companies other than Banking, Insurance & NBFC's.

Phase 1 (1/4/2016)

Phase 2 (1/4/2017)

\* Listed Co.'s : Net worth  $\geq$  500 Crores

\* Listed Co.'s : Net worth  $<$  500 Crores

\* Unlisted Co.'s : Net worth  $\geq$  500 Crores

\* Unlisted Co.'s : Net worth  $\geq$  250 Crores  
 $<$  500 Crores

\* Holding, subsidiary, Associate & Joint venture of above

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Net worth : Shareholder funds : Paid up capital + Reserves & surplus

**NOTE:** Companies not required to follow Ind AS shall comply with AS as specified to companies (Accounting Standard) Rules, 2011.

# Applicability of Accounting Standards Companies

## Ind AS Applicable

\* Companies listed / process of listing in India / outside India  
(Other than listed on SME Exchanges)

OR

\* Companies whose Net worth  $\geq$  250 crores at end of Previous year.

Includes Holding, subsidiary, Associate & Joint venture of above

(Ind AS once applicable cannot be withdrawn)

⇒ Ind AS not applicable to Banks & Insurance Companies

## AS Applicable

### Non SMC

(No Exemption or Relaxations)

\* Banks, Financial Institutions & Insurance Companies

\* Turnover (including other Income)  $>$  250 crore in immediately previous year

\* Borrowings (including public deposits)  $>$  50 crore at any time in previous year

\* Holding, subsidiary of Above

### SMC

(Small & Medium Size of company)

### Other than Non SMC

Full Exemption: AS 17

Partial Disclosure

Exemption: AS 15, AS 19, AS 20, AS 28, AS 29

Event Based: AS 21, AS 23, AS 25, AS 27

## Non Company Entities

(Applicable for Accounting Periods commencing from 1/4/24)

Sole Proprietorship, Partnership, LLP, Society, Trust, etc.

Engaged in Commercial, Industrial or Business Activities

Micro, Small & Medium sized Entities  
(MSME)

Other than Large Entities

Large Entities

- \* Entities listed or in process of listing
- \* Banks, Financial Institution or insurance entity
- \* Turnover (excluding other income) > 250 crore in immediately previous year
- \* Borrowings > 50 crore at any time in previous year
- \* Holding, subsidiary of above

### Exemption & Relaxation

Full / Entirety: AS 3, AS 17, AS 20, AS 24

AS 18 & AS 28

(T/O ≤ 50 crore, Borrowings ≤ 10 crore)

Disclosure / Partial: AS 10, AS 11, AS 15, AS 19, AS 22,  
AS 26, AS 28, AS 29

Event Based: AS 14, AS 21, AS 23, AS 25, AS 27

# AS 29: Provisions, Contingent Liabilities & Contingent Assets

## Provision

### Recognition Criteria:

- ★ Present obligation as a result of past event
- ★ Probable that outflow of resources will be required to settle obligation
- ★ Reliable estimate can be made

P&L A/c - Dr.  
To Provision

### Points to Note:

- Provision should not be recognised for future operating losses.
- Provision should not be discounted to its present value.

Exception: Provision for decommissioning & restoration

## Contingent Liability

Possible obligation

OR

Present obligation but not recognised because

- ★ Outflow of resources not probable or
- ★ Reliable estimate cannot be made

Recognition: NO

Disclosure: Yes

Exception i.e. No disclosure if remote possibility of outflow of resources

## Contingent Asset

Possible asset from past events existence of which will be confirmed by uncertain future events.

Recognition: NO

Disclosure: Not in Financial statements

Disclosed in Director's Report

## Reimbursement

When some or all of expenditure required to settle provision is expected to be reimbursed by another party, recognise reimbursement when virtually certain that it will be received.

Reimbursement recognised should not exceed provision amount.

Balance sheet: separate asset

P&L A/c: Provision may be presented net of reimbursement

## Restructuring

Programme that is planned & controlled by management and materially changes either:

★ scope of business or ★ manner in which business is conducted

Recognise Provision if recognition criteria met.

Exclusions: Costs of retraining or relocating continuing staff, marketing costs,  
Investment in new system

## Onerous Contract

Contract in which unavoidable costs of meeting obligation exceed economic benefits expected to be received.

Provision: Lower of

★ Cost of fulfilling contract

★ Penalty from failure to fulfill it