

MCA notifies accounting norms, implementation road map

The Ministry of Corporate Affairs has notified the rules for the Indian Accounting Standards (Ind-AS) along with its implementation roadmap.

In a notification dated February 16, 2015, the corporate affairs ministry said the new rules would come into force on April 1 this year. However, it would be made mandatory only from next year, and that too in phases.

From April 1, 2016, all listed and unlisted companies having net worth above Rs 500 crore will have to follow the new accounting standards.

In the second phase, listed companies with net worth below Rs 500 crore and unlisted companies with net worth between Rs 250 crore and Rs 500 crore will have to follow these norms from April 1, 2017.

Holding, subsidiary, joint venture or associate companies, too, will have to comply with the deadlines.

Companies that are listed, or in the process of listing, on SME exchanges are exempted from the implementation roadmap.

Ind-AS norms are converged with the International Financial Reporting Standards (IFRS), but those are not IFRS-equivalent.

"Companies on their part should endeavour to minimise the use of carve-outs, so that their financial reports are as close to or the same as it would be under IFRS," said Sai Venkateshwaran, head of accounting advisory services at KPMG in India.

"The notification clarifies various issues on aspects of net-worth computation, measurement date, whether the in-scope entities have to comply with existing standards or not, thereby, bringing in clarity to the industry," said Ashish Gupta, partner, Walker Chandiook & Co LLP.

Ind-AS also includes two new accounting concepts - accounting for financial instruments (Ind-AS 109) and for revenue recognition (Ind-AS 115) - which India will be adopting ahead of other 'IFRS-compliant' countries.

"This will provide a stable platform of reporting for Indian companies for a period of time after they move to Ind-AS," added Venkateshwaran.

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