

IndAS 1.1 – Meaning of IndAS

Indian Accounting Standards (Ind ASs) are Standards prescribed under Section 133 of the Companies Act, 2013.^{^1}

SYNOPSIS

Companies Act 2013 s 133

National Financial Reporting Authority

Companies (Indian Accounting Standards) Rules 2015

Prescribed standards so far

Companies Act 2013 s 133

Section 133 of the Companies Act 2013 reads as follows:

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 (38 of 1949), in consultation with and after examination of the recommendations made by the National Financial Reporting Authority:

Provided that until the National Financial Reporting Authority is constituted under section 132 of the Companies Act, 2013 (18 of 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 (38 of 1949), in consultation with and after examination of the recommendations made by National Advisory Committee on Accounting Standards constituted under section 210A of the Companies Act, 1956 (1 of 1956).^{^2}

¹ Para 7 of IndAS 1

² This proviso was inserted by Notification No. S.O. 1227(E), dated 29th March, 2016 (w.e.f 1-4-2015).

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Simply speaking, section 133 enables the Central Government to set accounting standards, or any updates to them, based on recommendations from the Institute of Chartered Accountants of India. This is, however, to be done after consulting with and reviewing suggestions from the National Financial Reporting Authority.

The proviso added in 2015 enabled the Central Government to set accounting standards based on recommendations from the Institute of Chartered Accountants of India after consulting and reviewing the recommendations from the National Advisory Committee on Accounting Standards, established under the Companies Act, 1956 until the National Financial Reporting Authority is established under the Companies Act, 2013.

The **National Advisory Committee on Accounting Standards** (NACAS) was established under section 210A of the Companies Act, 1956. Its primary role was to advise the Central Government on formulating and prescribing accounting standards for companies in India. NACAS reviewed and recommended standards to ensure they met acceptable standards of transparency, reliability, and comparability.

With the enactment of the Companies Act, 2013, and the establishment of the National Financial Reporting Authority (NFRA) under section 132 of the new Act, NACAS's functions have largely been taken over by NFRA. The NFRA now serves as the primary authority for setting and enforcing accounting and auditing standards in India, effectively replacing NACAS in this advisory capacity. And, accordingly the proviso is no longer relevant.

### **National Financial Reporting Authority**

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The National Financial Reporting Authority (NFRA) is an independent regulatory body under the Ministry of Corporate Affairs in India, created to enhance and oversee the quality of financial reporting in the country. Formed under Section 132 of the Companies Act, 2013, NFRA's establishment marked a significant shift in corporate governance and audit regulation, especially for public interest entities. It may be noted that this in addition to the auditors' self-regulatory body, the Institute of Chartered Accountants of India. Its mandate and functions include:

1. Regulatory jurisdiction of all listed companies as well as unlisted public companies meeting certain thresholds (total assets of ₹500 crore or more, turnover of ₹1,000 crore or more, or borrowings of ₹500 crore or more).
2. Oversight and disciplinary power over auditors
3. Establishment and enforcement of accounting standards viz. IndAS.
4. Conduct of inspections and regulatory reviews of selected audits and audit firms including examination of audit working papers.
5. Research, data analysis, and policy recommendations with respect to accounting and auditing practices.

Companies (Indian Accounting Standards) Rules, 2015

Notified vide G.S.R 111(E) dated 16 Feb 2015, the Companies (Indian Accounting Standards) Rules, 2015 outline the application of Indian Accounting Standards (Ind AS) to specified companies in India. The text of the Rules is as follows:



In exercise of the powers conferred by section 133 read with section 469 of the Companies Act, 2013 (18 of 2013) and sub-section (1) of section 210A of the Companies Act, 1956 (1 of 1956), the Central Government, in consultation with the National Advisory Committee on Accounting Standards, hereby makes the following rules, namely:-

Rule 1 - Short title and commencement: (1) These rules may be called the Companies (Indian Accounting Standards) Rules, 2015.

(2) They shall come into force on the 1st day of April, 2015.

Rule 2 – Definitions: (1) In these rules, unless the context otherwise requires,-

(a) "Accounting Standards" means the standards of accounting, or any addendum thereto for companies or class of companies as specified in rule 3;

(b) "Act" means the Companies Act, 2013 (18 of 2013);

(c) "Annexure" in relation to these rules means the Annexure containing the Indian Accounting Standards (Ind AS) appended to these rules;

(d) "entity" means a company as defined in clause (20) of section 2 of the Act;

(e) "financial statements" means financial statements as defined in clause (40) of section 2 of the Act;

(f) "net worth" shall have the meaning assigned to it in clause (57) of section 2 of the Act.

(g) "Non-Banking Financial Company" means a Non-Banking Financial Company as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934 and includes Housing Finance Companies, Merchant Banking companies, Micro Finance Companies, Mutual Benefit Companies, Venture Capital Fund Companies, Stock Broker or Sub-Broker Companies, Nidhi Companies, Chit Companies, Securitisation and Reconstruction





Companies, Mortgage Guarantee Companies, Pension Fund Companies, Asset Management Companies and Core Investment Companies.

(2) Words and expressions used herein and not defined in these rules but defined in the Act shall have the same meaning respectively assigned to them in the Act.

Rule 3 - Applicability of Accounting Standards: The insurance companies, banking companies and non-banking finance companies shall not be required to apply Indian Accounting Standards (Ind AS) for preparation of their financial statements either voluntarily or mandatorily as specified in sub-rule (1) of rule 4.

Rule 4 - Obligation to comply with Indian Accounting Standards (Ind AS): (1) The Companies and their auditors shall comply with the Indian Accounting Standards (Ind AS) specified in Annexure to these rules in preparation of their financial statements and audit respectively, in the following manner, namely:-

(i) any company and its holding, subsidiary, joint venture or associate company may comply with the Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning on or after 1st April, 2015, with the comparatives for the periods ending on 31st March, 2015, or thereafter;

(ii) the following companies shall comply with the Indian Accounting Standards (Ind AS) for the accounting periods beginning on or after 1st April, 2016, with the comparatives for the periods ending on 31st March, 2016, or thereafter, namely:-

(a) companies whose equity 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 rupees five hundred crore or more;





(b) companies other than those covered by sub-clause (a) of clause (ii) of sub-rule (1) and having net worth of rupees five hundred crore or more;

(c) holding, subsidiary, joint venture or associate companies of companies covered by sub-clause (a) of clause (ii) of sub-rule (1) and sub-clause (b) of clause (ii) of sub-rule (1) as the case may be; and

(iii) the following companies shall comply with the Indian Accounting Standards (Ind AS) for the accounting periods beginning on or after 1st April, 2017, with the comparatives for the periods ending on 31st March, 2017, or thereafter, namely:-

(a) companies whose equity 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 rupees five hundred crore;

(b) companies other than those covered in clause (ii) of sub-rule (1) and sub-clause (a) of clause (iii) of sub-rule (1), that is, unlisted companies having net worth of rupees two hundred and fifty crore or more but less than rupees five hundred crore.

(c) holding, subsidiary, joint venture or associate companies of companies covered under sub-clause (a) of clause (iii) of sub-rule (1) and sub-clause (b) of clause (iii) of sub-rule (1), as the case may be:

Provided that nothing in this sub-rule, except clause (i), shall apply to companies whose securities are listed or are in the process of being listed on SME exchange as referred to in Chapter XB or on the Institutional Trading Platform without initial public offering in accordance with the provisions of Chapter XC of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Explanation 1. - SME Exchange shall have the same meaning as assigned to it in Chapter XB of the Securities and Exchange



Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Explanation 2. - "Comparatives" shall mean comparative figures for the preceding accounting period.

(iv) Notwithstanding the requirement of clauses (i) to (iii), Non-Banking Financial Companies (NBFCs) shall comply with the Indian Accounting Standards (Ind ASs) in preparation of their financial statements and audit respectively, in the following manner, namely:-

(a) The following NBFCs shall comply with the Indian Accounting Standards (Ind AS) for accounting periods beginning on or after the 1st April, 2018, with comparatives for the periods ending on 31st March, 2018, or thereafter--

(A) NBFCs having net worth of rupees five hundred crore or more;

(B) holding, subsidiary, joint venture or associate companies of companies covered under item (A), other than those already covered under clauses (i), (ii) and (iii) of sub-rule (1) of rule 4.

(b) The following NBFCs shall comply with the Indian Accounting Standards (Ind AS) for accounting periods beginning on or after the 1st April, 2019, with comparatives for the periods ending on 31st March, 2019, or thereafter--

(A) NBFCs whose equity or debt securities are listed or in the process of listing on any stock exchange in India or outside India and having net worth less than rupees five hundred crore;

(B) NBFCs, that are unlisted companies, having net worth of rupees two-hundred and fifty crore or more but less than rupees five hundred crore; and

(C) holding, subsidiary, joint venture or associate companies of companies covered under item (A) or item (B) of sub-clause (b), other than those already covered in clauses (i), (ii) and (iii) of sub-rule (1) or item (B) of sub-clause (a) of clause (iv).



Explanation: For the purposes of clause (iv), if in a group of Companies, some entities apply Accounting Standards specified in the Annexure to the Companies (Accounting Standards) Rules, 2006 and others apply accounting standards as specified in the Annexure to these rules, in such cases, for the purpose of individual financial statements, the entities should apply respective standards applicable to them. For preparation of consolidated financial statements, the following conditions are to be followed, namely:-

(i) where an NBFC is a parent (at ultimate level or at intermediate level), and prepares consolidated financial statements as per Accounting Standards specified in the Annexure to the Companies (Accounting Standards) Rules, 2006, and its subsidiaries, associates and joint ventures, if covered by clause (i), (ii) and (iii) of sub-rule (1) has to provide the relevant financial statement data in accordance with the accounting policies followed by the parent company for consolidation purposes (until the NBFC is covered under clause (iv) of sub-rule (1));

(ii) where a parent is a company covered under clause (i), (ii) and (iii) of sub-rule (1) and has an NBFC subsidiary, associate or a joint venture, the parent has to prepare Ind AS-compliant consolidated financial statements and the NBFC subsidiary, associate and a joint venture has to provide the relevant financial statement data in accordance with the accounting policies followed by the parent company for consolidation purposes (until the NBFC is covered under clause (iv) of sub-rule (1)).

(v) Notwithstanding clauses (i) to (iv), the holding, subsidiary, joint venture or associate companies of Scheduled commercial banks (excluding RRBs) would be required to prepare Ind AS based financial statements for accounting periods beginning from 1st April, 2018 onwards, with comparatives for the periods ending 31st March, 2018 or thereafter;





(2) For the purposes of calculation of net worth of companies under clause (i), (ii) and (iii) of sub-rule (1), the following principles shall apply, namely:-

(a) the net worth shall be calculated in accordance with the stand-alone financial statements of the company as on 31st March, 2014 or the first audited financial statements for accounting period which ends after that date;

(b) for companies which are not in existence on 31st March, 2014 or an existing company falling under any of thresholds specified in 3[clause (i), (ii) and (iii) of sub-rule (1)] for the first time after 31st March, 2014, the net worth shall be calculated on the basis of the first audited financial statements ending after that date in respect of which it meets the thresholds specified in clause (i), (ii) and (iii) of sub-rule (1).

Explanation: For the purposes of sub-clause (b), the companies meeting the specified thresholds given in clause (i), (ii) and (iii) of sub-rule (1) for the first time at the end of an accounting year shall apply Indian Accounting Standards (Ind AS) from the immediate next accounting year in the manner specified in clause (i), (ii) and (iii) of sub-rule (1).

Illustration

(i) The companies meeting threshold for the first time as on 31st March, 2017 shall apply Ind AS for the financial year 2017-18 onwards.

(ii) The companies meeting threshold for the first time as on 31st March, 2018 shall apply Ind AS for the financial year 2018-19 onwards and so on.

(2A) For the purposes of calculation of net worth of Non-Banking Financial Companies covered under clause (iv) of sub-rule (1), the following principles shall apply, namely:-

(a) the net worth shall be calculated in accordance with the stand-alone financial statements of the NBFCs as on 31st March,



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2016 or the first audited financial statements for accounting period which ends after that date;

(b) for NBFCs which are not in existence on 31st March, 2016 or an existing NBFC falling first time, after 31st March, 2016, the net worth shall be calculated on the basis of the first audited stand-alone financial statements ending after that date, in respect of which it meets the thresholds.

Explanation: For the purposes of sub-clause (b), the NBFCs meeting the specified thresholds given in sub-clause (b) of clause (iv) of sub-rule (1) for the first time at the end of an accounting year shall apply Indian Accounting Standards (Ind ASs) from the immediate next accounting year in the manner specified in sub-clause (b) of clause (iv) of sub-rule (1).

Illustration -

(i) The NBFCs meeting threshold for the first time as on 31st March, 2019 shall apply Ind AS for the financial year 2019-20 onwards.

(ii) The NBFCs meeting threshold for the first time as on 31st March, 2020 shall apply Ind AS for the financial year 2020-21 onwards and so on.

(3) Standards in Annexure to these rules once required to be complied with in accordance with these rules, shall apply to both stand-alone financial statements and consolidated financial statements.

(4) Companies to which Indian Accounting Standards (Ind AS) are applicable as specified in these rules shall prepare their first set of financial statements in accordance with the Indian Accounting Standards (Ind AS) effective at the end of its first Indian Accounting Standards (Ind AS) reporting period.

Explanation: For the removal of doubts, it is hereby clarified that the companies preparing financial statements applying the Indian Accounting Standards (Ind AS) for the accounting period beginning on 1st April, 2016 or 1st April, 2018, as the case may

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be shall apply the Indian Accounting Standards (Ind AS) effective for the financial year ending on 31st March, 2017 or 31st March, 2019, as the case may be.

(5) Overseas subsidiary, associate, joint venture and other similar entities of an Indian company may prepare its standalone financial statements in accordance with the requirements of the specific jurisdiction:

Provided that such Indian company shall prepare its consolidated financial statements in accordance with the Indian Accounting Standards (Ind AS) if it meets the criteria as specified in sub-rule (1).

(6) Indian company which is a subsidiary, associate, joint venture and other similar entities of a foreign company shall prepare its financial statements in accordance with the Indian Accounting Standards (Ind AS) if it meets the criteria as specified in sub-rule (1).

(7) Any company opting to apply the Indian Accounting Standards (Ind AS) voluntarily as specified in sub-rule (1) for its financial statements shall prepare its financial statements as per the Indian Accounting Standards (Ind AS) consistently.

(8) Once the Indian Accounting Standards (Ind AS) are applied voluntarily, it shall be irrevocable and such companies shall not be required to prepare another set of financial statements in accordance with Accounting Standards specified in Annexure to Companies (Accounting Standards) Rules, 2006.

(9) Once a company starts following the Indian Accounting Standards (Ind AS) on the basis of criteria specified in sub-rule (1), it shall be required to follow the Indian Accounting Standards (Ind AS) for all the subsequent financial statements even if any of the criteria specified in this rule does not subsequently apply to it.

Rule 5 – Exemptions: The insurance companies, banking companies and non-banking finance companies shall not be



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required to apply Indian Accounting Standards (Ind AS) for preparation of their financial statements either voluntarily or mandatorily as specified in sub-rule (1) of rule 4.

Provided that an insurer or insurance company may provide its financial statement as per Ind AS 104 for the purposes of consolidated financial statements by its parent or investor or venturer till the Insurance Regulatory and Development Authority notifies the Ind AS 117 and for this purpose, Ind AS 104 shall, as specified in the Schedule to these rules, continue to apply.

**Prescribed accounting standards so far**

39 Indian Accounting Standards (Ind AS) have been issued so far. These IndAS forms Annexure (Rule 3) of the Companies (Indian Accounting Standards) Rules 2015. The titles of these IndAS with their respective numbers are as follows:

- IndAS 1 - Presentation of Financial Statements
- IndAS 2 - Inventories
- IndAS 7 - Statement of Cash Flows
- IndAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- IndAS 10 - Events after the Reporting Period
- IndAS 12 - Income Taxes
- IndAS 16 - Property, Plant and Equipment
- IndAS 17 - Leases
- IndAS 19 - Employee Benefits
- IndAS 20 - Accounting for Government Grants and Disclosure of Government Assistance
- IndAS 21 - The Effects of Changes in Foreign Exchange Rates
- IndAS 23 - Borrowing Costs
- IndAS 24 - Related Party Disclosures



- IndAS 27 - Separate Financial Statements
- IndAS 28 - Investments in Associates and Joint Ventures
- IndAS 29 - Financial Reporting in Hyperinflationary Economies
- IndAS 32 - Financial Instruments: Presentation
- IndAS 33 - Earnings per Share
- IndAS 34 - Interim Financial Reporting
- IndAS 36 - Impairment of Assets
- IndAS 37 - Provisions, Contingent Liabilities and Contingent Assets
- IndAS 38 - Intangible Assets
- IndAS 40 - Investment Property
- IndAS 41 - Agriculture
- IndAS 101 - First-time Adoption of Indian Accounting Standards
- IndAS 102 - Share-based Payment
- IndAS 103 - Business Combinations
- IndAS 104 - Insurance Contracts
- IndAS 105 - Non-current Assets Held for Sale and Discontinued Operations
- IndAS 106 - Exploration for and Evaluation of Mineral Resources
- IndAS 107 - Financial Instruments: Disclosures
- IndAS 108 - Operating Segments
- IndAS 109 - Financial Instruments
- IndAS 110 - Consolidated Financial Statements
- IndAS 111 - Joint Arrangements
- IndAS 112 - Disclosure of Interests in Other Entities
- IndAS 113 - Fair Value Measurement
- IndAS 114 - Regulatory Deferral Accounts
- IndAS 115 - Revenue from Contracts with Customers

