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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, IASB, IFRS, IND.- AS, MCA*

1. Introduction

The concept of IFRS was formed by International Accounting Standards Committee (IASC) in 1973. This usually provides the information of the economic decisions, and various changes taking place in the financial position of the company. Since past to present, many innovations have taken place in the accounting policies. Along with other countries, India is also making efforts for improvements in the Accounting Standards. For this, financial reporting takes place which gives the exact financial position of the entity. Generally, financial reporting consists of Balance Sheet, Profit and Loss account, Cash Flow Statements, and Retained Earnings. In India, the Accounting Standards are notified by the Ministry of Corporate Affairs which are converged with IFRS. There are around 35 Indian Accounting Standards declared by Ministry of Corporate Affairs. For this, there are two categories that will be affected. They are:
1. Internal Management
2. Stake holders

Thus, this accounting/financial disclosure should provide necessary information to the users. It is only possible through standardized accounting policies and practices which establishes uniformity. This is required not only in India but in other countries also. But while dealing in international business there are still problems due to lack of common accounting practices. To overcome this difficulties; IFRS were introduced by IASB and around 100 countries have adopted it, few are still working on eliminating differences between their own Generally Accepted Accounting Principles (GAAP) and IFRS.

2. Accounting Standards

Accounting standard specify that how the accounting transactions and events will be recorded, measured and represented to the external and internal entities.

According to the dictionary of Farlex," Accounting standard is a principle that governs current accounting practices and that is used as reference to determine the appropriate treatment of complex transaction"**.**

3. Indian GAAP

Generally Accepted Accounting Principles (GAAP) varies from country to country. Each and every country has their own accounting principles as per their requirements.

If we talk about India, Indian GAAP means the set of accounting standards which are mandatory to be followed, while financial reporting before convergence with International Financial Reporting standards.

4. IFRS

IFRS is nothing but a single set of accounting standards formulated by IASB, with core objective of making common financial reporting in all developed, emerging and developing countries of the world.

It will be helpful to the all investors and peers who are interested in international investment, by the way of starting business or joint ventures in foreign countries with foreign entities

5. IND AS (Converged Indian Accounting Standards with IFRS)

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

6. Review of Literature

Bhatt, P. (2016) in his Ph.D. thesis titled as "A Study on Issues Related to Converging Indian Accounting Standards into International Financial Reporting Standards", concluded that this is a high time for Indian corporate sector to adopt IFRS, because this is a matter of international prestige of India. Indian government should also make some efforts by creating rules for smooth adoption and acceptance of IFRS. Researcher has also analyzed that this convergence will not create significant impact on liquidity and profitability of the companies selected by him.

Dr. Muniraju, M. and Ganesh S.R.(2016) pointed out that, Implementation of IFRS will make India capable of attracting capital from world capital market it will also make accounting rules application truthful by lease accounting, tax accounting and economic instrument accounting rules convergence. Researchers have specified that respondents are not well aware about the IFRS. This lack of knowledge is creating hurdles in the implementation in India.

Sambaru M. and Kavita N.V. (2014) have found out that, adoption of IFRS in India will be very challenging task but it will also become rewarding to Indian corporate disclosure system, It will also result in transparent financial reporting of companies and become fruitful to investors, customers and other stakeholders, ultimately it will increase reliance and trust of stakeholders on financial reports of the company.

7. Objectives of the Study

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

8. 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.

9. Process of Convergence in India

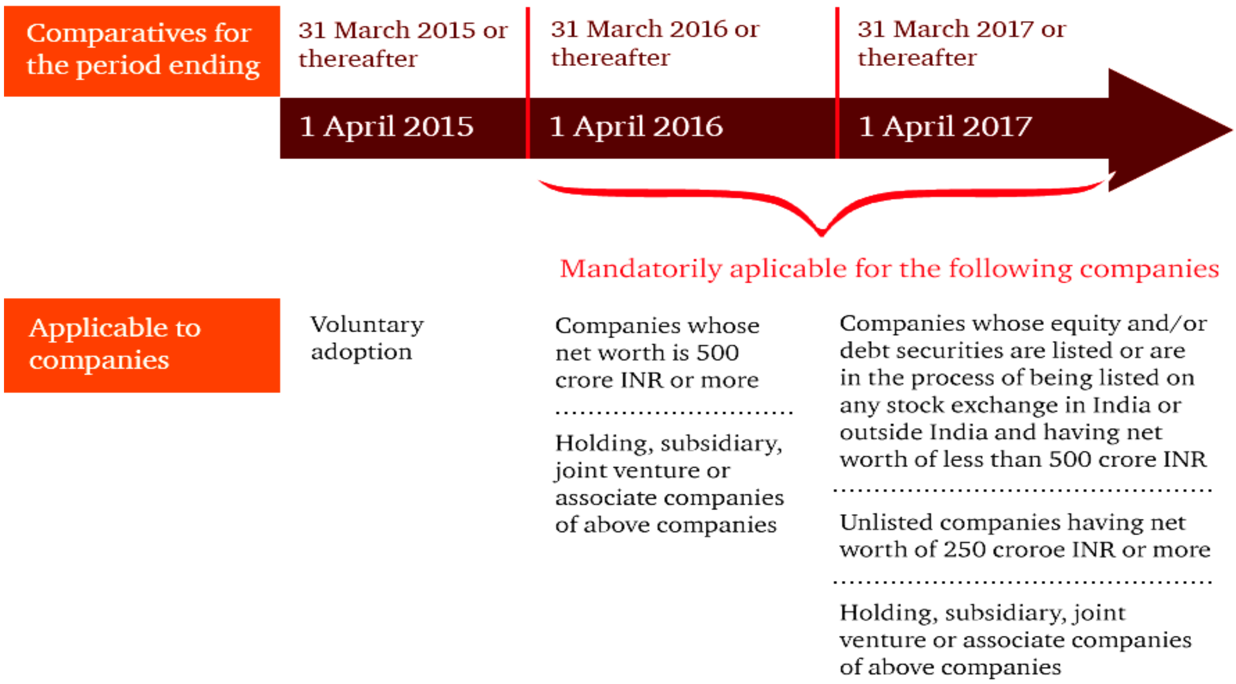
In past India has promised in G20 that it will adopt IFRS, but while going through this International Accounting Standards. But, for this India has found some difficulties in deciding of convergence of Indian Accounting Standards with International Financial Reporting Standards. To get rid of this problem, 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.

10. Road Map of Implementation of IND AS

Pursuant to the declaration by honourable 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.**

ICAI has revised accounting standards with corresponding to IFRS and issued 39 converged Indian Accounting Standards (IND AS).



***Source**: http://www.pwc.in/services/ifrs/ifrs-in-india_roadmap.html*

11. 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.

12. Positive Outcomes of Convergence with IFRS

1. 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.

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2. 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.
3. Convergence with IFRS will also give great exposure to the intelligent and well trained accounting professionals at national as well as international level.

13. Negative Outcomes of Convergence with IFRS

1. 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.
2. 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.
3. 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.

14. 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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