

# The government proposes to make Ind AS mandatory from the financial year 2016-17

10 July 2014



## First Notes on:

### Financial Reporting

Corporate law updates  
Regulatory and other information  
Disclosures

## Sector:

### All

Banking and Insurance  
Information, Communication, Entertainment  
Consumer and Industrial Markets  
Infrastructure and Government

## Relevant to:

### All

Audit committee  
CFO  
Others

## Transition:

Immediately  
Within the next 3 months  
Post 3 months but within 6 months  
Post 6 months

The Finance Minister has announced a roadmap and definite dates for convergence with IFRS for Indian companies as part of his Union Budget speech on 10 July 2014.

## Background

On 9 April 2014, the Institute of Chartered Accountants of India (ICAI) proposed a new roadmap for implementation of Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS). According to the roadmap there would be two sets of accounting standards:

- Ind AS
- Existing notified accounting standards (AS).

The ICAI roadmap proposed that the Ind AS should be applied by specified class of companies for preparing consolidated financial statements for financial periods beginning on or after 1 April 2016, along with comparatives for the year ending 31 March 2016.

The proposed roadmap was submitted to the Ministry of Corporate Affairs (MCA) for its consideration.

## Recent budget update

The NDA led government presented the union budget today. In his budget speech, the finance minister, Mr. Arun Jaitley, recognised the need to converge existing notified standards under Indian GAAP with the IFRS. Thus, the finance minister proposed to make Ind AS mandatory for Indian companies from the financial year 2016-17. He also mentioned that the

companies could opt to adopt Ind AS voluntarily from financial year 2015-16.

The date of implementation of Ind AS for banks and insurance companies will be notified separately by the respective regulators. Similarly, the finance minister has stated that standards for computation of tax will be notified separately.

### Our comments

The commitment to adoption of Ind AS is a welcome step as it has several benefits such as reduced cost of capital and better access to global capital markets, more cross border transactions, better comparability and transparency of business performance and activities, etc.

The MCA would have to clarify which companies would apply Ind AS. The ICAI roadmap required following specified class of companies to apply Ind AS:

- a. Whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India
- b. Companies other than those covered in a. above, having net worth of INR5 billion or more
- c. Holding, subsidiary, joint venture or associate companies of companies covered under a. or b. above.

The Ind AS as released by the MCA in February 2011 would need to be revised considering several major amendments under IFRS. The amendments, *inter-alia*, include new standards for consolidation, accounting for joint arrangements, employee benefits and the latest being on revenue. Some of these amendments have already been issued by the ICAI.

Similarly, the need for carve-outs, if any, will also require to be re-assessed.

Just as the MCA and corporate India is beginning to cope with the transition to the Companies Act, 2013, an additional challenge of IFRS convergence has emerged. All stakeholders will need to work with urgency to manage the big changes proposed by the government.

### The bottom line

After many false starts, it appears as if convergence with IFRS for corporate India is finally not too far away.



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## Introducing Voices on Reporting



KPMG in India is pleased to present Voices on Reporting – a monthly series of knowledge sharing calls to discuss current and emerging issues relating to financial reporting.

On 28 May 2014, the International Accounting Standards Board and the U.S. Financial Accounting Standards Board issued IFRS 15/ASC 606 Revenue from Contracts with Customers – a new standard that will apply to every entity reporting under IFRS and U.S. GAAP. In our call this month, we discussed the main aspects of IFRS 15.

The Companies Act, 2013 (the Act) was largely operationalised with effect from 1 April 2014. However, there are a number of implementation issues on which various stakeholders have sought clarifications from the Ministry of Corporate Affairs (MCA). Recently, the MCA has issued various clarifications to the Act and amendments to the Rules relating to various chapters of the Companies Act, 2013. In our call, we discussed the MCA clarifications and amendments.

### July 2014



### June 2014



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