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India, one of the fastest growing global economies is on the verge of converging with International Financial Reporting Standards (IFRS). As on date 123 countries across the globe have converged with IFRS, India is soon to join the bandwagon. The Ministry of Corporate Affairs in its press release dated 25.2.2011 notified 35 Indian Accounting Standards converged with International Financial Reporting Standards (henceforth called Draft IND AS). Further, On 2 January 2015, the Press Information Bureau, Government of India, Ministry of Corporate Affairs (MCA) issued a note outlining the various phases in which Indian Accounting Standards converged with IFRS (Ind AS) is proposed to be implemented in India, for Companies other than Banking Companies, Insurance Companies and NBFCs. Consequently, the companies will need to convert their accounts from Indian GAAP to IFRS.

Benefits of implementing IFRS in India

There are many benefits of implementing IFRS in India. These can be divided in three benefits to:

1) Economy: As the market expands globally, the need for a global standard also increases. Implementation of IFRS will benefit the economy by increasing the growth of its international business. It facilities the maintenance of orderly and efficient capital markets and also helps in increasing the capital growth and thereby economic growth.

2) Investors: Investors from abroad who are willing to invest in India want information which is more relevant, timely, reliable and comparable across different jurisdictions. Financial statements prepared using a common set of accounting standards help investors in better understanding the investment opportunities as opposed to financial statements prepared using a different set of national accounting standards. For better understanding of financial statements, global investors have to incur more costs in terms of time, effort and money to convert them so that they can better understand global opportunities. Investor’s confidence would be stronger if accounting standards used are globally accepted.

3) Industry: A major push towards implementing IFRS has been coming from the industry. The reason being that the industry would be able to raise capital from foreign markets at a lower cost if it can create confidence in the minds of foreign investors that its financial statements comply with globally accepted accounting standards. Moreover, with diversity in accounting standards from one country to another, enterprises which operate in different countries face a multitude of accounting requirements in different countries. The burden of financial reporting is lessened with convergence of accounting standards because it simplifies the process of preparing the individual and group financial statements and thereby reduces the cost of financial reporting.

Roadmap
Voluntary adoption

Companies can voluntarily adopt Ind AS for accounting periods beginning on or after 1 April 2015 with comparatives for period ending 31 March 2015 or thereafter. However, once they have chosen this path, they cannot switch back.

Mandatory applicability
Phase I

Ind AS will be mandatorily applicable to the following companies for periods beginning on or after 1 April 2016, with comparatives for the period ending 31 March 2016 or thereafter:

1. Companies whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth of 500 crore INR or more.
2. Companies having net worth of 500 crore INR or more other than those covered above.
3. Holding, subsidiary, joint venture or associate companies of companies covered above.

Phase II

Ind AS will be mandatorily applicable to the following companies for periods beginning on or after 1 April 2017, with comparatives for the period ending 31 March 2017 or thereafter:

Companies whose equity and/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 500 Crore.

Unlisted companies other than those covered in Phase I and Phase II whose net worth are more than 250 crore INR but less than 500 crore INR.

Holding, subsidiary, joint venture or associate companies of above companies.

Period Starting	1st April 2015	1st April 2016	1st April 2017
Applicability to Companies	Voluntary adoption	Mandatory application	
		1.Companies with equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth of 500 crore INR or more. 2.Companies whose net worth is INR 500 crores or more. 3. Holding, subsidiary, joint venture or associate companies of these companies.	1. Companies with equity and/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 500 Crore. 2. Unlisted companies with net worth of INR 250 crore or more. 3. Holding, subsidiary, joint venture or associate companies of these companies.

Some other considerations:

Standalone and consolidated financial statements

Ind AS will apply to both consolidated and stand-alone financial statements of a company covered by the roadmap. This is helpful as companies will not have to maintain dual accounting systems.

Foreign operations

An overseas subsidiary, associate or joint venture of an Indian company is not required to prepare its stand-alone financial statements as per the Ind AS, and instead, may continue with its jurisdictional requirements. However, these entities will still have to report their Ind AS adjusted numbers for their Indian parent company to prepare consolidated Ind AS accounts.

Applicability to insurance, banking and non-banking financial companies

Insurance, banking and non-banking financial companies shall not be required to apply Ind AS either voluntarily or mandatorily. However, it appears (though not clarified), that if these entities are subsidiaries, joint venture or associates of a parent company covered by the roadmap, they will have to report Ind AS adjusted numbers for the parent company to prepare consolidated Ind AS accounts.

When Ind AS are in conflict with law

The rules specify that in case of conflict between Ind AS and a law, the provisions of the law shall prevail and the financial statements shall be prepared in conformity with it.

STILL HAVE DOUBTS ?

Not sure how IFRS Certification can benefit you ?
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