

TOPIC 1.

APPLICABILITY OF IND AS **(INDIAN ACCOUNTING STANDARDS)**

Who is the regulating Authority for applicability of Ind AS to corporate?

Ministry of Corporate Affairs (MCA) is the regulatory authority and has issued a notification dated 16th Feb 2015 announcing the Companies (Indian Accounting Standards) Rule, 2015 for phase wise roadmap for adoption and applicability of all 39 Indian Accounting Standards (Ind AS) for companies other than Banking and Insurance Companies and NBFCs.

The application of Ind AS is mainly based on the listing status and net worth of a company. As per the roadmap for implementation of Ind AS, all listed companies (except companies listed on SME exchanges) & companies having a net worth of ₹250 crore or more shall be required to adopt Ind AS.

What is the Phase wise compliance of IND AS

Phase I : Obligation to Comply with Ind AS from 1st April, 2016

In accordance with clause (ii) of sub- rule (1) of Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015, the following companies shall comply with Ind AS w.e.f. April 2016:

- (a) Companies listed/in process of listing on Stock Exchanges in India or Outside India having net worth of **₹500 crore or more;**
- (b) Unlisted Companies having net worth \geq ₹500 crore;
- (c) Holding (Parent), subsidiary, joint venture or associate companies of above.

COMPLIANCE	CURRENT FY	COMPARATIVE PERIOD	TRANSITION DATE FOR OPENING IND AS BS
Voluntary Compliance (Optional)	FY 15-16 i.e. year ending 31 st March 2016	FY 14-15 i.e. year ending 31 st March 2015	01/04/2014
Mandatory Compliance	FY 16-17 i.e. year ending 31 st March 2017	FY 15-16 i.e. year ending 31 st March 2016	01/04/2015

Phase II: Mandatory Compliance of Ind AS from 1st April, 2017

Clause (iii) of sub- rule (1) of Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 states that the following companies shall comply with Ind AS for the accounting periods beginning on or after 1st April, 2017:

(a) Companies listed/in process of listing on Stock Exchanges in India or Outside India having net worth of **less than Rs. 500 crore;**

(b) Unlisted companies having net worth of \geq Rs.250 crore but $<$ Rs.500 crore;

(c) Holding, Subsidiary, Associate and J.V. of Above.

Thus, from April 2017 Ind AS shall apply to all listed companies irrespective of their net whereas the unlisted companies shall be required to comply with Ind AS only if their net worth is equal to or exceeding Rs. 250 crore. In other words, the companies meeting the above threshold for the first time as on 31st March, 2018 shall apply Ind AS for the financial year 2018-19 onwards.

COMPLIANCE	IND AS CURRENT FY	IND AS COMPARATIVE PERIOD	TRANSITION DATE FOR OPENING IND AS BS
Voluntary Compliance (Optional)	FY 16-17 i.e. year ending 31 st March 2017	FY 15-16 i.e. year ending 31 st March 2016	01/04/2015
Mandatory Compliance	FY 17-18 i.e. year ending 31 st March 2018	FY 16-17 i.e. year ending 31 st March 2017	01/04/2016

Note that the comparative information i.e. comparative figures for the preceding accounting period is required in both phase for the period ending 31st March 2016/2017 or thereafter. You should also note that the Rule do not mention the net worth criteria for holding, subsidiary, joint venture or associate companies and therefore even smaller companies in this category will be covered for the purpose of applicability of Ind AS.

What will be the Net Worth for the above purpose?

Net worth of Companies for the purpose of Ind AS

The term **Net Worth** shall have the meaning assigned to it in clause (57) of Section 2 of the Companies Act, 2013. For the purposes of calculation of net worth of companies, the following principles shall apply, namely:-

(a) The net worth shall be calculated in accordance with

- i) the stand-alone financial statements of the company as on 31st March, 2014; or
- ii) the first audited financial statements for accounting period which ends after 31st March, 2014;

(b) for companies which are not in existence on 31st March, 2014 or an existing company falling under any of thresholds specified in 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 sub-rule (1).

Net Worth = Total Paidup Share Capital + Free Reserves (Excluding Revaluation Res.) + Sec. Prem A/c - Accumulated Losses - Deferred Expenditures & Misc Exp. (excluding written back of depreciation)

Other Points:

- Ind AS once required to be complied with in accordance with Companies (Indian Accounting Standards) Rules, 2015, shall apply to both standalone financial statements and consolidated financial statements.
- For companies which are not in existence on 31st March, 2014 or an existing company falling under any of thresholds specified 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.
- 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 Ind AS either voluntarily or mandatorily if it meets the criteria.
- 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 Ind AS either voluntarily or mandatorily if it meets the criteria.

IND AS FOR BANK, INSURANCE COMPANIES AND NBFCS
(Notification Date 18th Jan 2016)

S.No.	Entities	For Accounting Period Beg. Frm 1 st April 2018 onwards	For Accounting Period Beg. Frm 1 st April 2019 onwards
1	(a) Scheduled Commercial Banks (excluding RRBs) (b) All India Term lending refinancing Institutions (EXIM, NABARD, SIDBI) And (c) Insurance Companies	Mandatory	NA
2	Non-Banking Financial Institutions (NBFCS)	Having Net Worth of Rs. 500 Cr. or More Holding, Subsidiary, JV or Associates of the above	NBFCS whose equity/debt instruments are listed or in process of listing and having Net Worth Less than Rs. 500 Cr. Unlisted NBFCS, Having Net worth of Rs. 250 Cr. or more but less than Rs. 500 Cr. Holding, Subsidiary, JV or Associates of the above

Other Points:

1. Voluntary adoption is not permitted for BANKS/NBFCS/INSURERS

2. Entities not covered in the roadmap shall continue to apply Accounting Standards at present.

OVERVIEW OF ACCOUNTING STANDARDS

ACCOUNTING STANDARDS FOR NON CORPORATE ENTITIES



Level-1 entities:

Non corporate entities which fall in any one of the following categories at the end of relevant accounting year are called as level-1 entities:

- Entities whose **equity or debt securities are listed or in the process of listing** with any stock exchange whether in India or abroad.
- **Banks, financial institutions** or entities carrying in **insurance** business
- All commercial, industrial and business reporting entities whose **turnover is greater than 50 crores in the immediately preceding accounting period**. Here other income is to be ignored in calculation of turnover.
- All commercial, industrial and business reporting entities whose **borrowings including public deposits in excess of 10 crores** at any time during the immediately preceding accounting year.
- **Subsidiary or holding** entities of any of the above.

Level-2 entities:

Non corporate entities which are not covered in any of the above categories and fall any one of the following categories are level-2 entities.

- All industrial, commercial and business reporting entities whose **turnover exceeds rupees 10 crores but doesn't exceed rupees 50 crores** in the immediately preceding accounting year.
- All commercial, industrial and business reporting entities whose **borrowings including public deposits are above 1 crore but doesn't exceed 10 crores** at any time during the immediately preceding accounting year.
- **Holding and subsidiary** entities of any one of the above.

Level-3 entities:

Non corporate entities which are not covered under level-1 and level-2 are considered as level-3 entities.

ACCOUNTING STANDARDS FOR CORPORATE ENTITIES

(Companies AS Rules, 2006)



SMALL AND MEDIUM SIZED COMPANIES (SMEs):

- Entities whose **equity or debt securities are not listed or are not in the process of listing** with any stock exchange whether in India or abroad.
- Which is **not a Bank, financial institution** or an entity carrying in **insurance** business
- **Entities whose turnover does not exceed Rs. 50 crores** in the immediately preceding accounting period. Here other income is to be ignored in calculation of turnover.
- **Entities whose borrowings including public deposits are not in excess of Rs.10 crores at any time** during the immediately preceding accounting year.
- **Which is not a holding or subsidiary** company of a company which is not a small and medium sized Company.

NON SMCs:

Companies not falling within the definition of SMC are considered as Non SMCs.



Student Notes:-

COVID-19

