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## The Companies (Indian Accounting Standards) Rules, 2015:

### Introduction



The Central Government in consultation with the National Advisory Committee on Accounting Standards and in exercise of the powers conferred by Section 133 read with Section 469 of Companies Act, 2013 and Section 210A of Companies Act, 1956 made the Companies (Indian Accounting

Standards) Rules, 2015. The said rules shall come into effect from 01.04.2015.

### Definitions

Rule 2(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; and as per clause (20) of section 2 “company” means a company incorporated under this act or under any previous company law;

(e) “financial statements” means financial statements as defined in clause (40) of section 2 of the Act; which defines “financial statements” as -

- i) A balance sheet as at the end of the financial year;
- ii) A profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;
- iii) Cash flow statement for the financial year;
- iv) A statement of changes in equity, if applicable; and
- v) Any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv);

Provided that Financial Statement, with respect to One Person Company, small company and dormant company, may not include the cash flow statement.

(f) “Net worth” shall have the meaning assigned to it in clause (57) of section 2 of the Act; which defines net worth as the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation”

## Computation of Net Worth (NW)

NW shall be calculated in accordance with the Standalone Financial Statements (SFS) of the company as on 31st March 2014 or the first audited Financial Statements (FS) for accounting period which ends after 31st March 2014.

Companies incorporated after 31st March 2014 or an existing company falling under any of thresholds specified above for the first time after 31st March 2014 – Companies shall apply Indian AS from the immediate next accounting year (i.e. FY 2015-16) in the manner specified above, based on the NW calculated on the basis of the first audited FS ending after 31st March 2014 (i.e. FS of FY 2014-15) in respect of which it meets the thresholds specified above.

Illustration:

1. Companies meeting threshold for the first time as on 31st March 2017 shall apply Indian AS for the FY 2017-18 onwards.
2. Companies meeting threshold for the first time as on 31st March 2018 shall apply Indian AS for the FY 2018-19 onwards and so on

(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.

## Applicability of Accounting Standards

The Companies and their Auditors shall comply with the Indian AS specified in the Annexure to the Rules in preparation of their Financial Statements ('FS') and Audit respectively, in the following manner: -



- **Voluntary Adoption (for FY 2015-16):**

Any company may comply with the Indian AS for FS for accounting periods beginning on or after 1st April 2015, with the comparatives for the periods ending on 31st March 2015, or thereafter.

This option is also available to companies whose securities are listed or are in the process of being listed on Small and Medium Enterprises ('SME') exchange.

- **Mandatory adoption:**

**i) From FY 2016-17:** Companies satisfying following criteria are required to comply with the Indian AS for or the accounting periods beginning on or after 1st April 2016, with the comparatives for the periods ending on 31st March 2016, or thereafter.

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 ('NW') of ₹ 500 crore or more.

b) Unlisted Companies (i.e. other than those mentioned in (a) above) having NW of ₹ 500 crore or more.

c) Holding, Subsidiary, Joint Venture/ Associate Companies of Companies covered in (a) and (b) above.

**ii) From FY 2017-18:** Companies satisfying following criteria are required to comply with the Indian AS for or the accounting periods beginning on or after 1st April 2017, with the comparatives for the periods ending on 31st March 2017, or thereafter

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 NW of less than ₹ 500 crore.

b) Unlisted Companies having NW of ₹ 250 crore or more but less than ₹500 crore.

c) Holding, Subsidiary, Joint Venture/ Associate Companies of Companies covered in (a) and (b) above.

Indian AS once required to be complied with in accordance with these rules, shall apply to both standalone financial statements ('SFS') and consolidated financial statements ('CFS').

Any company opting to apply the Indian AS voluntarily as specified above for its FS shall prepare its FS as per the Indian AS consistently and such companies shall not be required to prepare another set of FS in accordance with AS specified in the Companies (Accounting Standards) Rules, 2006.

Once a company starts following the Indian AS either voluntarily or mandatorily on the basis of criteria specified above, it shall be required to follow the Indian AS for all the subsequent FS even if any of the criteria specified in this rule does not subsequently apply to it.

#### **Applicability in case of Companies having subsidiary, associate, joint venture or other similar entities**

##### **Indian companies:**

Indian companies having overseas subsidiary, associate, joint venture and other similar entities of an Indian company may prepare its SFS in accordance with the requirements of the specific jurisdiction.

Provided that such Indian company shall prepare its CFS in accordance with the Indian AS either voluntarily or mandatorily if it meets the criteria as specified above.



### Foreign companies:



Indian company which is a subsidiary, associate, joint venture and other similar entities of a foreign company shall prepare its FS in accordance with Indian AS either voluntarily or mandatorily if it meets the criteria as specified above.

### Exemptions

The Insurance Companies, Banking Companies and Non-Banking Finance Companies ('NBFC') shall not be required to apply Indian AS for preparation of their FS either voluntarily or mandatorily as specified above.

### Validity/Enforceability of Indian AS in case of contrary laws

Indian AS, which are specified, are intended to be in conformity with the provisions of applicable laws. However, if due to subsequent amendments in the law, a particular Indian AS is found to be not in conformity with such law, the provisions of the said law shall prevail and the FS shall be prepared in conformity with such law.

### The List of Ind AS is as under

<b>Ind AS 101</b>	First time adoption of Indian Accounting Standards
<b>Ind AS 102</b>	Share-based Payment
<b>Ind AS 103</b>	Business Combinations
<b>Ind AS 104</b>	Insurance Contracts
<b>Ind AS 105</b>	Non-current assets held for sale and Discontinued operations
<b>Ind AS 106</b>	Exploration for and Evaluation of Mineral Resources
<b>Ind AS 107</b>	Financial Instruments: Disclosures
<b>Ind AS 108</b>	Operating Segments
<b>Ind AS 109</b>	Financial Instruments
<b>Ind AS 110</b>	Consolidated Financial Statements
<b>Ind AS 111</b>	Joint Arrangements
<b>Ind AS 112</b>	Disclosure of Interests in other Entities

<b>Ind AS 113</b>	Far Value Measurement	<b>Ind AS 23</b>	Borrowing Costs
<b>Ind AS 114</b>	Regulatory Deferral Accounts	<b>Ind AS 24</b>	Related Party Disclosures
<b>Ind AS 115</b>	Revenue from Contracts with Customers	<b>Ind AS 27</b>	Separate Financial Statements
<b>Ind AS 1</b>	Presentation of Financial Statements	<b>Ind AS 28</b>	Investments in Associates and Joint Ventures
<b>Ind AS 2</b>	Inventories	<b>Ind AS 29</b>	Financial Reporting in Hyperinflationary Economies
<b>Ind AS 7</b>	Statement of Cash Flows	<b>Ind AS 32</b>	Financial Instruments: Presentation
<b>Ind AS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	<b>Ind AS 33</b>	Earnings per Share
<b>Ind AS 10</b>	Events after the Reporting Period	<b>Ind AS 34</b>	Interim Financial Reporting
<b>Ind AS 12</b>	Income Taxes	<b>Ind AS 36</b>	Impairment of Assets
<b>Ind AS 16</b>	Property, Plant and Equipment	<b>Ind AS 37</b>	Provisions, Contingent Liabilities and Contingent Assets
<b>Ind AS 17</b>	Leases	<b>Ind AS 38</b>	Intangible Assets
<b>Ind AS 19</b>	Employee Benefits	<b>Ind AS 40</b>	Investment Property
<b>Ind AS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance	<b>Ind AS 41</b>	Agriculture
<b>Ind AS 21</b>	The Effects of changes in Foreign Exchange Rates		

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