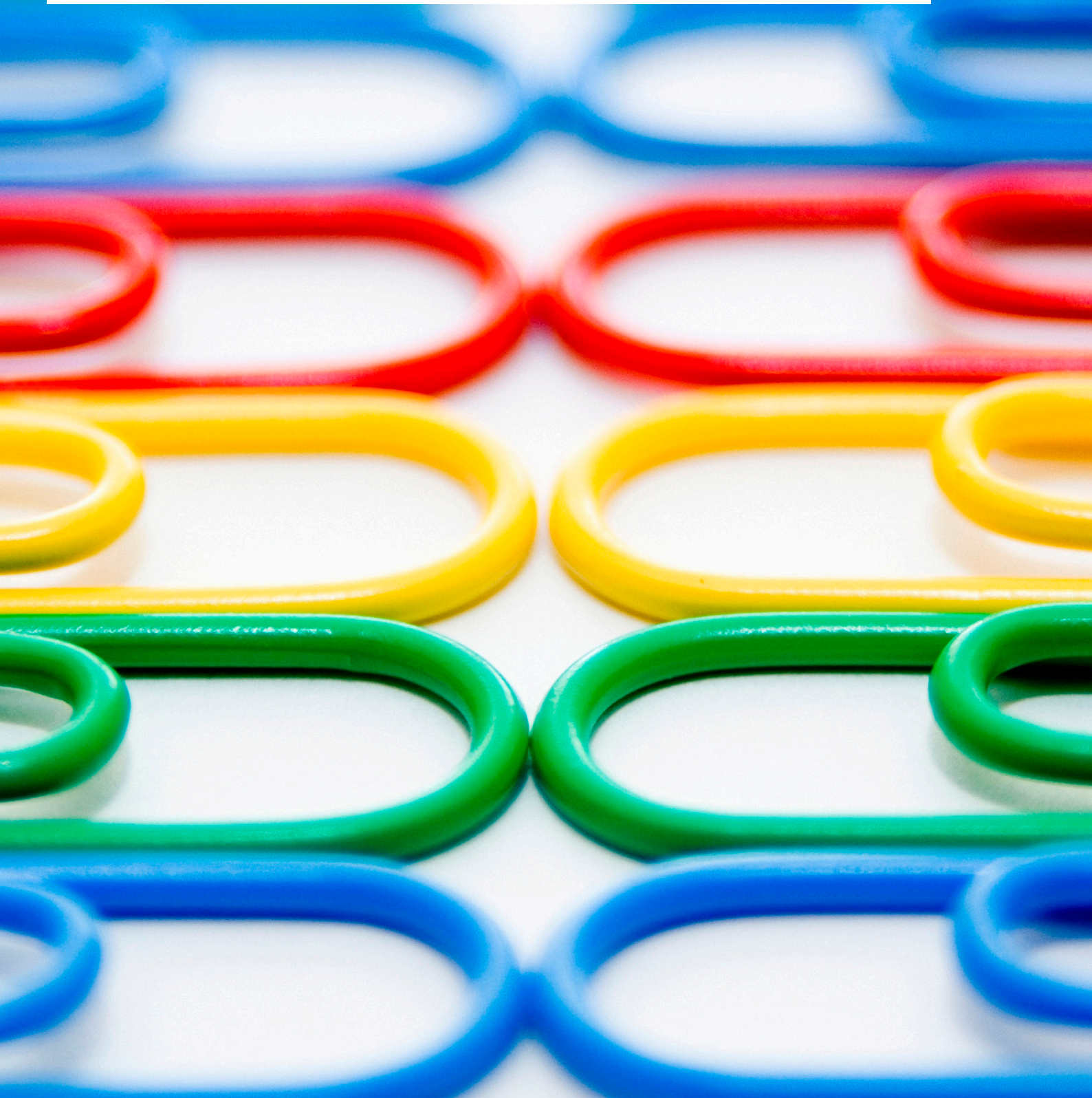


The Deloitte logo is displayed in a bold, blue, sans-serif font. The word "Deloitte" is followed by a small green dot. The logo is positioned in the upper left corner of a white rectangular area.

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# Indian Accounting Standards (Ind AS)

26 February 2015



## Introduction

On 16 February 2015, the Ministry of Corporate Affairs (MCA) notified the Companies (Indian Accounting Standards) Rules, 2015 (the 'Rules') (pending publication in the Gazette of India).

## Applicability

### Mandatory adoption

The following class of companies and their auditors need to comply with the Ind AS in preparation and audit of the financial statements<sup>1</sup> respectively:

For the accounting period beginning on or after 1 April 2016 (Phase 1)	For the accounting period beginning on or after 1 April 2017 (Phase 2)
<ul style="list-style-type: none"><li>• The following companies will have to adopt Ind AS for financial statements from the above mentioned date:<ul style="list-style-type: none"><li>- Companies whose equity or debt securities are listed or are in the process of listing on any stock exchange in India or outside India (listed companies) and having net worth of Rs. 500 crores or more.</li><li>- Unlisted companies having a net worth of Rs. 500 crores or more.</li><li>- Holding, subsidiary, joint venture or associate companies of the listed and unlisted companies covered above.</li></ul></li><li>• Comparative for these financial statements will be periods ending 31 March 2016 or thereafter.</li></ul>	<ul style="list-style-type: none"><li>• The following companies will have to adopt Ind AS for financial statements from the above mentioned date:<ul style="list-style-type: none"><li>- Listed companies having net worth of less than Rs. 500 crore.</li><li>- Unlisted companies having net worth of Rs. 250 crore or more but less than Rs. 500 crore.</li><li>- Holding, subsidiary, joint venture or associate companies of the listed and unlisted companies covered above.</li></ul></li><li>• Comparative for these financial statements will be periods ending 31 March 2017 or thereafter.</li></ul>

Once a company starts following the Ind AS mandatorily on the basis of criteria specified above, it will be required to follow the Ind AS for all the subsequent financial statements even if any of the criteria specified do not subsequently apply to it.

Companies to which Ind AS are applicable should prepare their first set of financial statements in accordance with the Ind AS effective at the end of its first Ind AS reporting period i.e. companies preparing financial statements applying the Ind AS for the accounting period beginning on 1 April 2016 should apply the Ind AS effective for the financial year ending as on 31 March 2017.

### Voluntary adoption

Companies may voluntarily adopt Ind AS for financial statements for accounting periods beginning on or after 1 April 2015, with the comparatives for the periods ending on 31 March 2015 or thereafter. Once a company opts to follow Ind AS, it will be required to follow the Ind AS for all the subsequent financial statements (the option is irrevocable). Once the option to voluntarily follow Ind AS is adopted, companies will not be required to prepare another set of financial statements in accordance with Accounting Standards specified in Annexure to Companies (Accounting Standards) Rules, 2006.

<sup>1</sup> Financial Statements as per section 2(40) of the Companies Act 2013 includes a balance sheet, a profit and loss account, cash flow statement, a statement of changes in equity, and any explanatory notes.

### Non-applicability

The roadmap will not be applicable to:

- Companies whose securities are listed or in the process of listing on SME exchanges as referred to in Chapter XB or on the Institutional Trading Platform without initial public offering in accordance with the provisions of Chapter XC of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- Companies not covered by the roadmap in the "Mandatory adoption" categories above.

Note: SME Exchange to have the same meaning as assigned to it in Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

These companies should continue to apply existing Accounting Standards prescribed in the Annexure to the Companies (Accounting Standards) Rules, 2006, unless they opt for voluntary adoption.

### Net worth

#### Definition

The definition of "net worth" is as per section 2(57) of the Companies Act, 2013. As per that section, net worth means the paid-up share capital + reserves created out of the profits (excludes reserves created out of revaluation of assets, write-back of depreciation and amalgamation) + securities premium account – accumulated losses – deferred expenditure – miscellaneous expenditure not written off as per the audited balance sheet.

#### Dates for consideration of net worth

- Net worth to be calculated in accordance with the standalone financial statements of the company as on 31 March 2014 or the first audited financial statements for an accounting period which ends after that date.
- For companies which are not in existence on 31 March 2014 or an existing company falling under any of thresholds specified under 'Mandatory adoption' for the first time after 31 March 2014, the net worth should be calculated on the basis of the first audited financial statements ending after that date in respect of which it meets the thresholds. Such companies meeting the specified thresholds for the first time at the end of an accounting year shall apply Ind AS from the immediate next accounting year

#### Example:

Companies covered under Mandatory adoption (Phase 1) for all companies – listed as well as unlisted – with net worth of Rs. 500 crores or more:

	Net worth of Rs. 500 crores or more met for the first time based on audited standalone financial statements as at:			
	31 March 2014	31 March 2015	31 March 2016	31 March 2017
Transition date	1 April 2015			1 April 2016
Comparative period	1 April 2015 to 31 March 2016			1 April 2016 to 31 March 2017
Reporting Period	1 April 2016 to 31 March 2017			1 April 2017 to 31 March 2018

Companies covered under Mandatory adoption (Phase 2) for listed companies with net worth of less than Rs. 500 crores and unlisted companies with net worth of Rs. 250 crores or more but less than Rs. 500 crores:

	<b>Net worth of less than Rs. 500 crores for listed companies and net worth of Rs. 250 crores or more but less than Rs. 500 crores for unlisted companies met for the first time based on audited standalone financial statements as at:</b>				
	31 March 2014	31 March 2015	31 March 2016	31 March 2017	31 March 2018
Transition date	1 April 2016				1 April 2017
Comparative period	1 April 2016 to 31 March 2017				1 April 2017 to 31 March 2018
Reporting Period	1 April 2017 to 31 March 2018				1 April 2018 to 31 March 2019

	<b>Company not covered under Phase 1 or Phase 2 of the roadmap, voluntarily adopting Ind AS:</b>			
	From 1 April 2015	From 1 April 2016	From 1 April 2017	From April 1 2018
Transition date	1 April 2014	1 April 2015	1 April 2016	1 April 2017
Comparative period	1 April 2014 to 31 March 2015	1 April 2015 to 31 March 2016	1 April 2016 to 31 March 2017	1 April 2017 to 31 March 2018
Reporting Period	1 April 2015 to 31 March 2016	1 April 2016 to 31 March 2017	1 April 2017 to 31 March 2018	1 April 2018 to 31 March 2019

#### **Applicability to standalone/consolidated financial statements**

Once the Ind AS are required to be complied with, they will apply to both standalone financial statements and consolidated financial statements.

An overseas subsidiary, associate, joint venture and other similar entity of an Indian company may prepare its standalone financial statements in accordance with the requirements of the specific jurisdiction. However, the Indian parent will have to mandatorily prepare its consolidated financial statements in accordance with the Ind AS if it meets the criteria specified above.

An Indian company which is a subsidiary, associate, joint venture and other similar entity of a foreign company should prepare its financial statements in accordance with Ind AS if it meets the criteria specified above.

Companies to which Ind AS are applicable should prepare their first set of consolidated financial statements in accordance with the Ind AS effective at the end of its first Ind AS reporting period unless otherwise specified e.g. companies preparing consolidated financial statements for the accounting period beginning on or after 1 April 2016 will be required to apply the Ind AS effective for financial year ending on 31 March 2017.

#### **Roadmap for banks, NBSCs and Insurance companies**

Insurance companies, banking companies and non-banking finance companies will not be required to apply Ind AS for preparation of their financial statements either voluntarily or mandatorily.

**Financial information needs for 2015-16 – (mandatory conversion dates for companies covered under phase 1 of the MCA Notification)**

Transition Date: 1 April 2015	Comparative year (2015-16) Q1 Q2 Q3 Q4	Changeover year end	First Ind AS reporting year (2016-17) Q1 Q2 Q3 Q4	End of first year of adoption (31 March 2017)
<p>Prepare opening balance sheet, restate all balances and transactions and record opening adjustments as per Ind AS 101 <i>First-time Adoption of Indian Accounting Standards</i></p>	<ul style="list-style-type: none"> <li>Issue interim financial statements under existing notified Accounting Standards as specified under the Companies (Accounting Standards) Rules, 2006</li> <li>Restate each interim period to Ind AS including completion of required Ind AS reconciliations (do not issue publicly)</li> </ul>	<ul style="list-style-type: none"> <li>Complete audited annual financial statements under existing notified Accounting Standards and complete Indian GAAP reporting</li> <li>Record Ind AS adjustments in system and start reporting publicly using Ind AS</li> </ul>	<ul style="list-style-type: none"> <li>Issue interim financial statements with Ind AS comparatives for each period, Ind AS 101 note including all required reconciliations</li> <li>Draft MD&amp;A with comparative information which has been restated for Ind AS – consider impact on nature of disclosure, key performance indicators, trends, etc.</li> </ul>	<p>Issue Ind AS compliant audited financial statements</p>

Please refer/click the following for additional information:

- [Notification of the roadmap on the MCA website](#)
- [Access to the new Ind AS on the MCA website](#)
- Deloitte India publication Indian GAAP, IFRS and Ind AS: A Comparison setting out the significant differences
- [Ind AS considerations for Boards and Audit Committee](#)



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