

Accounting Updates

Vinod Kothari & Company

Convergence of Indian Accounting Standards with IFRS

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The Core Group constituted by the Ministry of Corporate Affairs in a Press Release on 22nd January, 2010, stated its plans to achieve convergence of Indian Accounting Standard with International Financial Reporting Standards (IFRS) in a phased manner. The Group adopted that there will be two separate set of Accounting Standards under section 211 (3C) of the Companies Act, 1956. The first set of standards would be notified Indian Accounting Standard converged with IFRSs ('converging standards') which will be applicable to specific companies mentioned below and the second set of accounting standards would comprise of the existing Indian Accounting Standards that would be applicable to 'other companies'

The converging standards would be applicable to following companies in three phases:

- Phase I would include companies that are part of NSE – Nifty 50, BSE – Sensex 30, companies with shares/ securities listed on stock exchanges outside India and companies whether listed or not but having net worth in excess of Rs. 1000 crores. Compliance with converging standards would reflect in the opening balance sheets of the above mentioned companies as at 1st April, 2011, if the financial year commences on or after 1st April, 2011
- Phase II would include those companies whether listed or not but having net worth exceeding Rs. 500 crores but not exceeding Rs. 1000 crores would comply with converging standards and convert their opening balance sheet as at 1st April, 2013, if the financial year commences on or after 1st April, 2013
- Phase III would include listed companies and having net worth of Rs. 500 crores or less and would comply with converging standards and convert their opening balance sheet as at 1st April, 2014, if the financial year commences on or after 1st April, 2014

Further the Core Group discussed that, for Small and Medium Companies (SMCs) and unlisted companies having a net worth of Rs. 500 crores and less and whose shares/ securities are not listed on the stock exchange outside India, compliance with converging standards would not be mandatory but optional. A separate roadmap for banking and insurance company is expected to be published by end of February, 2010 and the revised Schedule VI to the Companies Act, 1956 is also expected to be released by 30th April, 2010.

See the text of the press release by the Ministry http://www.mca.gov.in/Ministry/press/press/press_release_22Jan_8Feb2010.pdf