

## **Co Accounts to be Aligned to IFRS**

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The Ministry of Corporate Affairs has accepted the recommendations of a panel on new accounting standards, which seek to align the reporting requirements of Indian companies with the International Financial Reporting Standards (IFRS).

The new standards will initially be applicable for large companies that can voluntarily start adopting them in the next fiscal year starting April 1, 2015, before the rules become compulsory in the following year.

Conforming accounting practices to globally accepted standards will reduce the procedures companies need to make while expanding overseas or raising money abroad. Many companies, especially with overseas operations or listings, already follow IFRS or the US Generally Accepted Accounting Principles.

The National Advisory Committee on Accounting Standards submitted the recommendations to the government on December 12 and they had been accepted in its entirety. A notification making the new accounting standards, called Ind-AS, formal will be issued soon, a senior government official said on the condition on anonymity.

“The notification the by the MCA (Ministry of Corporate Affairs) will go a long way in sensitising the companies of the seriousness and urgency of this important financial reporting reform, and getting further momentum into the transition process,” said Sai Venkateshwaran, head of accounting advisory services at financial services firm KPMG in India. “The phased approach would also ensure that only larger companies adopt these standards in the first year, and the remaining companies would have the benefit of learning from the experience of these larger companies when they go in for adoption in subsequent periods.”

The committee's report has specified certain carve outs or exceptions since India is only converging with IFRS and not adopting the guidelines entirely. Factors such as foreign-exchange volatility that Indian companies need to consider while reporting results have prevented the committee not to consider all aspects of IFRS. Banks, insurance companies and other finance companies will have a separate set of Ind-AS which will be rolled out later, the official said. “We'll be hold “We'll be holding meetings with the Reserve Bank of India and IRDA (Insurance Regulatory and Development Authority) to work on the new accounting standards for these sectors. It will be done in later phases.”

The panel has also ironed out differences between the definitions specified in the accounting standards and the Companies Act, including on related-party transaction.

“The recommendations have been submitted to the government. We have taken into account the interests of the industry and made our standards as globally accepted as possible. We have kept the carve outs to bare minimum as we are only adopting IFRS,” committee Chairman Amarjit Chopra said, declining to spell the contours of the recommendations made.

The committee has also incorporated several accounting standards recommended by the Chartered Accountants Institute, including on financial instruments.

The corporate affairs ministry, which is implementing the Companies Act, had in September reconstituted the committee to advise the central government on the formulation of accounting policies and accounting standards. The body will be in place until the National Financial Reporting Authority, proposed under the Companies Act 2013, is set up.

*(Economic Times)*