

Government comes out with roadmap for new accounting standards

Prescribing the road map for the implementation of the new Indian accounting standards (Ind AS), the Corporate Affairs ministry on Friday specified the class of companies that have to move to the new accounting system that are close to the International Financial Reporting Standards (IFRS).

Ind AS will be applicable from the next financial year on a voluntary basis and from April 2016 it will be mandatory for companies with net worth of Rs 500 crore. Companies which have a net worth of Rs 250 crore or more but less than Rs 500 crore will have to mandatorily move to Ind AS from April 2017.

A statement from the government said that companies whose equity or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth of Rs 500 Crore or more will move to Ind AS from April 1, 2016. Companies other these, but having net worth of Rs 500 Crore or more and also their holding, subsidiary, joint venture or associate companies have to mandatorily move to this standard from April 1, 2016.

The statement also said that companies with net worth of Rs 250 crore or more but less than Rs 500 crore and their holding, subsidiary, joint venture or associate companies have to mandatorily move to Ind AS from April 1, 2017. However, companies whose securities are listed or in the process of listing on SME exchanges will not be required to follow Ind AS. Such companies will continue to comply with the existing Accounting Standards unless they choose otherwise.

Once a company opts to follow the Indian Accounting Standards (Ind AS), it will be required to follow this for all the subsequent financial statements. Companies not covered by the above road map will continue to apply existing Accounting Standards prescribed in Annexure to the Companies (Accounting Standards) Rules, 2006.

The government will issue a notification for the same soon. Banking Companies, insurance companies and non- banking finance companies (NBFCs) will not be covered under this notification and will have a separate road map.

(Economic Times)