

## **IFRS Update**

### **1. What are Accounting Standards?**

Accounting Standards are the policy documents issued by the relevant Statutory Authority/ Apex Accountancy body for recognition, measurement, presentation and disclosure of the events and business transactions having economic consequence on an enterprise.

Companies registered under the Companies Act, 1956 are required to follow 'accounting standards' prescribed by the Central Government (Ministry of Corporate Affairs) under the Companies (Accounting Standards) Rules, 2006 notified u/s 211(3C) of the said Act.

### **2. What type of financial statements are the Accounting Standards used for?**

The Accounting Standards are used for general purpose financial statements such as balance sheet, statement of Profit and Loss Account, cash flow statement (wherever applicable) and statements/Schedule and explanatory notes which form part thereof issued for the use of various stakeholders, shareholders, auditors /Bankers, Governments and the general public.

### **3. What are International Financial Reporting Standards (IFRSs)?**

International Financial Reporting Standards (IFRSs) are standards and their interpretations issued by the International Accounting Standards Board (IASB) and its predecessor body, viz., International Accounting Standards Committee (IASC). They comprise:

International Financial Reporting Standards;

International Accounting Standards, and

Interpretations by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

### **4. When the accounting year ends on a date other than 31st March, when can the conversion of opening Balance Sheet be made?**

When the accounting year ends on a date other than 31st March, the conversion of the opening Balance Sheet will be made in relation to the first Balance Sheet, which is made immediately on a date after 31st March.

**5. What will be the applicability date if the company has a year-end other than March 31?**

The date for determination of the criteria is the Balance Sheet as at 31st March 2009 or the first Balance Sheet prepared thereafter when the accounting year ends on another date.

**6. What is the roadmap? What are the details in respect of roadmap prepared for achieving convergence?**

The roadmap is specified dates from which specified companies are required to apply the converged Indian Accounting standards in the preparation and presentation of the financial statements. These dates are 1st April, 2011, 1st April, 2012, 1st April, 2013 and 1st April, 2014.

**The table showing the specified companies and the date of applicability of the converged Accounting Standards are as under:-**

<b>Category of companies</b>	<b>Date of Applicability</b>
(i)NSE-Nifty 50companies, (ii) BSE Sensex 30 companies, (iii) companies listed in overseas stock exchanges, and (iv)companies with net worth above Rs. 1000crore	1st April,2011
(v) All Insurance companies	(v) All Insurance companies
(vi)NSE-Nifty 50 and BSE- Sensex 30 non-banking finance companies, (vii)other non-banking finance companies whether listed or not having net worth above Rs. 1000 crore, (viii) Scheduled commercial banks, (ix) Urban co-operative banks having net worth in excess of Rs. 300 crores. (x) other companies, whether listed or not, having a net	1st April,2013

worth exceeding Rs. 500 crore but not above Rs. 1000 crore	
(xi) Urban co-operative banks having a net worth in excess of Rs. 200 crore but not above Rs. 300 crore, and (xii) other listed companies having a net worth of Rs. 500 crore or less	1st April, 2014

**7. Can a company revert back to the existing non-converged Accounting Standards?**

No, once a company starts following the converged Indian Accounting Standards, it will have to follow the same even if its mandate ceases.

**8. Can a company not included in the Road Map voluntarily adopt the new Accounting Standards?**

Companies not included in the Road Map can voluntarily adopt the new Accounting Standards converged with IFRSs on an irrevocable basis.

**9. The companies, covered in the phase I, would be required to convert their opening balance sheet as at 1st April 2011 in compliance with the converged Accounting Standards. Accordingly, companies are not required to provide comparative figures for the year 2010-11 as the converged Accounting Standards. Whether companies can voluntarily opt to provide comparative figures for 2010-11 as per the converged Accounting Standards?**

The entity has the option to add an additional column to indicate what these figures could have been if the converged accounting standards had been applied in that previous year. Companies which make this additional disclosure will, for this purpose, convert their opening balance sheet as at the date on which this previous year commences and, in that case, a further conversion of the opening balance sheet for the year for which the financial statements are prepared will not be necessary.

**10. In case the notified converged Accounting Standards are not fully consistent with the IAS/IFRS as issued by the IASB, will Indian companies continue to follow the converged Accounting Standard as notified by the Government of India and not adopt IFRS in toto?**

For the purpose of compliance with the provisions of the Companies Act, 1956, companies will have to follow the converged Accounting Standards and not the IFRS.

**11 .Will the interim financial statements be prepared under the Indian Accounting Standards converged with IFRS, when the company is required to follow the converged Indian Accounting Standards?**

Yes, for example, where a company falls under Phase I and has a March 31 as year-end, it would have to prepare its interim financial statements as at June 30, 2011, in accordance with the converged Indian Accounting Standards.

**12. How is the net worth calculated for application of the eligibility criteria?**

The net worth shall be: [Share capital + Reserves] - [revaluation reserve+ miscellaneous expenditure to the extent of not written off or adjusted +debit balance in the Profit and Loss Account].

**13. For following the converged Indian Accounting Standards for the specified companies from 1st April, 2011, what is the date at which date the net worth will be calculated?**

In following the converged Accounting Standards for the specified companies from 1st April,2011, the net worth will be calculated as per the audited balance sheet as at 31st March,2009.

**14. What is the date at which net worth will be calculated for the Scheduled commercial banks, urban co-operative banks and the non-banking financial companies?**

Net worth will be calculated as per the audited balance sheet on 31st March, 2011.

**15. When should net worth be computed for scheduled commercial banks/urban co-operative banks and NBFCs, which are not in existence as on March 31, 2011?**

The MCA press release dated May 5, 2010 clarifies in Issue at Serial No. 8 that the net worth in such cases will be calculated based on the first balance sheet ending on a date immediately after 31st March, 2011.

**16. Whether the companies covered in the 2nd or 3rd phase for application of the converged Accounting Standards can voluntarily opt to apply the same earlier?**

Yes, such companies have the option of early application of the converged Accounting Standards but only for the F.Y 2011-12 or thereafter.