IFRS-compliant accounting standards by December

New Indian Accounting Standards were to originally come into effect from April 1, 2012

New Indian Accounting Standards (Ind-AS), being formulated in alignment with International Financial Reporting Standards (IFRS), are likely to be notified by December this year.

"We have targeted the completion of amendments to Ind-AS by November 30. It is expected that these would be notified shortly thereafter," The Institute of Chartered Accountants of India (ICAI) told Business Standard in an email reply.

Finance Minister Arun Jaitley had said in his Union Budget speech that companies could voluntarily follow Ind-AS from 2015-16 but would have to compulsorily switch to these from 2016-17. The schedule for banks and insurance companies was to be decided later by the Reserve Bank of India and Insurance Regulatory and Development Authority.

In 2011, the standards were heavily criticised because of differences with IFRS. Those related to revenue recognition, financial instruments and presentation of financial statements, among others. IFRS has gone into various changes since then. Now, there are differences between Ind-AS and IFRS on only five counts, ICAI said.

One of these relates to real estate. In 2011 as well, the difference between Ind-AS and the IFRS Interpretations Committee (IFRIC) standard had led to India not adopting these. The IFRIC standard considers revenue by real estate developers for sale of units (apartments or houses) before construction. The issue was whether a developer was selling products or services. Revenue from selling products is normally recognised at delivery; those from services are normally considered on a percentage of completion, as construction progresses.

Analysts await the notification but said there are more than five differences between Ind-AS and IFRS. "These differences need to be reconciled," said Harinderjit Singh, partner,PricewaterhouseCoop-ers India.

He said accounting for exploration and evaluation of mineral resources and the effect of changes in foreign exchange rates, investment in associates and so on were yet to be made IFRS-compliant. More, complex standards like those dealing with financial instruments also needed revising.Audit firms are complaining about the lack of IFRS-trained chartered accountants, since they need to get ready for financial year 2016-17.

"There is a need for capacity building in a structured manner prior to mandatory implementation. A phased approach, with an early voluntary adoption option, will address the concerns around available capacity," said Jamil Khatri, global head of accounting advisory services, KPMG.

Further, companies would need to upgrade their information technology systems and processes to meet the new requirements, Khatri said. "Investors would also need to be sensitised for any adverse impact on earnings," he added.

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