2

Conceptual Framework

2.1 INTRODUCTION:

Accounting history is equally old as the civilization history. The accounting roots may be dated back to around 4000 B.C. in Egypt where transactions pertaining to payment of taxes and daily wages were recorded on clay tablets and sent to the Wazirs and Kings. Babylonia, popularly known as city of commerce, used accounting as a device to unearth losses owing to lack of efficiency and frauds. During the period 700 B.C. to 400 A.D. accounting was applied in Greece for allocation of revenue receipts amongst treasuries and other receipts & payments transactions. It was learnt that Romans, Memorandum or Day Book was used for recording receipts & payments. In India, the historical evidence of accounting practices are found way back twenty three centuries ago in the era of Chandragupta Maurya's kingdom wherein Kautilya authored the book *Arthashasthra* describing the methods of maintenance of accounting & financial records.

The first book on double entry method of book keeping is believed to be authored by Luca Pacioli in Venice in the year 1494. The book titled "*Summa de Arithmetica, Geometria, Proportion at Proportionality* (Review of Arithmetic & Geometric Proportions) is considered to have used the terms Debit (Dr.) and Credit (Cr.) which again has been consequent from the Latin words *debito* and *credito.* Luca Pacioli (1447-1517) first provided the idea about the double entry methods of book keeping in his book and is also christened as the **"Father of Accounting".**

The oldest form of modern practice of accounting tools finds its roots in "Stewardship Accounting" a concept where stewards were employed by rich people to manage their property. This practice prevailed in large number of economies till the birth of public limited companies. In modern times, the notion of divorce of ownership from the management emerged and this resulted in the mandate of disclosure trends of financial statements and other information by the law. Gradually financial accounting practices emerged and such information generated was applied as an instrument to assist management decision process. Presently, we are witnessing the emergence of Forensic Accounting, Social Responsibility Accounting, Human Resource Accounting and Environmental Accounting etc. to name a few.

2.2 SIGNIFICANCE OF ACCOUNTING & ACCOUNTING STANDARDS:

The relevance of Accounting can be interpreted with the aid of different definitions on the subject. Every definition has brought up newer dimensions to the term. Few of the definitions are enumerated below:

Table 2.1: Table showing definitions of Accounting

Body/ Association	Definition
The Committee on Terminology set up by the American Institute of Certified Public Accountants, 1961 [1]	"Accounting is the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof." This definition emphasizes on accounting as merely a record keeping mechanism. It is an important requirement to communicate and motivate informed judgement for the users and management to take decisions.
The American Accounting Association (AAA), 1966 [1]	"The process of identifying, measuring and communicating economic information to permit informed judgements and decisions by users of accounts."
The Accounting Principles Board (APB) of American Institute of Certified Public Accountants (AICPA), 1970 [1]	"The function of accounting is to provide quantitative information, primarily of financial nature, about economic entities, that is needed to be useful in making economic

	decisions" This definition emphasizes that accountants have to assume a much larger responsibility than merely record keeping.

Source: Researcher's Own Compilation

Accounting standard (AS) is made from two different words i.e. 'Accounting' and 'Standard'. Accounting being the language of a business helps to communicate about various activities of a business to various stakeholders. Accounting is a vital basis of business information as no other system of a business is developed to meet all functions of a business into one set of measures.

The word 'Standard' is of a recent origin. Earlier it was known as 'Principles'. The British used the term 'Standard' in place of 'Principles' when they established their Accounting standard steering committee by 1969. While Americans introduced the term standard in 1973 when Accounting Principles Board was wound up. This led to the creation of Financial Accounting Board. In India, this term was adopted by establishing Accounting Standard Board (ASB) in April, 1977 by the Institute of Chartered Accountants of India (ICAI). Hence, Accounting standards are in the nature of a written policy document issued by the Indian Government with the guidance and support of various other regulatory bodies like National Financial Reporting Authority (NFRA) & Ministry of Corporate Affairs (MCA),) covering the aspects of recognition, measurement, presentation and disclosure in the financial statements.

Accounting Standards have gained prominence in the world of finance primarily because of the reasons below:

a) Accounting standards help in the elimination of ambiguity in accounting treatments of different transactions used in the preparation of financials.
b) Accounting standards mandate disclosure of certain information beyond that mandated by law thus increasing transparency to the users.
c) Accounting standards facilitate the users to compare the financials of businesses in different parts of the same country thus bringing in a standardization of reporting & disclosure practices.

2.3 ACCOUNTING STANDARDS IN INDIA:

Indian economy has a rich legacy of accounting framework. In today's world the accounting practices are highly standardized but still a lot needs to be done. The history of accounting standards in India owes its roots back to the year 1977 wherein on April, 21, 1977, The Institute of Chartered Accountants of India (ICAI) constituted the Accounting Standards Board (ASB). The purpose of the setting up of ASB was to harmonize the varied accounting practices followed in India. The broad functions, objectives and terms of reference of Accounting Standards Board of ICAI are as under: [2]

- To conceive of and suggest areas for which Accounting Standards need to be developed.

- To frame the Accounting Standards through a process that is robust, comprehensive, and inclusive with a view to assisting the Central Council of the ICAI in evolving and establishing Accounting Standards to discharge its role of national standard-setter.

- To review, at regular intervals, the Standards from the point of view of changed conditions, practical challenges and implementation experience of the Standards, if any, and revise the same appropriately.

- To provide, from time to time, interpretations and guidance to support implementation of Accounting Standards including publishing education material, guidance notes, technical guides, implementation guide, e-learning tools etc.

- To take adequate steps to enhance knowledge of the members and other stakeholders for proper implementation of Accounting Standards by conducting workshops, seminars, train the trainers programs, and certificate course/ diploma course on Ind AS in India and abroad.

- To co-ordinate with various Committees of the ICAI with regard to various issues in Accounting and Accounting Standards.

- To contribute to the development of a single set of extraordinary quality globally accepted reporting standards for international use by IFRS Foundation.

- To collaborate and develop mutually beneficial partnerships with other national standard-setters and various consultative/advisory forums of IFRS Foundation such as Asian-Oceanian Standard-Setters Group (AOSSG), Emerging Economies Group (EEG), International Forum of Accounting Standard-setters (IFASS), Accounting Standards Advisory Forum (ASAF), IFRS Advisory Council, Financial Accounting Standards Board of US (FASB) etc.

- To carry out such other functions relating to Accounting and Accounting Standards.

There are a lot of factors considered by ASB while formulating a particular standard. The ASB considers various applicable laws customs, trade practices and usages and the micro & macro business environment prevailing in the nation.

So far, the ICAI issued 29 Accounting Standards. Considering the updation of AS 10 on 'Property, Plant & Equipment' and issuance of AS 26 on 'Intangible Assets' the existing standards AS 6 on 'Depreciation Accounting' and AS 8 on 'Accounting for Research & Development" were withdrawn. Hence there remains effectively 27 Accounting Standards at present as on 01-04-2023.

Table 2.2: Table showing applicable Accounting Standards (AS)

AS No.	Accounting Standard Title	Date of Notification/ Applicability	Present Status
1	Disclosure of Accounting Policies	01/04/1993	Applicable
2	Valuation of Inventories (Revised)	01/04/1999	Applicable
3	Cash Flow Statement	01/04/2001	Applicable
4	Contingencies and Events Occurring after the Balance Sheet Date (Revised)	01/04/1998	Applicable
5	Net Profit or Loss for the period, Prior period Items and Changes in Accounting Policies	01/04/1996	Applicable

AS No.	Accounting Standard Title	Date of Notification/ Applicability	Present Status
7	Construction Contracts	01/04/2002	Applicable
9	Revenue Recognition	01/04/1993	Applicable
10	Property, Plant & Equipment (Revised)	01/04/2016	Applicable
11	The Effects of Changes in Foreign Exchange Rates (Revised)	01/04/2004	Applicable
12	Accounting for Government Grants	01/04/1994	Applicable
13	Accounting for Investments (Revised)	01/04/1995	Applicable
14	Accounting for Amalgamations (Revised)	01/04/1995	Applicable
15	Employee Benefits	01/04/2006	Applicable
16	Borrowing Costs	01/04/2000	Applicable
17	Segment Reporting	01/04/2001	Applicable
18	Related Party Disclosures	01/04/2001	Applicable
19	Leases	01/04/2001	Applicable
20	Earnings per Share	01/04/2001	Applicable
21	Consolidated Financial Statements (Revised)	01/04/2001	Applicable
22	Accounting for Taxes on Income	01/04/2006	Applicable
23	Accounting for Investments in Associates in Consolidated Financial Statements	01/04/2002	Applicable
24	Discontinuing Operations	01/04/2004	Applicable
25	Interim Financial Reporting	01/04/2002	Applicable
26	Intangible Assets	01/04/2003	Applicable
27	Financial Reporting of Interests in Joint Ventures	01/04/2002	Applicable
28	Impairment of Assets	01/04/2008	Applicable
29	Provisions, Contingent Liabilities and Contingent Assets	01/04/2004	Applicable

Source: www.icai.org [3]

It is important to note that to bring in uniformity in the level of compliance with Accounting Standards, the ICAI issued an announcement on "*Criteria for Classification of Entities and Applicability of Accounting Standards"* Accordingly now non-corporate entities are classified into four levels viz. Level I, Level II, Level III and Level IV for the purpose of applicability of various standards.

As far as corporate entities are concerned the Government issued *'Criteria for Classification of Entities and Applicability of Accounting Standards'* wherein corporate entities are classified into two levels viz. Small & Medium sized Companies (SMC) as defined in Companies (Accounting Standards) Rules, 2021 and corporates other than SMC.

During the year 1999, the Government of India inserted section 210A in the Companies (Amendment) Act, 1999 and thereby constituted National Advisory Committee on Accounting Standards (NACAS) which was a body of advisory in nature on setting of Accounting Standards. After the enactment section 132 under the Companies Act, 2013, the Government constituted National Financial Reporting Authority (NFRA). Henceforth, the MCA issues Standards in consultation with NFRA. In India, there are three sets of Standards in place, i.e., Companies (Accounting Standards) Rules, 2021, and Companies (Indian Accounting Standards) Rules 2015, prescribed by Central Government for companies and accounting standards issued by ICAI for entities other than companies.

2.4 EMERGENCE OF INTERNATIONAL ACCOUNTING STANDARDS:

In June 1973, IASC was established which was a London based group. The objective of IASC was global standards setting and it was accountable for the development of International Accounting Standards (IAS). The group was restructured during 1997 to 1999 which resulted in the formation of International Accounting Standards Board (IASB). The IASB consists of professional accounting bodies of more than 75 different nations and ICAI is a member thereof. From 1973 to 2001, IAS were released by the board and the member bodies undertook the responsibility to publicize these standards. Since 2001 after the formation of IASB, the new series of standards started to be issued which were called International Financial Reporting Standards (IFRS). Thus, the standards released by IASC till 31.03.2021 continued to be known as IAS and those issued by IASB since 01.04.2021 continued to be known as IFRS. Now, the term IFRS comprises of IFRS (issued by IASB), IAS (issued by IASC), and different interpretations issued by standards interpretation Committee and IFRS interpretations committee of IASB.

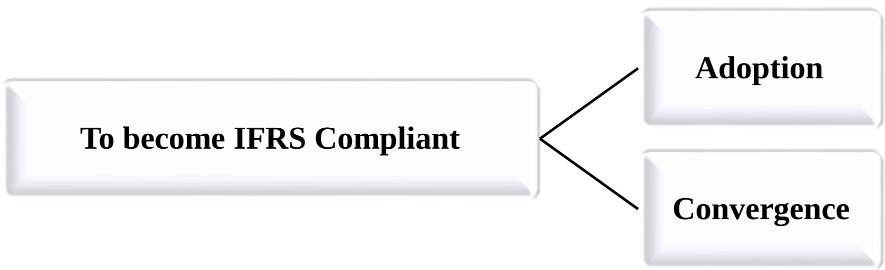
2.5 NEED FOR HARMONISATION OF ACCOUNTING STANDARDS :

"Harmonization is the process by which differences in financial reporting practices among countries are reduced, with a view to make them comparable and decision-useful across the globe. It is a process of increasing the comparability of accounting practices by setting bounds to their degree of variation. In the accounting context, harmonization is the process aimed at enhancing the comparability of financial statements produced in the different countries." [4]

With the increasing pace of globalization of economy the concept of harmonization of accounting practices has gained paramount importance. For any business entity to go global and raise fund from foreign markets, there is a need of translation and also reinstatement of financials. Comparison of financial statements is done by international analysts and the concept of harmonization of reporting practices will raise the self-assurance of investors to take better decisions. Multiplicity of standards around the world is considered to be against the public interest. Thus, to facilitate seamless cross border flow of funds, global listing in stock exchanges at various countries it is required to have harmonisation in place. Moreover, this will repose the trust of various stakeholders in the reporting practices adopted by different countries.

2.6 CONVERGENCE VS ADOPTION:

Convergence and Adoption are two different terms having a great degree of variation in the meaning. In order to become IFRS compliant a country can use either convergence process or adoption process.



Adoption process is the method wherein the country sets a specified timeline by which specific business concerns functioning in the county would be mandated to use

IFRS as released by IASB. No changes of deviations from the IFRS prescribed is permitted in adoption process.

Convergence process is a method wherein the country decides to develop its own standards which are compatible and top quality in nature and in alignment with standards prescribed by other standard setters. In convergence certain degree of compromise is permitted by adoption process of the standard either in full or in part.

In India, the Government decided to go for convergence rather than full adoption considering the status of Indian economic environment. Certain set of modifications were permitted in the convergence exercise. Globally, various countries like Canada, Cambodia, and Bahrain etc. have fully adopted IFRS. However, countries like India, China, and Hong Kong etc. have gone for convergence with IFRS rather than full adoption.

2.7 CARVE IN AND CARVE OUT:

The Government of India decided to follow convergence rather than full adoption of IFRS as prescribed by IASB. This was done in consultation with ICAI. The decision of convergence was the result of threadbare analysis of the various requirements of IFRS and stakeholder consultations. Hence, various efforts were made during formulation of Ind AS to ensure that the standards are in line with IFRS/ IAS and departures were permitted only if it was absolutely essential.

The deviations with IFRS which arise due to various differences in the usage of accounting principles and practices and the prevailing economic conditions in India are termed as **Carve Outs**. Also, in certain areas of Ind AS there is an additional guidance provided by ICAI over and above what is prescribed in IFRS. This is termed as **Carve In**.

There are certain Carve In and Carve Out in Indian Accounting Standards (Ind AS) when we compare them with IFRS.

2.8 PROCEDURE OF STANDARD SETTING IN INDIA:

In India, ICAI is the premiere Accounting institute with various non -standing committees under its domain. The ASB of ICAI is the unit of ICAI which formulates policies, prepares standards and other technical research in the field of Accounting. The objective of ASB is to ensure that the entire process of standard setting is transparent and completely consultative. The Board therefore consists of members from different industries, various types of Industry associations like ASSOCHAM, FICCI, CII, academicians, regulators, government departments, agencies etc. Also, the ASB is a body which is constituted by the Central Council of ICAI and is independent in the entire process of design of accounting standards. It is the NFRA which recommends these standards to the MCA. Finally MCA spells out the applicable standards for companies in India.

The entire standard setting procedure adopted by ASB can be presented as under:

Table 2.3: Table showing standards setting procedure in India by ASB

Step No	Broad Procedure	Detailed Procedure
Step-I	Identification of Area of Standard	The ASB undertakes the drive of identification of the broad areas for the design of the required Accounting Standard.
Step-II	Constitution of various Study Groups	The ASB constitutes Study Groups in different areas by identifying the subject experts of the relevant field. These study groups consider the specific projects of the board and prepare the preliminary draft of the proposed accounting standard. The drafts consist of objectives of the proposed standard, scope, definitions of the various terms used, principles of recognition as well as measurement in applicable cases and different requirements of presentation and disclosure. The study groups are spread across the length and breadth of the country.
Step-III	Consideration of the preliminary draft	The Board then considers the preliminary drafts prepared by the study groups and reviews the same for revision, if any. This process is done after deliberations with the members of the study groups.

Step No	Broad Procedure	Detailed Procedure
Step-IV	Circulation of draft for Comments	The revised draft of the proposed standard is then circulated to the council members of the ICAI and some specified bodies like MCA, C & AG, SEBI, CBDT, SCOPE etc. for comments.
Step-V	Ascertainment of Views on the draft standard	The members of the Board then meet the various representatives of the specified outside bodies and ascertain their views on the proposed standard in the draft stage.
Step-VI	Finalization of the Exposure Draft	The comments and feedback so received from various representatives of the specified bodies are incorporated in the exposure draft and the same is issued for inviting Public comments.
Step-VII	Comments on the Exposure Draft	The comments received in the Exposure draft are considered by the board and the draft accounting standard is then finalized by the board and submitted to the governing council of ICAI for consideration and approval.
Step-VIII	Modification on the Draft Standard	ICAI considers the final draft of the proposed accounting standard and if necessary, modifies the same in consultation with the board.
Step-IX	Issue of the Final Accounting Standard	The Standard thus finalized on the relevant subject area (for non-corporate entities) is then released by the ICAI. However, for corporate entities, the standards are issued by the MCA after consultation with NFRA.

Source: Researcher's Own compilation

2.9 EVOLUTION OF CONVERGENCE TO IFRS IN INDIA:

The ICAI started the process of moving in alignment with IFRS in 2006. This was initiated to ensure transparency in the financial statements and also to enhance the degree of acceptability of the reporting practices of Indian corporates. This move was welcomed by the Indian Government and subsequently accepted. In 2009 at G20 summit, India expressed a promise to move towards the convergence of Indian reporting standards in line with the International Reporting standards. Initially, it was planned to apply the converged form of standards from 2011, but due to pending unaddressed issues pertaining to taxation, the MCA decided to postpone the implementation date.

In the month of July, 2014, the then Minister of Finance of India, Late Shri Arun Jaitley in his Annual Budget Speech quoted:

"There is an urgent need to converge the current Indian accounting standards with the International Financial Reporting Standards (IFRS). I propose for adoption of the new Indian Accounting Standards (Ind AS) by the Indian companies from the financial year 2015-16 voluntarily and from the financial year 2016-17 on a mandatory basis. Based on the international consensus, the regulators will separately notify the date of implementation of Ind AS for the Banks, Insurance companies etc. Standards for the computation of tax would be notified separately" [5]

After the above pronouncement, various steps were taken to facilitate the smooth implementation of the newly converged standards known as Indian Accounting Standards (Ind AS). The MCA then issued the Companies (Indian Accounting Standards) Rules, 2015 vide its notification dated 16-02-2015 and paved the implementation roadmap of Ind AS covering different class of companies.

Thus, Ind AS being the converged form of IFRS released by the MCA under the Central Government after discussion with NFRA and under the supervision of ASB of ICAI. The Ind AS issued are named and serially numbered in the same manner as the corresponding IAS. Also, for the Ind AS corresponding to IFRS, we need to add 100 to the original serial number of IFRS eg. For IFRS 1 the corresponding Ind AS number would be Ind AS 101.

A list of 39 Ind AS notified by the MCA as on 01-04-2023 is reproduced in the table 2.4

Table 2.4: Table showing applicable Ind AS

Ind AS No.	Title of the Reporting Standard	Date of Notification/ Applicability	Present Status
1	Presentation of Financial Statements	16/02/2015	Applicable
2	Inventories	16/02/2015	Applicable
7	Statement of Cash Flows	16/02/2015	Applicable
8	Accounting Policies, Changes in Accounting Estimates and Errors	16/02/2015	Applicable
10	Events after the Reporting Period	16/02/2015	Applicable
12	Income Taxes	16/02/2015	Applicable
16	Property, Plant & Equipment	16/02/2015	Applicable
19	Employee Benefits	16/02/2015	Applicable
20	Accounting for Government Grants and Disclosure of Government Assistance	16/02/2015	Applicable
21	The Effects of changes in Foreign Exchange Rates	16/02/2015	Applicable
23	Borrowing Costs	16/02/2015	Applicable
24	Related Party Disclosures	16/02/2015	Applicable
27	Separate Financial Statements	16/02/2015	Applicable
28	Investments in Associates and Joint Ventures	16/02/2015	Applicable
29	Financial Reporting in Hyperinflationary Economies	16/02/2015	Applicable
32	Financial Instruments: Presentation	16/02/2015	Applicable
33	Earnings Per Share	16/02/2015	Applicable

Ind AS No.	Title of the Reporting Standard	Date of Notification/ Applicability	Present Status
34	Interim Financial Reporting	16/02/2015	Applicable
36	Impairment of Assets	16/02/2015	Applicable
37	Provisions, Contingent Liabilities and Contingent Assets	16/02/2015	Applicable
38	Intangible Assets	16/02/2015	Applicable
40	Investment Property	16/02/2015	Applicable
41	Agriculture	16/02/2015	Applicable
101	First Time Adoption of Indian Accounting Standards	16/02/2015	Applicable
102	Share-Based Payments	16/02/2015	Applicable
103	Business Combinations	16/02/2015	Applicable
104	Insurance Contracts	16/02/2015	Applicable
105	Non-Current Assets Held for Sale and Discontinued Operations	16/02/2015	Applicable
106	Exploration for and Evaluation of Mineral Resources	16/02/2015	Applicable
107	Financial Instruments: Disclosures	16/02/2015	Applicable
108	Operating Segments	16/02/2015	Applicable
109	Financial Instruments	16/02/2015	Applicable
110	Consolidated Financial Statements	16/02/2015	Applicable
111	Joint arrangements	16/02/2015	Applicable
112	Disclosure of Interest in other Entities	16/02/2015	Applicable

Ind AS No.	Title of the Reporting Standard	Date of Notification/ Applicability	Present Status
113	Fair Value Measurement	16/02/2015	Applicable
114	Regulatory Deferral Account	16/02/2015	Applicable
115	Revenue from Contracts with Customers	28/03/2018	Applicable
116	Leases	30/03/2019	Applicable

Source: www.icai.org [6]

2.10 STRUCTURE OF INDIAN ACCOUNTING STANDARDS:

The structure of Ind AS has been the same as that of IFRS and IAS. Also, the symmetry in paragraph numbers of IFRS and IAS has been retained in Ind AS to enable the readers cross referencing at ease. At the same time due care has been provided for Carve Outs and Carve In. In case a particular paragraph of IFRS is not available in Ind AS, the similiar number is kept blank with a note to this effect. Ind AS have different components and they are generally structured in a defined manner. In the table below, the researcher has presented a component wise structure of the various parts of Ind AS.

Table 2.5: Table showing component wise structure of Ind AS

Sl. No.	Component of the Ind AS	Brief Outline of the Component
1	Objective	This paragraph primarily addresses the main purpose for which the Ind AS is formulated and the objective it seeks to achieve.
2	Scope	This paragraph defines the coverage of the standard in its ambit. It also identifies the areas which are not covered in a particular standard.
3	Definitions	This paragraph covers the definitions of the terminology used by a particular standard.

Sl. No.	Component of the Ind AS	Brief Outline of the Component
4	Content of the Standard	The main principles of the standard are covered here. Generally the principles of recognition, measurement etc. are dealt in this segment.
5	Disclosure	Different types of Qualitative and Quantitative information which is normally designed to be disclosed in financials is covered in this section of a particular standard.
6	Transitional Provisions and Effective date	The effective date of applicability of any notified Ind AS is mentioned in this part of the standard. Also, the transitional provisions are mentioned either in this portion or somewhere in the Appendices. Hence this section becomes vital from applicability point of view.
7	Appendices	Appendices are integral part of the standard. They consist of explanation to issues specific to an industry, the guidance as applicable, certain defined terms, if any, references to other standards, comparison with IFRS and IFRIC and SIC as applicable.

Source: Researcher's Own compilation

It is pertinent to mention that in every Ind AS, there is usage of text in bold and plain. The text in bold mentions the principle and the text in plain denotes the guidance for application & other explanations. It is to be understood that both Bold and Italics have equal authority so far as the standard is concerned.

2.11 ROADMAP FOR IMPLEMENTATION OF IND AS:

The Companies (Ind AS) Rules, 2015 were released by the MCA vide its G.S.R. dated 16 February, 2015. Thus the revised Ind AS implementation roadmap was notified. The said notification mandated the Ind AS implementation on a voluntary basis from 01.04.2015 and on a mandatory basis from 01.04.2016 for a certain class of companies. Accordingly 39 Ind AS have been issued for implementation and a roadmap for phase wise implementation of new standards for listed entities, Banks, Non-Banking Financial Companies, Insurance Sector Companies & Mutual Funds is in place. The phase wise transition to Ind AS for various types of companies as suggested by the MCA has been elaborated in the tables below.

Table 2.6: Table showing implementation Roadmap for Ind AS for Listed Entities

Phase	Date of Implementation	Class of Companies	Voluntary/ Mandatory
I	01-04-2015	Any Company including its holding, subsidiary, Joint Ventures or associate company	Voluntary
I	01-04-2016	(i) All Companies listed or in process of listing on Stock Exchanges in India or Out of India which have a net worth of ₹ 500 crore or higher; (ii)All Unlisted Companies which have a net worth of ₹ 500 crore or higher; (iii) Holding, Subsidiary, Associate and Joint Ventures of the above corporates.	Mandatory
II	01-04-2017	(a) All such companies which are either listed or are in the course of listing inside or out of India on Stock Exchanges and not included in Phase I (excluding companies listed on SME Exchanges); (b) All Unlisted companies which have a net worth of ₹ 250 crore or	Mandatory

		higher but lower than ₹ 500 crore; (c) Holding, Subsidiary, Associate and Joint Ventures of the stated companies.	

Source: www.icai.org [6]

According to the roadmap, Ind AS application is not mandatory for SME Exchange listed companies. Also, Ind AS once applied shall be applied to both standalone and consolidated financial statements. The companies outside the purview of Ind AS would continue to apply the earlier Accounting Standards as notified in Companies (Accounting Standards) Rules, 2006 i.e. the existing AS.

Table 2.7: Table showing implementation Roadmap for Ind AS for Non-Banking Financial Companies (NBFC)

Phase	Date of Implementation	Class of Companies	Voluntary/ Mandatory
I	01-04-2018	(i) Any NBFC, whether listed or not & which have a net worth of ₹ 500 crores or more. (ii) Holding, Subsidiary, Joint Venture and Associate companies of above NBFC excluding those already covered under corporate roadmap shall also follow from the said date.	Mandatory
II	01-04-2019	(a) All NBFCs whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or out of India and which have a net worth less than ₹ 500 crore); (b) NBFCs that are unlisted and which have a Net Worth of ₹ 250 crores or more but less than ₹ 500 crores; (c) Holding, Subsidiary, Associate and Joint Ventures of above NBFC excluding those already covered under corporate roadmap shall also follow from the said date.	Mandatory

Source: www.icai.org [6]

As per the roadmap, the NBFCs outside the purview of Ind AS would continue to apply the Accounting Standards as notified in Companies (Accounting Standards) Rules, 2006 i.e. the existing AS. Also, Ind AS once applied shall be applied to both standalone as well as consolidated financial statements. Further, the voluntary adoption of Ind AS by Non-Banking Financial Companies are not allowed.

In India, Banks are also regulated by the RBI and the implementation of Ind AS therein is guided by the notifications issued by RBI from time to time. Insurance Companies for this purpose are regulated by Insurance Regulatory Development Authority of India (IRDAI) and Ind AS applicability is guided by circulars issued by IRDAI. Further, Mutual funds are governed by The SEBI (Mutual Funds) Regulations, 1996 as modified. A summarized position of Ind AS applicability for Banks, Insurance Sector and Mutual Funds in presented in Table below.

Table 2.8: Table showing implementation Roadmap for Ind AS for Banks, Insurance Companies and Mutual Funds

Type of entity	Date of Implementation	Class of Companies	Voluntary/ Mandatory
Banks	Deferred till further notice by RBI	Scheduled Commercial Banks (excluding Regional Rural Banks)	Banks are not permitted for Voluntary application of Ind AS
Insurance Companies	Deferred till further notice by Insurance Regulatory Development Authority of India	Insurers and Insurance Companies	Insurance Companies are not permitted for Voluntary application of Ind AS
Mutual Funds	01-04-2023 as specified by SEBI (Mutual Funds) (Amendment) Regulations, 2022	Mutual Fund Schemes	Mandatory

Source: www.icai.org [6]

2.12 IND AS RELEVANT OTHER STATUTORY PROVISIONS IN INDIA:

Initially, Ind AS was mandated by the Companies (Indian Accounting Standards) Rules, 2015. Since then there had been numerous amendments in Ind AS. Besides, this there are various sections in different statutes which provide a reference to Ind AS. Over the years it is observed that every year on a regular basis MCA notifies certain amendments to the existing Ind AS. Hence it is vital to keep a tab on the amendments in Ind AS notified by MCA. A summary of the same is presented in Table below.

Table 2.9: Table showing Reference of Ind AS in other Statutes

Name of the Statute	Relevant Section/ Circular of the Statute	Brief outline of the reference to Ind AS
The Companies Act, 2013	Section 2(2)	This section defines accounting standards to mean the principles of accounting as applicable to companies referred in section 133.
The Companies Act, 2013	Section 133	This section specifies the authority of the Central Government to recommend the standards of accounting as suggested by ICAI in discussion with NFRA.
The Companies Act, 2013	Section 129	This section specifies the financials to be in compliant with accounting standards as mentioned in section 133 of the Act and also that the financials shall give true and fair view of the position of the entity.
The Companies Act, 2013	Section 134(5)	This section casts a responsibility on the management of the entity through the Director Responsibility Statement in the Director’s Report to be published in the Annual General meeting about the mandatory application of the Standards as applicable to the company.

The Companies Act, 2013	Section 143	This sections requires the Auditors to comment on the compliance of accounting standards by the company.
The Companies Act, 2013	Section 232	This section requires that any scheme of merger and amalgamation of companies, has to be sanctioned by the tribunal only after procuring an Auditor Certificate of the entity regarding the conformity of the financial treatment in the scheme with the applicable standards.
The Companies Act, 2013	Section 66	This section requires that any reduction in Share Capital to be sanctioned by the tribunal may be done only after procuring an Auditor Certificate from the statutory Auditor as regards the accounting treatment of reduction in capital in line with the prescribed standards.
SEBI Circular	Circular dated 30.11.2015 on Formats for publishing financial Results	SEBI has mandated through this circular that while publishing the quarterly or Annual financial results pursuant to regulation 33 of Listing Regulations, 2015, the corporate shall confirm compliance with Ind AS for comparatives also
SEBI Regulations	SEBI (ICDR) Regulations, 2018	As per these regulations in the offer document the company shall disclose if Ind AS is applicable for financial information of last 3 years financials.
The Companies Act, 2013	Division II to Schedule III to the Companies Act, 2013	The schedule prescribes the revised formats for the financial results (Unaudited/ Audited quarterly financial results) to be submitted by the entities which are listed with the stock exchanges.

Source: Researcher's Own compilation

2.13 ACCOUNTING STANDARDS AND CORPORATE GOVERNANCE:

Indian environment is not new to governance. The traces of good governance can be found in ancient times in the days of Kautilya in his masterpiece Arthashastra. Even in the ancient Ramayana we find that maximum happiness can be achieved following the path of *Dharma* which again is nothing but a form of good governance.

As per SEBI, "Corporate governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a company". [7]

ICSI outlies that "Corporate Governance is the application of best management practices, compliance of Law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all Stakeholders". [8]

The Report on the topic of Corporate Governance by Kumar Mangalam Birla Committee emphasizes that "Strong corporate governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection. It is the blood that fills the veins of transparent corporate disclosure and high quality of the accounting practices. It is the muscle that moves viable and accessible financial reporting structure". [9]. This Report further laid emphasis on the need for fully compliant Accounting Standards with the International counterparts.

Thus, with the Ind AS applicability in modern days, it is desired to achieve the goals of Corporate Governance through transparent and ethical Financial Reporting practices.

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