

Roadmap for Ind-AS implementation

Ind-AS roadmap

In his maiden Budget speech, the Finance Minister indicated that the Indian Accounting Standards (Ind-AS) be adopted mandatorily beginning FY 2016–17 and voluntarily from FY 2015–16.

The Ministry of Corporate Affairs (MCA) issued a press release on 2 January 2015 announcing a roadmap for the implementation of Ind-AS. The roadmap provides a phase-wise approach, primarily based on a company's net worth. Consistent with the Finance Minister's speech, the roadmap also allows voluntary adoption of Ind-AS.

The MCA's long awaited revised roadmap for the adoption of Ind-AS converged with the International Financial Reporting Standards as issued by the IASB (IFRS) is a welcome New Year gift - resolving the uncertainty surrounding the timing of implementation of Ind-AS in India. This will not only elevate corporate financial reporting in India to that of other advanced economies, but more importantly, it will reinforce to the global community India's resolve towards strong corporate governance practices.

The phased adoption of Ind-AS – effective 1 April 2016 for larger companies having a net worth equal to or exceeding 500 crore INR and then subsequently for other companies, is a well-thought out approach. This not only gives the management the time to prepare for Ind-AS adoption, but also benefits smaller companies who will learn from the lessons and experiences of the larger companies.

Though not spelled out in the release, hopefully the subsequent notification will clarify matters such as applicability of Ind-AS to standalone and consolidated financial statements, date and manner of computation of net worth, applicability of Ind-AS in the consolidated financial statements of a holding company having an insurance company or a non-banking finance company (NBFC) as a group company (since the release excludes banking, insurance and NBFCs).

In summary, all listed companies (except companies listed on SME exchanges) and companies having a net worth of 250 crore INR or more will be required to adopt Ind-AS. Companies not covered by the roadmap will continue to apply existing accounting standards.

The requirement to present comparatives implies that phase 1 companies will require an Ind -AS compliant opening balance sheet as of 1 April 2015 which is not too far.

Phase 1: Mandatory for accounting periods beginning on or after 1 April 2016

A <ul style="list-style-type: none">Companies whose equity and/or debt securities are listed, orCompanies who are in the process of listing on any stock exchange in India or outside India, andCompanies having a net worth of 500 crore INR or more.	B <ul style="list-style-type: none">Unlisted companies having a net worth of 500 crore INR or more.	C <ul style="list-style-type: none">Holding, subsidiary, joint venture or associate companies of companies covered in (A) and (B).
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- Comparative information required for the period ending 31 March 2016 or thereafter.
- The roadmap does not mention the net worth criteria for holding, subsidiary, joint venture or associate companies covered in (C) above. Accordingly, it appears that even smaller sized companies in this category will get covered in phase 1.

Phase 2: Mandatory for accounting periods beginning on or after 1 April 2017

D <ul style="list-style-type: none">Companies whose equity and/or debt securities are listed, orCompanies who are in the process of listing on any stock exchange in India or outside India, andCompanies having a net worth of less than 500 crore INR.	E <ul style="list-style-type: none">Unlisted companies having a net worth of 250 crore INR or more but less than 500 crore INR and not covered in any of the other categories.	F <ul style="list-style-type: none">Holding, subsidiary, joint venture or associate companies of companies covered in (D) and (E).
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- Comparative information required for the period ending 31 March 2017 or thereafter.
- The roadmap does not mention the net worth criteria for holding, subsidiary, joint venture or associate companies covered in (F) above.

Voluntary adoption: For accounting periods beginning on or after 1 April 2015

- Comparative information required for the period ending 31 March 2015 or thereafter.
 - The roadmap does not lay any restriction on companies eligible for voluntary adoption. However, it specifies that once a company opts to follow Ind-AS, it shall be required to follow the Ind-AS for all the subsequent financial statements.
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Companies not covered in the roadmap

- Banking, insurance and NBFCs have been excluded from this roadmap. As mentioned in the Finance Minister's Budget speech, it is expected that the implementation date for these companies shall be notified separately.
 - Companies whose securities are listed or in the process of listing on SME exchanges. These companies shall continue to comply with the existing accounting standards unless they choose otherwise.
 - Companies not covered by the roadmap shall continue to apply the existing accounting standards prescribed in the Annexure to the Companies (Accounting Standards) Rules, 2006.
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Next steps

Implementing Ind-AS is likely to impact key performance metrics requiring thoughtful communication with the board of directors, shareholders and other stakeholders. Internally, Ind-AS implementation can have a wide-ranging impact on a company's processes, systems, controls, income taxes and also contractual arrangement.

Successful Ind-AS implementation will require a thorough strategic assessment, a robust step-by-step plan, alignment of resources and training, strong project management and finally smooth integration of various changes into normal business operations. At the end, the Ind-AS implementation exercise needs to establish sustainable processes so as to continue to produce meaningful information long after the exercise is completed.

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