

IFRS APPLICATION AROUND THE WORLD

JURISDICTIONAL PROFILE: **India**



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This Profile provides information about the application of IFRS Standards in India. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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RELEVANT JURISDICTIONAL AUTHORITY

Organisation	The Institute of Chartered Accountants of India (ICAI)
Role of the organisation	In India, Accounting Standards are formulated by the Council of the ICAI through its Accounting Standards Board. Thereafter, those Accounting Standards are considered by the National Advisory Committee on Accounting Standards (NACAS) of the Ministry of Corporate Affairs, which recommends the Standards to the Central Government for notifying under the Companies Act. The Government, on accepting the recommendation of the Committee, notifies the Standards under the Companies Act by publishing them in the <i>Gazette of India</i> . Notified standards are authoritative under the law.
Website	www.icai.org
Email contact	president@icai.in asb@icai.in

COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.
Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?	<p>Yes.</p> <p>The Preface to Indian Accounting Standards states:</p> <p>“2.3 The ICAI, being a full-fledged member of the International Federation of Accountants (IFAC), is expected, inter alia, to actively promote the International Accounting Standards Board’s (IASB) pronouncements in the country with a view to facilitate global harmonisation of accounting standards. Accordingly, while formulating the Accounting Standards, the ASB will give due consideration to International Accounting Standards (IASs) issued by the International Accounting Standards Committee (predecessor body to IASB) or International Financial Reporting Standards (IFRSs) issued by the IASB, as the case may be, and try to integrate them, to the extent possible, in the light of the conditions and practices prevailing in India.”</p> <p>Link to Preface: http://220.227.161.86/7600acc_bodies_preface_AS_revised04.pdf</p> <p>Further, the President’s budget message in July 2014 stated:</p> <p>“128. There is an urgent need to converge the current Indian accounting standards with the International Financial Reporting Standards (IFRS).”</p>
What is the jurisdiction's status of adoption?	India has not adopted IFRS Standards. India has adopted Indian Accounting Standards (Ind AS) that are based on and substantially converged with IFRS Standards as issued by the IASB. The modifications to IFRS Standards as issued by the IASB are explained later in this profile . An appendix to each Ind AS explains ‘the major differences, if any, between’ the Indian Accounting Standard (Ind AS) and the corresponding IFRS Standard.
Additional comments provided on the adoption status?	<p>Prior to 2013, the Companies Act had given the Securities and Exchange Board of India (SEBI) statutory authority to prescribe financial reporting requirements for companies whose securities trade in a public market. SEBI required all listed companies with subsidiaries to file consolidated financial statements with stock exchanges. And SEBI required those financial statements to be prepared in conformity with the Accounting Standards developed by the Institute of Chartered Accountants of India (ICAI) and approved by the Central Government. However, the SEBI also gave listed entities the option to prepare and file consolidated financial statements in conformity with IFRS Standards as issued by the IASB Board. Approximately 11 companies (mainly large ones with foreign listings) used the IFRS Standards option. Most of those who used the IFRS Standards option also prepared financial statements in conformity with ICAI standards; some did not.</p> <p>In 2013, India revised its Companies Act to require listed and large companies to prepare consolidated financial statements in conformity with a new set of Indian Accounting Standards (Ind AS) to be adopted by the ICAI. The revised Companies Act does not give SEBI the authority to continue the IFRS option. However, some of the companies that used IFRS Standards in the past may continue to do so voluntarily in addition to preparing Ind AS financial statements.</p>
If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS in your jurisdiction.	Not applicable.

EXTENT OF IFRS APPLICATION

For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements? All domestic companies whose securities trade in a public market other than the SME Exchange are required to use Indian Accounting Standards (Ind AS).

If YES, are IFRS Standards REQUIRED or PERMITTED? Ind AS is required.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones? All.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market? Yes.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market? Entities that use Ind AS must also use them in separate financial statements.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

Companies other than insurance companies, banking companies, and non-banking finance companies

Ind AS is required or permitted as follows:

- All companies, including those whose securities do not trade in a public market and those whose securities trade on the SME Exchange, are permitted to use Ind AS for accounting periods beginning on or after 1 April 2015.
- The following companies are required to use Ind AS starting with accounting periods beginning on or after 1 April, 2016:-
 - Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India (other than the SME Exchange) or outside India and having net worth of rupees 5,000,000,000 (approximately US\$75,000,000).
 - Companies other than those above having net worth of rupees 5,000,000,000 (approximately US\$75,000,000) or more;
 - Holding, subsidiary, joint venture or associate companies of those above.
- The following companies are required to use Ind AS starting with accounting periods beginning on or after 1 April, 2017:
 - Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India (other than the SME Exchange) or outside India and having net worth of less than rupees 5,000,000,000 (approximately US\$75,000,000);
 - Unlisted companies having net worth of rupees 2,500,000,000 (approximately US\$37,000,000) or more but less than rupees 5,000,000,000 (approximately US\$75,000,000).
 - Holding, subsidiary, joint venture or associate companies of those above.

Companies that do not use Ind AS will continue to apply existing Accounting Standards, which will be upgraded by the ICAI.

Banking companies, insurance companies, and non-banking finance companies

On 18 January 2016, the Government of India announced that commercial banks, insurance companies, and non-bank finance companies will be required to prepare their financial statements using Indian Accounting Standards (Ind AS) starting 1 April 2018, with comparative financial statements for the prior year. Ind AS are based on and substantially converged with IFRS Standards as issued by the IASB. Ind AS are being phased in for commercial companies 2015 to 2017. Urban Cooperative Banks (UCBs) and Regional Rural Banks (RRBs) will not apply Ind AS but, rather, will continue to comply with their existing accounting standards.

The full text of the announcement, made by the Ministry of Corporate Affairs, may be found here:

<http://pib.nic.in/newsite/PrintRelease.aspx?relid=134578>

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?

Ind AS is based on and substantially converged with IFRS Standards as issued by the IASB. The modifications to IFRS as issued by the IASB are [explained later in this profile](#). An appendix to each Ind AS explains ‘the major differences, if any, between’ the Indian Accounting Standard (Ind AS) and the corresponding IFRS Standard.

For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED in such cases? Permitted.

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones? All.

IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies? All domestic companies whose securities trade in a public market other than the SME Exchange, and large non-public companies, will be required to use Indian Accounting Standards (Ind AS) by 2017. All companies are permitted to do so. Details are [above](#).

The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with: Indian Accounting Standards.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)? No.

Are IFRS Standards incorporated into law or regulations? No.

If yes, how does that process work? Ind AS become mandatory after they are notified by the Ministry of Corporate Affairs in the *Gazette of India*. On 16 February 2015 the Ministry of Corporate Affairs notified the adoption of Ind AS in the *Gazette* effective 1 April 2015. That notification, including the full text of the Ind AS, may be downloaded here (14mb file in both Hindi and English):
http://www.mca.gov.in/Ministry/pdf/Notification_20022015.pdf

If no, how do IFRS Standards become a requirement in the jurisdiction? Not applicable.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place? Yes.

If yes, what is the process?

The process for adopting Ind AS is as follows:

- The Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) prepares a draft of the Ind AS on the basis of the IFRS Standard. That draft is exposed for public comments and discussed with the relevant interest groups.
- Thereafter, considering the comments, the Accounting Standards Board of the ICAI finalises the Ind AS and submits it to the Council of the ICAI for approval.
- After approval by the ICAI Council, the Ind AS is reviewed by the National Advisory Committee on Accounting Standards (NACAS) of the Ministry of Corporate Affairs. NACAS recommends the Ind AS to the Ministry of Corporate Affairs for notification.
- The Ministry notifies (publishes) the Ind AS in the *Gazette of India*, and it becomes authoritative under the law.

If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS and/or made any modifications to any IFRS Standards?	Yes.
If yes, what are the changes?	<p>Ind AS are IFRS Standards as issued by the IASB with some modifications, including:</p> <ul style="list-style-type: none"> • changes of terminology; • elimination of options; • addition of disclosures; • elimination of disclosures that are considered to be contradictory to local law; • elimination of other disclosures; • addition of presentation requirements; • addition of (and, in some cases, deletion of) examples; and • modifications of principles for recognising assets, liabilities, income and expense. <p>Some of those modifications are mandatory, and some are optional.</p> <p>Each individual Ind AS contains an Appendix 1. The purpose of those Appendices is 'to bring out the major differences, if any, between' the Indian Accounting Standard (Ind AS) and the corresponding IFRS Standard.</p> <p>The full text of all Ind AS as officially 'notified' by the Ministry of Corporate Affairs may be downloaded here (14mb file in both Hindi and English):</p> <p>http://www.mca.gov.in/Ministry/pdf/Notification_20022015.pdf</p>
Other comments regarding the use of IFRS Standards in the jurisdiction?	Not applicable.

TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?	No.
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	Not applicable.

APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?	No.
If no, is the adoption of the IFRS for SMEs Standard under consideration?	No.
Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.

Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?	Not applicable.
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For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?	National standards.
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Other comments regarding use of the IFRS for SMEs Standard?	None.
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