

Accounting Standards Board: Journey So Far...



Accounting Standard Board (ASB) of the ICAI was constituted in April 1977. Over the years, it has brought the position of the Accounting Standards in India almost at par with International Financial Reporting Standards. The 200th meeting of the Accounting Standards Board was held on July 24, 2013. At the occasion, a brochure highlighting the contribution and achievements of the ASB since its first meeting held on June 22, 1977 was released. The complete text of the brochure is hosted on the website of ICAI and can be accessed at <http://220.227.161.86/31339a/sb21388.pdf>. A summary of the same is as under:

The Institute of Chartered Accountants of India became an associate member of International Accounting Standards Committee (IASC) in 1974. The IASC was constituted in June 1973 with the objective of formulating and publishing in the public interest, standards to be observed in the presentation of audited financial statements and to promote their world wide acceptance and observance. Some of the countries decided to adopt the international standards without modification while some others decided to formulate their own standards taking international standards as the basis. The Institute decided in principle to formulate its own standards and accordingly decided to set-up Accounting Standards Board (ASB). ASB was constituted with adequate representation to all interested parties in April, 1977 and held its first meeting on June 22, 1977.

The 'Preface to the Statements of Accounting Standards', issued in January, 1979 outlined the scope and functions of ASB, the scope of Accounting Standards, the procedures to be followed by the ASB in formulating the standards and the phased manner in which compliance with the standards will be ensured by the Institute. The first Accounting Standard (AS) 1, *Disclosure of Accounting Policies*, was issued in 1979.

Implementation of Accounting Standards

ASB considered the question of making the Accounting Standards mandatory in terms of the Preface to the Statements on Accounting Standards in the year 1983. AS 4, *Contingencies and Events Occuring After the Balance Sheet Date*, and AS 5, *Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies* were made mandatory in respect of accounts for periods commencing on or

after January 1, 1987. ASs 1, 7, 8, 9, 10 and 11 became mandatory for the accounting periods commencing on or after April 1, 1991 for corporate entities and for non-corporate entities in respect of financial statements for periods beginning on or after April 1, 1993, where such statements were statutorily required to be audited under any law.

Legal recognition to the Accounting Standards

Till 1999, there was no law requiring the companies to follow accounting standards. The accounting standards issued by the ICAI were mandatory only for its members, who, while discharging their attest function, were required to examine whether the Accounting Standards were complied with in the presentation of financial statements covered by their audit.

The legal recognition to the Accounting Standards was accorded for the companies in the Companies Act, 1956, by introduction of section 211(3C) through the Companies (Amendment) Act, 1999. The proviso to section 211(3C) provided that until the Accounting Standards are notified by the Central Government the Accounting Standards specified by the Institute of Chartered Accountants of India shall be followed by the companies.

Till 1999, ICAI had issued 15 Accounting Standards which were required to be followed by companies by virtue of the proviso to Section 211(3C) of the Companies Act, 1956. From the year 2000 to 2006, the ICAI issued 14 more Accounting Standards, i.e., AS 16 to AS 29, which were made mandatory under the above Section of the Act.

In August 31, 2001, Clause 50 was added to the Listing Agreement with Stock Exchanges to provide

that all listed companies shall mandatorily comply with all the Accounting Standards issued by ICAI from time to time. RBI and IRDA also require strict compliance with the standards by entities regulated by them. They also consult the ASB from time to time on accounting matters and before issuing circulars or guidelines on accounting issues.

The Government of India, Ministry of Company Affairs (now Ministry of Corporate Affairs), issued Notification dated December 7, 2006, prescribing Accounting Standards 1 to 7 and 9 to 29 as recommended by the Institute of Chartered Accountants of India, which came into effect in respect of the accounting periods commencing on or after the aforesaid date with the publication of these Accounting Standards in the Official Gazette.

Convergence with International Financial Reporting Standards

The ICAI, being a member of the International Federation of Accountants (IFAC), considers the IFRSs and tries to integrate them, to the extent possible, in the light of the laws, customs, practices and business environment prevailing in India. Although, the focus has always been on developing high quality standards, resulting in transparent and comparable financial statements, deviations from IFRSs were made where it was considered that these were not consistent with the laws and business environment prevailing within the country. As the World globalised, it became imperative for India also to make a formal strategy for convergence with IFRSs with the objective to harmonise with globally accepted accounting standards.

In the year 2007, the Council of the ICAI accepted recommendations of ASB to converge with IFRS with effect from 1st April 2011 in respect of various public interest entities and approach to be followed for the same. The Ministry of Corporate Affairs, Govt. of India, also supported the initiative of ICAI and issued the Press release in January 2010, containing a roadmap for convergence. The ICAI, accordingly, formulated 35 Indian Accounting Standards (Ind ASs), the new nomenclature used for accounting standards converged with IFRS, - applicable on 1st April, 2011, except the Indian Accounting Standards corresponding to (a) IFRS 9, *Financial Instruments* (incomplete Standard); (b) IAS 26, *Accounting and Reporting by Retirement Benefit Plans* (not relevant to companies); and (c) IAS 41, *Agriculture* (not suitable to Indian conditions). As far as possible, no change was made in the Indian Accounting Standards from IFRSs. However, keeping in view the economic environment of the country and in certain cases where there were conceptual differences which were taken up with the IASB, some departures were made. Subsequently, MCA in its press release stated that it will implement

the Indian Accounting Standards in a phased manner after various issues including tax related issues are resolved with the concerned Departments.

With a view to continue to remain at par with the IFRSs which are being revised and new IFRSs being issued by the International Accounting Standards Board (IASB), the ASB, after approval by the Council of the Institute, has initiated the process of revising the existing Ind ASs and issuing new Ind ASs in convergence with the new/revised IFRSs, so that whenever the Government decides to converge with IFRSs, the Ind ASs corresponding to the IFRS effective on that date are available.

Interaction with International Bodies

ASB contributes to and collaborates with International Accounting Standards Board for developing high quality global accounting standards. It participates in the annual World Standards-Setters meetings organized by IASB and is member of various international groups such as Asian-Oceanian Standard-Setters Group (AOSSG), Emerging Economies Group (EEG) and International Forum of Accounting Standards Setters (IFASS).

India leads the Working Group of AOSSG on Agriculture (co-chair Malaysia) and suggestion of the AOSSG to make a limited scope amendment in IAS 41 based on the recommendations of the Working Group has been taken up by IASB. India is also member of the other Working Groups such as Financial Instruments, Emission Trading Schemes, Review of IFRS for SME, Conceptual Framework. Most recently, AOSSG has established a pilot IFRS Centre of Excellence for a Developing Country in Nepal aimed at building the capacity of that jurisdiction to facilitate IFRS adoption. Australia is chairing the Working Party for establishment of this pilot Centre, and India is a voluntary party for establishing the Centre. India has recently sent trainers from India to train the trainers in Nepal. India is also a member of AOSSG's ASAF Working Party which is an advisory group to the IASB, consisting of national accounting standard-setters and regional bodies with an interest in financial reporting.

India presented a paper on rate regulated activities at the last EEG meeting held on May 31, 2013, in which along with the other issues, the major issue highlighted was whether the rate regulation in some industries like electricity, gave rise to regulatory assets and liabilities.

Contribution to IASB

World Standard-Setters meeting (WSS) is hosted annually by the International Accounting Standards Board (IASB) for the world's financial reporting standard setters and provides a forum to share

IFRS convergence, adoption, implementation and application experiences; be consulted on the IASB's agenda; be updated on developments in International Financial Reporting Standards (IFRSs) and provide feedback to the IASB and its staff on active IASB agenda projects.

ASB also sends comments on the consultative documents issued by the IASB so that Indian concerns are appropriately raised in timely manner. IASB Outreach Programmes are also being organised by the ASB to familiarise the members, corporates and other stakeholders with such consultative documents and to address their concerns. The Accounting Standards Board contributes and collaborates with accounting bodies of other countries also on technical and research activities on bilateral basis role.

Revision of existing notified Accounting Standards

Indian Accounting Standards (Ind AS) corresponding to International Financial Reporting Standards are expected to be applicable to all listed companies, insurance companies and banks over a period of time as per the road map to be issued by the MCA. The ASB has also decided to revise the existing Accounting Standards in accordance with principles

of IFRSs for other entities to follow the Accounting Standards

Way Forward

Convergence is a continuous process. In order to remain converged with IFRSs the endeavour of ASB is to (i) to revise the Ind ASs as the IFRSs/ IASs issued by IASB are revised/ amended to minimize/remove the differences there-from; (ii) interact with IASB by sending comments on its consultative documents such as Exposure Drafts and Discussion Papers; (iii) organise Outreach Programmes on new IFRS under development by IASB so that the IASB gets first-hand feedback of Indian stakeholders' concerns and (iv) contribute and collaborate with IASB and other bodies such as Asian-Oceanian Standards Setters Group (AOSSG), Emerging Economies Group (EEG), International Forum of Accounting Standards Setters (IFASS) on technical and research activities by playing a proactive role in these bodies.

The ASB also feels that the standard-setting process could be improved if impact studies are conducted for certain Accounting Standards and has planned of conducting impact studies of certain existing Accounting Standards. ■







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