

An Update on Implementing Ind AS— The New Benchmark of Accounting Excellence

Over the recent years, accounting has metamorphosed into a universal language of business. India is no exception to this phenomenon. In fact, India being one of the fastest growing economies and a favourite destination of FDIs, is speaking this language so loud and clear that the entire world is taking note of. Thanks to the ICAI as enabler and the Government as facilitator that a reformatory accounting revolution is brewing in the country with the implementation of Ind AS Converged with IFRS. The Ind ASs converged with IFRS have put India at the centre stage of high quality and transparent financial reporting whose benefits far outweigh the challenges. These standards, which facilitate better comparability and unambiguous understanding of financial statements across all companies and jurisdictions, are the new benchmark of Indian accounting excellence, and are redefining the core of Indian accounting expertise.

High quality comprehensive set of accounting standards is 'sine-qua-non' of a fast growing economy intending to be an economic super power in the coming decades. As such, the ICAI, with active support of the Government, has been making sustained and successful efforts in the adoption and implementation of accounting standards at par with global benchmarks through its Accounting Standards Board (ASB), which was formed on 21st April 1977 to lay the foundation for a robust accounting standard-setting framework in the country.

Since the beginning of the 21st century, the ICAI has donned the mantle of accounting reforms in India. The major push came in the year 2006-2007 when the ICAI prepared a concept paper wherein it advocated convergence with IFRSs. The concept paper rightly recognised the need of growing Indian economy to embrace high quality and transparent financial reporting. ICAI strongly believes that Indian economy and businesses have a larger role to play in the globalised economy and, therefore, there was a compelling need that they spoke in a universally common accounting language— the IFRS. Subsequently, India has diligently kept pace with this global accounting revolution encompassing more than 140 countries, and is meticulously enabling the implementation of Ind AS largely converged with IFRS with only a few carve-outs.

"There is an urgent need to converge current Indian Standards with International Accounting Standards," announced Finance Minister Arun Jaitley in the 2014 Budget speech acknowledging the immense underlying benefits, and ushering India into a new era of path-breaking accounting reform. Since then the process of convergence in India has come a long way. ICAI quickly rose to the occasion and played the main anchor role in formulating a full set of IFRS converged Indian Accounting Standards (Ind AS) within a very short span of time. As many as 39 Ind ASs were originally notified

in February 2015. It is noteworthy to mention here that India has decided to early converge with IFRS 9 *Financial Instruments*, a highly complex standard. Further, ICAI has clear plan to maintain Ind ASs at par with IFRSs all the time. Accordingly, it has put in motion the process for formulation and issuance of three new Ind ASs equivalent to IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*, in line with global mandatory effective dates of 2018, 2019 & 2020.

It is a proud moment for India that companies (around 600) covered in the first phase of the roadmap of Ind AS implementation have published their first quarterly financials and annual financial statements for the year 2016-2017 based on Ind AS. In the second phase, there are approximately 10,000 companies that will be required to prepare financial statements based on Ind ASs. Another noteworthy aspect is that a series of announcements by RBI and IRDAI have set the ball rolling for the adoption of Ind AS as reporting language for Banks, NBFCs and Insurance Companies from the next financial year i.e. 2018-19.

In the era of globalised economies, Ind AS is a business imperative for Indian companies today. It will not only act as a gateway to global capital markets, but will also strengthen the economic co-operation among BRICS nations and other global and regional forums. The adoption of Ind AS is expected to result in accounting which more closely reflects the underlying business rationale and true economics of transactions. Therefore, benefits of high quality, relevant and transparent financial reporting system will accrue to various stakeholders and result into robust capital markets. Ind AS implementation is also going to benefit the accountancy profession as a whole, offering it new professional avenues to serve global stakeholders and adding a new dimension to the Government's 'Skill India' initiative.

Transition to Ind AS involves huge efforts. Hence, any transition of this size and nature comes with its own set of challenges. The ICAI has recognised challenges at an early stage and is making every possible effort to take these in stride, such as constitution of Ind AS Implementation Committee and continuous dialogue with key regulators, such as, Reserve Bank of India, Insurance Regulatory and Development Authority of India MCA, Taxation Authorities etc., to address issues involved in Ind AS implementation.

All in all, the ICAI is leading the way in embracing accounting standards of excellence and is committed to play the role of a 'Sheet Anchor' to ensure effective and smooth implementation of IFRS converged Ind ASs in India. ■

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