

Indian Accounting Standards (Ind AS) - UPSC Economy Notes

Indian Accounting Standards or Ind AS is an important topic for the UPSC exam, especially Indian Economy segment. In this article you can read all about the Ind AS topic, which is also featured in business news regularly. This is a part of GS Paper III in the [IAS exam](#).

What are Accounting Standards?

Companies make many transactions on a daily basis in order to run and engage in their businesses.

- They have to make many statements in this regard, particularly for banks and creditors to make evaluations before lending them funds. The most important statements are the **balance sheet** and the **profit and loss account** (also known as the income statement).
- These statements reveal the financial health of the company and enable banks and financial institutions to make sound evaluations.
- Accounting is an intricate process and this allows companies to alter their accounting principles to suit themselves.
- This does not allow other entities to make any comparisons.
- This is precisely the reason accounting standards are recommended.
- Recognised accounting bodies set standards of accounting so that there is a harmonised accounting principle for companies to adhere to.

The main objective of Accounting Standards is to standardise the diverse accounting policies and practices.

Indian Accounting Standards (Ind AS)

Ind AS or Indian Accounting Standards govern the accounting and recording of financial transactions as well as the presentation of statements such as balance sheet and profit and loss account of a company in India.

- Companies, especially in the west and the developed world, follow the International Financial Reporting Standards (IFRS) for their accounts.
- The Ind AS was prescribed as a result of calls for Indian accounting standards to be on par with the globally accepted standards, the IFRS.
- The Ind AS was issued under the supervision and control of the Accounting Standards Board (ASB).
 - The ASB was constituted in 1977 by the Institute of Chartered Accountants of India (ICAI) to harmonize the varied accounting policies and practices.
- The [Companies Act](#) mandates the balance sheets and income statements of all companies to comply with the accounting standards.
- Many companies in India had resisted the imposition of the IFRS stating that the move would result in too many changes to the way their numbers were captured and reported.
- The Ind AS was formulated as a compromise formula that tries to harmonise Indian accounting rules with the IFRS.

International Financial Reporting Standards (IFRS)

The IFRS was instituted by the International Accounting Standards Board (IASB). The IASB was formed in 2001 with the objective of issuing the IFRS. The IASB replaced the earlier body, the International Accounting

Standards Committee (IASB). The IASB is headquartered in London. The purpose of issuing the IFRS was to have a common accounting language to increase transparency in the presentation of financial information.

Ind AS Adoption

The Ind AS is in the process of being adopted by the companies in India in phases. In the first and second phases, all listed and unlisted companies adopted the Indian Accounting Standards.

In the third and fourth phases, banks and non-banking financial companies (NBFCs) were supposed to adopt these standards.

Although the NBFCs have already come under the Ind AS, the banks are yet to adopt them. This is because the [RBI](#) deferred this on account of two factors:

1. There was a requirement of amending the Banking Regulation Act, 1949 - which is yet to be done by the Parliament.
2. The banking sector itself was not deemed 'prepared' for the change.

The RBI postponed the implementation of the Ind AS on banks from April 2018 to April 2019. Then again, it deferred this implementation indefinitely in April 2019.

The banking sector was always opposed to the adoption of Ind AS because of many factors, notwithstanding the already mentioned factors. The implementation of the Ind AS will bring in many changes in the accounts of the companies.

To understand more about the opposition by the banks to the adoption of the Ind AS, you can watch our video lecture on the topic below:

<https://www.youtube.com/watch?v=8NhSD892BFQ>

