



# Impact of Indian Accounting Standards (Ind AS) Adoption on different sectors

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## **Abstract :-**

A good financial accounting system is the most important requirement to operate a business effectively. When a new accounting standard is adopted by a country for its own domestic companies for reporting their financial statement, it may have an impact on the quantitative as well as qualitative attributes of financial statements. Every country stipulates a method for companies to report financial data based on rules called accounting standards. India has so far followed Indian Generally Acceptable Accounting Principle (IGAAP). But, on 16<sup>th</sup> February 2015, the Ministry of Corporate Affairs notified a set of rules called Companies (Indian Accounting Standards) Rules 2015 w.e.f. 1<sup>st</sup> April 2015 introducing the Ind AS as a step towards convergence with IFRS for removal of difficulties and for ease of adoptability. This paper deals to know the impact of IND AS on various sectors.

**Keywords :-** Accounting Standard, IGAAP, Ind AS, IFRS.

## **Introduction :-**

In recent years, as a result of globalisation and privatization, the level of international trade and investment has increased tremendously. It has given rise to a demand for uniformity in the accounting systems. Ind AS stands for Indian Accounting Standard and are converged standards of IFRS (International Financial Reporting Standards). It is the accounting standard adopted by companies in India and issued under the supervision of Accounting Standard Board.

Ind AS govern the accounting and recording of financial transactions as well as the presentation of statements such as Profit & Loss A/c and Balance Sheet of a company. It was modelled on the IFRS which were different from the Indian Generally Acceptable Accounting Principles.

**Benefits of Adoption of Ind AS :-**

- Ind AS will not just change the way companies present their data, but may also strike down or bump up the profit/losses of the firm.
- The adoption of Ind AS resulted in changes in the financial reporting framework, increased use of fair valuation as against historical cost valuation.
- Some other benefits :-
  - i) To improve the credibility and reliability of financial statements.
  - ii) Benefits to Accountants and auditors.
  - iii) Reform in accounting theory and practice.

**Applicability of Ind AS :-**

The Companies ( Indian Accounting Standards) Rules, 2015 clearly provide the applicability and non-applicability criteria of Ind AS to various entities.

At present, there are two sets of rules in force :

- i. The Companies (Accounting Standards) Rules, 2006.
- ii. The Companies (Indian Accounting Standards) Rules, 2015.

**Phase I : Mandatory Basis : w.e.f. 1<sup>st</sup> April,2016 onwards for following companies:-**

- a) All companies which are listed in the process of listing at Stock Exchange in India or outside India having net worth equal/more than Rs. 500 crore.
- b) All unlisted companies having net worth equal/more than Rs. 500 crore.
- c) Parent, Subsidiary, Associate and Joint Venture of above (a) & (b).

**Phase II : Mandatory Basis : w.e.f. 1<sup>st</sup> April,2017 onwards for following companies:-**

- (a) All companies ( other than companies listed on SME Exchanges) which are listed or in the process of listing inside or outside India if not covered in Phase I.
- (b) All unlisted companies having net worth > Rs. 250 crore.
- (c) Parent, Subsidiary, Associate and Joint Venture of above (a) & (b).

**Research Methodology :-**

This paper is based on secondary data collected through various books, journals, reports, websites and research papers.

**Objective of the study :-**

- To know the impact of Indian Accounting Standard on various business sectors.

**Impact Of IND AS :-**

**On Banking/Financial Sector :-** Ind AS has bring about a major change in the financial statements of banks and financial companies. The biggest impact of Ind AS comes from Ind AS 109 an accounting standard on financial instruments which impacts almost all line items of bank's balance sheets.

The adoption of IND AS is expected to have a comprehensive impact on banks, impacting not just accounting and disclosures but also includes their business practices, systems and processes, regulatory reporting and capital adequacy etc.

**On Automobile Industry:-** India is the seventh largest automobile manufacturer in the world and this sector is extremely important to the country.

The standard provides accounting requirements for all revenue arising from contracts with customers. These standards affect all entities that enter into contracts to provide goods or services to their customers. The standards also specify the accounting for costs that an entity incurs to obtain and fulfil a contract to provide goods and services to customers.

As a result, the standards will likely affect an entity's financial statements, business processes and internal controls over financial reporting.

**On Real Estate Sector:-** According to Ind AS, revenue should be recognized once the real estate company perform all its obligations. This will force real estate companies to retained profits made over the past few years all projects that are not complete.

The Ind AS is likely to increase the paper work of real estate developers. Companies will have additional compliance requirement. Comparative data will be difficult to analyse. However it will not have any impact on the cash flows and the overall profitability of on organisation.

**Conclusion :-**

The transition phase from Indian GAAP to Ind AS is quiet difficult but at the same time it benefited the users at large. Ind AS implementation has provide better perception into the financial affairs of the companies and financial statement based on it reflect the underlying economics of the transactional events in a transparent and unbiased manner. Automotive entities may need to change certain revenue recognition practices as a results of the new recognition standard.

Ind AS has also improved the comparability and benchmarking of the financials of Indian companies with global peers, thereby improving the accessibility of Indian companies to Global Capital Markets.

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