

Accounting Standards and their convergence with International Financial Reporting Standards

In pursuance of the statutory mandate provided under the Companies Act, 1956, the Central Government prescribes accounting standards in consultation with the National Advisory Committee on Accounting Standards (NACAS) established under the Companies Act, 1956. NACAS, a body of experts including representatives of various regulatory bodies and Government agencies, has been engaged in the exercise of examining Accounting Standards prepared by ICAI for use by Indian corporate entities, since its constitution in 2001. In this exercise, it has adapted the international norms established by the International Financial Reporting Standards issued by the International Accounting Standards Board.

The Central Government notified 28 Accounting Standards (AS 1 to 7 and AS 9 to 29) in December 2006 in the form of Companies (Accounting Standard) Rules, 2006, after receiving recommendations of NACAS. In notifying the Accounting Standards, the Government has adopted a policy of enabling disclosure of company accounts in a transparent manner at par with widely accepted international practices, through a process of convergence with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In doing so, the requirements of the companies functioning in the country are being kept in view. The initiative for harmonization of the Indian accounting standards with IFRS, taken up by NACAS in 2001 and implemented through notification of accounting standards by the Central Government in 2006, would be continued by the Government with the intention of achieving convergence with IFRS by 2011.

Ministry of Corporate Affairs has also set up a high powered group comprising various stakeholders under the Chairmanship of Shri Anurag Goel, Secretary, to discuss and resolve implementation challenges with regard to

convergence of Indian Accounting Standards with International Financial Reporting Standards (IFRS) from the year 2011. The Core Group is supported by two sub-groups. The first sub-group headed by Shri Y.H. Malegam, Chairman, NACAS is to identify changes required in various laws, regulations and accounting standards for convergence with IFRS and to prepare a clear roadmap for achieving the same. The second sub-group of CFOs under the Chairmanship of Shri Mohandas Pai, Director, Infosys would interact with various stakeholders in order to understand their concerns on the issue of convergence with IFRS, identify problem areas and ascertain the preparedness of the stakeholders for such convergence.
