

CA FINAL

40th Edition

COMPANIES

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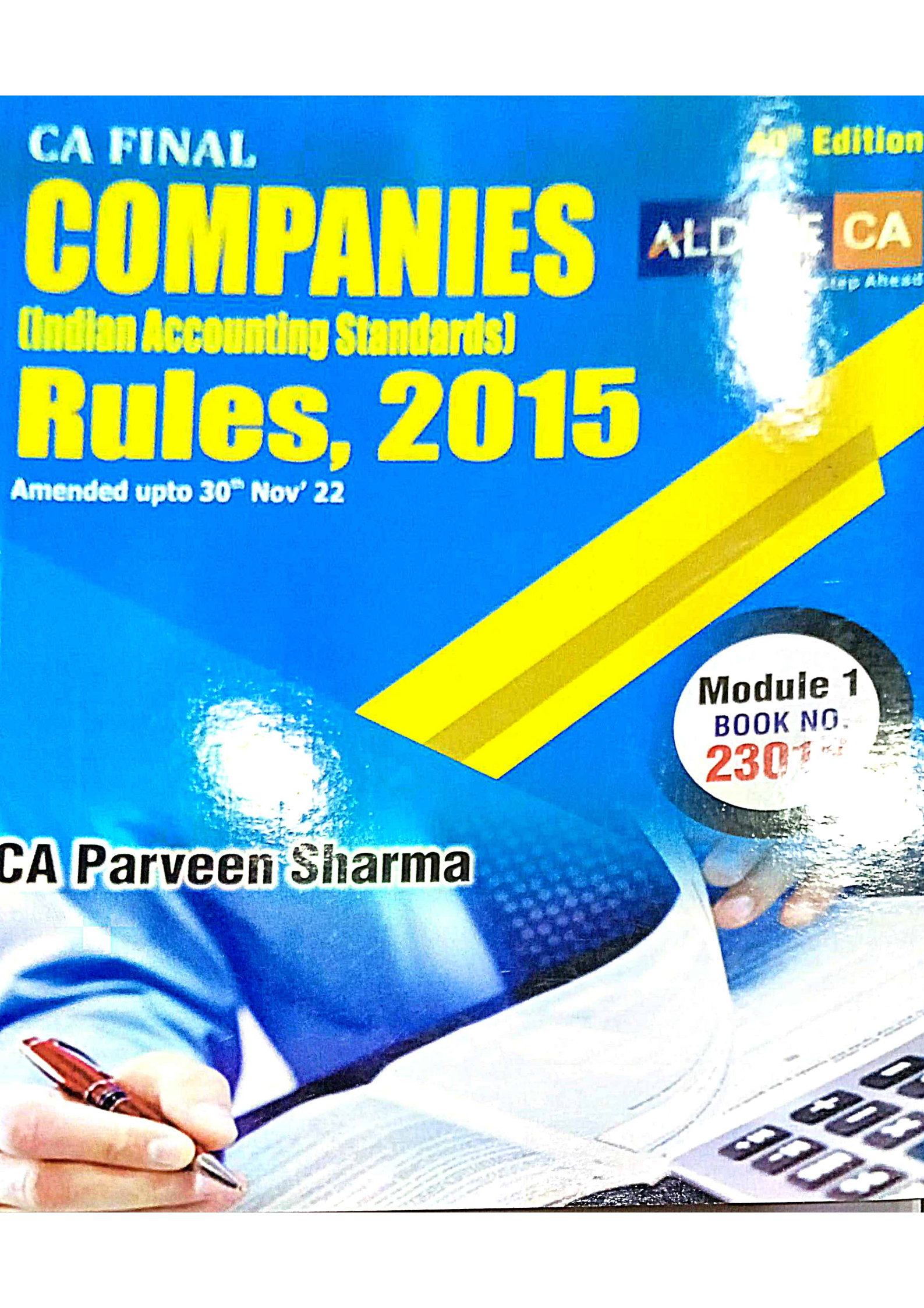
(Indian Accounting Standards)

Rules, 2015

Amended upto 30th Nov' 22

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CA Parveen Sharma



COMPANIES

(Indian Accounting Standards)

RULES, 2015

As amended by
**Companies (Indian Accounting Standards)
Amendment Rules, 2022, dated 23-3-2022**

Part 1

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Companies (Indian Accounting Standards) Rules, 2015

Notification File Number 01/01/2009/CL-V(Part), dated 16-2-2015 as amended by (Companies (Accounting Standards) Amendment Rules, 2016) Notification No. G.S.R. 364(E), dated 30-3-2016; (Companies (Indian Accounting Standards) (Amendment) Rules, 2016) Notification No. G.S.R. 365(E), dated 30-3-2016; (Companies (Indian Accounting Standards) (Amendment) Rules, 2017 — Amendment in Indian Accounting Standards (Ind AS) 102) Notification No. GSR 258(E), dated 17-3-2017; (Companies (Indian Accounting Standards) Amendment Rules, 2018), dated 28-3-2018; Companies (Indian Accounting Standards) Second Amendment Rules, 2018), dated 20-9-2018; (Companies (Indian Accounting Standards) Amendment Rules, 2019), dated 30-3-2019; (Companies (Indian Accounting Standards) Second Amendment Rules, 2019), dated 30-3-2019; (Companies (Indian Accounting Standards) Amendment Rules, 2020), dated 24-7-2020; (Companies (Indian Accounting Standards) Amendment Rules, 2021), Notification No. G.S.R. 419(E), dated 18-6-2021; (Companies (Indian Accounting Standards) Amendment Rules, 2022), Notification No. G.S.R. 255(E), dated 23-3-2022

In exercise of the powers conferred by section 133 read with section 469 of the Companies Act, 2013 (18 of 2013) and sub-section (1) of section 210A of the Companies Act, 1956 (1 of 1956), the Central Government, in consultation with the National Advisory Committee on Accounting Standards, hereby makes the following rules, namely:—

1. Short title and commencement

- (1) These rules may be called the **Companies (Indian Accounting Standards) Rules, 2015**.
- (2) They shall come into force on the 1st day of April, 2015.

2. Definitions

- (1) In these rules, unless the context otherwise requires,—
 - (a) “Accounting Standards” means the standards of accounting, or any addendum thereto for companies or class of companies as specified in rule 3;
 - (b) “Act” means the Companies Act, 2013 (18 of 2013);
 - (c) “Annexure” in relation to these rules means the Annexure containing the Indian Accounting Standards (Ind AS) appended to these rules;
 - (d) “entity” means a company as defined in clause (20) of section 2 of the Act;
 - (e) “financial statements” means financial statements as defined in clause (40) of section 2 of the Act;
 - (f) “net worth” shall have the meaning assigned to it in clause (57) of section 2 of the Act.
 - (g) “Non-Banking Financial Company” means a Non-Banking Financial Company as defined in clause (f) of section 45-I of the Reserve Bank of India Act, 1934 and includes Housing Finance Companies, Merchant Banking companies, Micro Finance Companies, Mutual Benefit Companies, Venture Capital Fund Companies, Stock Broker or Sub-Broker Companies, Nidhi Companies, Chit Companies, Securitisation and Reconstruction Companies, Mortgage Guarantee Companies, Pension Fund Companies, Asset Management Companies and CoreInvestment Companies.

(2) Words and expressions used herein and not defined in these rules but defined in the Act shall have the same meaning respectively assigned to them in the Act.

3. Applicability of Accounting Standards

(1) The accounting standards as specified in the **Annexure** to these rules to be called the Indian Accounting Standards (Ind AS) shall be the accounting standards applicable to classes of companies specified in rule 4.

(2) The Accounting standards as specified in **Annexure** to the Companies (Accounting Standards) Rules, 2006 shall be the Accounting Standards applicable to the companies other than the classes of companies specified in rule 4.

(3) A company which follows the Indian Accounting Standards (Ind AS) specified in **Annexure** to these rules in accordance with the provisions of rule 4 shall follow such standards only.

(4) A company which follows the accounting standards specified in **Annexure** to the Companies (Accounting Standards) Rules, 2006 shall comply with such standards only and not the Standards specified in **Annexure** to these rules.

4. Obligation to comply with Indian Accounting Standards (Ind AS)

(1) The Companies and their auditors shall comply with the Indian Accounting Standards (Ind AS) specified in **Annexure** to these rules in preparation of their financial statements and audit respectively, in the following manner, namely:—

- (i) any company and its holding, subsidiary, joint venture or associate company may comply with the Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning on or after 1st April, 2015, with the comparatives for the periods ending on 31st March, 2015, or thereafter;

- (ii) the following companies shall comply with the Indian Accounting Standards (Ind AS) for the accounting periods beginning on or after 1st April, 2016, with the comparatives for the periods ending on 31st March, 2016, or thereafter, namely:—
- companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of rupees five hundred crore or more;
 - companies other than those covered by sub-clause (a) of clause (ii) of sub-rule (1) and having net worth of rupees five hundred crore or more;
 - holding, subsidiary, joint venture or associate companies of companies covered by sub-clause (a) of clause (ii) of sub-rule (1) and sub-clause (b) of clause (ii) of sub-rule (1) as the case may be; and
- (iii) the following companies shall comply with the Indian Accounting Standards (Ind AS) for the accounting periods beginning on or after 1st April, 2017, with the comparatives for the periods ending on 31st March, 2017, or thereafter, namely:—

- companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than rupees five hundred crore;
- companies other than those covered in clause (ii) of sub-rule (1) and sub-clause (a) of clause (iii) of sub-rule (1), that is, unlisted companies having net worth of rupees two hundred and fifty crore or more but less than rupees five hundred crore.
- holding, subsidiary, joint venture or associate companies of companies covered under sub-clause (a) of clause (iii) of sub-rule (1) and sub-clause (b) of clause (iii) of sub-rule (1), as the case may be:

Provided that nothing in this sub-rule, except clause (i), shall apply to companies whose securities are listed or are in the process of being listed on SME exchange as referred to in Chapter XB or on the Institutional Trading Platform without initial public offering in accordance with the provisions of Chapter XC of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Explanation 1.—SME Exchange shall have the same meaning as assigned to it in Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Explanation 2.—“Comparatives” shall mean comparative figures for the preceding accounting period.

- (iv) Notwithstanding the requirement of clauses (i) to (iii), Non-Banking Financial Companies (NBFCs) shall comply with the Indian Accounting Standards (Ind ASs) in preparation of their financial statements and audit respectively, in the following manner, namely:—
- The following NBFCs shall comply with the Indian Accounting Standards (Ind AS) for accounting periods beginning on or after the 1st April, 2018, with comparatives for the periods ending on 31st March, 2018, or thereafter—
 - NBFCs having net worth of rupees five hundred crore or more;
 - holding, subsidiary, joint venture or associate companies of companies covered under item (A), other than those already covered under clauses (i), (ii) and (iii) of sub-rule (1) of rule 4.
 - The following NBFCs shall comply with the Indian Accounting Standards (Ind AS) for accounting periods beginning on or after the 1st April, 2019, with comparatives for the periods ending on 31st March, 2019, or thereafter—
 - NBFCs whose equity or debt securities are listed or in the process of listing on any stock exchange in India or outside India and having net worth less than rupees five hundred crore;
 - NBFCs, that are unlisted companies, having net worth of rupees two-hundred and fifty crore or more but less than rupees five hundred crore; and
 - holding, subsidiary, joint venture or associate companies of companies covered under item (A) or item (B) of sub-clause (b), other than those already covered in clauses (i), (ii) and (iii) of sub-rule (1) or item (B) of sub-clause (a) of clause (iv).

Explanation.—For the purposes of clause (iv), if in a group of Companies, some entities apply Accounting Standards specified in the Annexure to the Companies (Accounting Standards) Rules, 2006 and others apply accounting standards as specified in the Annexure to these rules, in such cases, for the purpose of individual financial statements, the entities should apply respective standards applicable to them. For preparation of consolidated Financial statements, the following conditions are to be followed, namely:—

- (i) where an NBFC is a parent (at ultimate level or at intermediate level), and prepares consolidated Financial statements as per Accounting Standards specified in the Annexure to the Companies (Accounting Standards) Rules, 2006, and its subsidiaries, associates and joint ventures, if covered by clause (i), (ii) and (iii) of sub-rule (1) has to provide the relevant financial statement data in accordance with the accounting policies followed by the parent company for consolidation purposes (until the NBFC is covered under clause (iv) of sub-rule (1);
 - (ii) where a parent is a company covered under clauses (i), (ii) and (iii) of sub-rule (1) and has an NBFC subsidiary, associate or a joint venture, the parent has to prepare Ind AS-compliant consolidated financial statements and the NBFC subsidiary, associate and a joint venture has to provide the relevant financial statement data in accordance with the accounting policies followed by the parent company for consolidation purposes (until the NBFC is covered under clause (iv) of sub-rule (1).
- (v) Notwithstanding clauses (i) to (iv), the holding, subsidiary, joint venture or associate companies of Scheduled commercial banks (excluding RRBs) would be required to prepare Ind AS based financial statements for accounting periods beginning from 1st April, 2018 onwards, with comparatives for the periods ending 31st March, 2018 or thereafter.]

(2) For the purposes of calculation of net worth of companies under clause (i), (ii) and (iii) of sub-rule (1), the following principles shall apply, namely:—

- (a) the net worth shall be calculated in accordance with the stand-alone financial statements of the company as on 31st March, 2014 or the first audited financial statements for accounting period which ends after that date;
- (b) for companies which are not in existence on 31st March, 2014 or an existing company falling under any of thresholds specified in clause (i), (ii) and (iii) of sub-rule (1) for the first time after 31st March, 2014, the net worth shall be calculated on the basis of the first audited financial statements ending after that date in respect of which it meets the thresholds specified in clause (i), (ii) and (iii) of sub-rule (1).

Explanation.—For the purposes of sub-clause (b), the companies meeting the specified thresholds given in sub-rule (1) for the first time at the end of an accounting year shall apply Indian Accounting Standards (Ind AS) from the immediate next accounting year in the manner specified in clause (i), (ii) and (iii) of sub-rule (1).

Illustration.—(i) The companies meeting threshold for the first time as on 31st March, 2017 shall apply Ind AS for the financial year 2017-18 onwards.

(ii) The companies meeting threshold for the first time as on 31st March, 2018 shall apply Ind AS for the financial year 2018-19 onwards and so on.

(2A) For the purposes of calculation of net worth of Non-Banking Financial Companies covered under clause (iv) of sub-rule (1), the following principles shall apply, namely:—

- (a) the net worth shall be calculated in accordance with the stand-alone financial statements of the NBFCs as on 31st March, 2016 or the first audited financial statements for accounting period which ends after that date;
- (b) for NBFCs which are not in existence on 31st March, 2016 or an existing NBFC falling first time, after 31st March, 2016, the net worth shall be calculated on the basis of the first audited stand-alone financial statements ending after that date, in respect of which it meets the thresholds.

Explanation.—For the purposes of sub-clause (b), the NBFCs meeting the specified thresholds given in sub-clause (b) of clause (iv) of sub-rule (1) for the first time at the end of an accounting year shall apply Indian Accounting Standards (Ind ASs) from the immediate next accounting year in the manner specified in sub-clause (b) of clause (iv) of sub-rule (1).

Illustration.—(i) The NBFCs meeting threshold for the first time as on 31st March, 2019 shall apply Ind AS for the financial year 2019-20 onwards.

(ii) The NBFCs meeting threshold for the first time as on 31st March, 2020 shall apply Ind AS for the financial year 2020-21 onwards and so on.

(3) Standards in Annexure to these rules once required to be complied with in accordance with these rules, shall apply to both stand-alone financial statements and consolidated financial statements.

(4) Companies to which Indian Accounting Standards (Ind AS) are applicable as specified in these rules shall prepare their first set of financial statements in accordance with the Indian Accounting Standards (Ind AS) effective at the end of its first Indian Accounting Standards (Ind AS) reporting period.

Explanation.—For the removal of doubts, it is hereby clarified that the companies preparing financial statements applying the Indian Accounting Standards (Ind AS) for the accounting period beginning on 1st April, 2016 or 1st April, 2018, as the case may be shall apply the Indian Accounting Standards (Ind AS) effective for the financial year ending on 31st March, 2017 or 31st March, 2019, as the case may be.