

Overview of Accounting Standards in India

Introduction

Accounting Standards (AS) in India are issued by the Institute of Chartered Accountants of India (ICAI) and are aimed at harmonizing diverse accounting policies and practices. These standards ensure transparency, consistency, and comparability of financial statements. The Accounting Standards Board (ASB) of ICAI formulates these standards, which are aligned with International Financial Reporting Standards (IFRS) to a large extent.



Applicability to Companies

- Companies Act, 2013 mandates the use of Accounting Standards for companies in India.
- The Ministry of Corporate Affairs (MCA) notifies the applicable Accounting Standards under Section 133 of the Companies Act, 2013.
- Indian Accounting Standards (Ind AS), which are converged with IFRS, are applicable to certain classes of companies, while Accounting Standards (AS) continue to apply to others.



AS Applicable Companies:

- Micro, Small and Medium Companies, [Revised MSME Classification (Effective from April 1, 2025)].

Enterprise Type	Investment Limit	Turnover Limit
Micro Enterprises	Up to ₹2.5 crore	Up to ₹10 crore
Small Enterprises	Up to ₹25 crore	Up to ₹100 crore
Medium Enterprises	Up to ₹125 crore	Up to ₹500 crore

- Partnerships,
- LLPs,
- Sole Proprietorships.

List of Accounting Standards in India

The following Accounting Standards are applicable in India:

➤ AS 1: Disclosure of Accounting Policies

- **Objective:** To ensure proper disclosure of significant accounting policies followed in preparing financial statements.
- **Key Requirements:** Disclosure of major accounting policies, changes in policies, and their effects.

➤ AS 2: Valuation of Inventories

- **Objective:** To prescribe the accounting treatment for inventories.
- **Key Requirements:** Inventories should be valued at the lower of cost or net realizable value.

➤ AS 3: Cash Flow Statements

- **Objective:** To provide information about the cash flows of an entity.
- **Key Requirements:** Classification of cash flows into operating, investing, and financing activities.

➤ AS 4: Contingencies and Events Occurring After the Balance Sheet Date

- **Objective:** To account for contingencies and events occurring after the balance sheet date.
- **Key Requirements:** Recognition and disclosure of contingent liabilities and assets.

➤ AS 5: Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

- **Objective:** To prescribe the classification and disclosure of certain items in the statement of profit and loss.
- **Key Requirements:** Disclosure of extraordinary items, prior period items, and changes in accounting policies.

➤ AS 6: Depreciation Accounting

- **Objective:** To prescribe the accounting treatment for depreciation.
- **Key Requirements:** Depreciation should be allocated systematically over the useful life of the asset.

➤ **AS 7: Construction Contracts**

- **Objective:** To prescribe the accounting treatment for revenue and costs associated with construction contracts.
- **Key Requirements:** Recognition of revenue and costs based on the stage of completion.

➤ **AS 9: Revenue Recognition**

- **Objective:** To prescribe the basis for recognition of revenue in the statement of profit and loss.
- **Key Requirements:** Revenue should be recognized when it is probable that economic benefits will flow to the entity.

➤ **AS 10: Accounting for Fixed Assets**

- **Objective:** To prescribe the accounting treatment for fixed assets.
- **Key Requirements:** Recognition, measurement, and disclosure of fixed assets.

➤ **AS 11: The Effects of Changes in Foreign Exchange Rates**

- **Objective:** To prescribe the accounting treatment for transactions in foreign currencies.
- **Key Requirements:** Translation of foreign currency transactions and financial statements.

➤ **AS 12: Accounting for Government Grants**

- **Objective:** To prescribe the accounting treatment for government grants.
- **Key Requirements:** Recognition of government grants as income over the periods necessary to match them with related costs.

➤ **AS 13: Accounting for Investments**

- **Objective:** To prescribe the accounting treatment for investments.
- **Key Requirements:** Classification of investments as current or long-term and measurement at cost or fair value.

➤ **AS 14: Accounting for Amalgamations**

- **Objective:** To prescribe the accounting treatment for amalgamations.
- **Key Requirements:** Methods of accounting for amalgamations (pooling of interests and purchase method).

➤ **AS 15: Employee Benefits**

- **Objective:** To prescribe the accounting treatment for employee benefits.
- **Key Requirements:** Recognition and measurement of short-term and long-term employee benefits.

➤ **AS 16: Borrowing Costs**

- **Objective:** To prescribe the accounting treatment for borrowing costs.
- **Key Requirements:** Capitalization of borrowing costs attributable to qualifying assets.

➤ **AS 17: Segment Reporting**

- **Objective:** To prescribe principles for reporting financial information by segments.
- **Key Requirements:** Disclosure of segment information based on business and geographical segments.

➤ **AS 18: Related Party Disclosures**

- **Objective:** To prescribe the disclosure requirements for related party transactions.
- **Key Requirements:** Disclosure of relationships and transactions with related parties.

➤ **AS 19: Leases**

- **Objective:** To prescribe the accounting treatment for leases.
- **Key Requirements:** Classification of leases as finance or operating leases and recognition of lease income and expenses.

➤ **AS 20: Earnings Per Share**

- **Objective:** To prescribe principles for determining and presenting earnings per share.
- **Key Requirements:** Calculation and disclosure of basic and diluted earnings per share.

➤ **AS 21: Consolidated Financial Statements**

- **Objective:** To prescribe the preparation and presentation of consolidated financial statements.
- **Key Requirements:** Consolidation of financial statements of parent and subsidiary companies.

➤ **AS 22: Accounting for Taxes on Income**

- **Objective:** To prescribe the accounting treatment for taxes on income.
- **Key Requirements:** Recognition of current and deferred tax.

➤ **AS 23: Accounting for Investments in Associates in Consolidated Financial Statements**

- **Objective:** To prescribe the accounting treatment for investments in associates.
- **Key Requirements:** Equity method of accounting for investments in associates.

➤ **AS 24: Discontinuing Operations**

- **Objective:** To prescribe the accounting treatment for discontinuing operations.
- **Key Requirements:** Disclosure of information about discontinuing operations.

➤ **AS 25: Interim Financial Reporting**

- **Objective:** To prescribe the content and minimum requirements for interim financial reports.
- **Key Requirements:** Preparation of interim financial statements in accordance with AS.

➤ **AS 26: Intangible Assets**

- **Objective:** To prescribe the accounting treatment for intangible assets.
- **Key Requirements:** Recognition, measurement, and disclosure of intangible assets.

➤ **AS 27: Financial Reporting of Interests in Joint Ventures**

- **Objective:** To prescribe the accounting treatment for interests in joint ventures.
- **Key Requirements:** Proportionate consolidation or equity method for joint ventures.

➤ **AS 28: Impairment of Assets**

- **Objective:** To prescribe the procedures for assessing and recognizing impairment of assets.
- **Key Requirements:** Recognition and measurement of impairment losses.

➤ **AS 29: Provisions, Contingent Liabilities and Contingent Assets**

- **Objective:** To prescribe the accounting treatment for provisions, contingent liabilities, and contingent assets.
- **Key Requirements:** Recognition and measurement of provisions and disclosure of contingent liabilities and assets.

➤ **Conclusion**

- The Accounting Standards in India play a crucial role in ensuring the reliability and comparability of financial statements.
- They provide a framework for the recognition, measurement, presentation, and disclosure of financial transactions.
- Adherence to these standards is mandatory for companies in India to ensure transparency and consistency in financial reporting.