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CB	Concept Builder - SJ Exclusive
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RT	RTP of ICAI
MT	Mock Test Paper of ICAI
AD	Additional Questions - SJ Exclusive
PE	Past Exam Questions of ICAI
CVD	ICAI's FAQs on COVID 19

CHAPTER 1

ROADMAP AND INTRODUCTION TO INDIAN ACCOUNTING STANDARDS (IND AS)

CONCEPT BUILDERS

CB 1. Sabka Vikas Mutual Fund, a mutual fund registered with SEBI, has a net worth of 600 crores on 31.03.2020. Whether Ind AS will be applicable on it from 01.04.2020?

CB 2. Not So Happy Ltd. has its net worth as given below:

31.3.2016 600 Cr. |

31.3.2017 600 Cr. |

31.3.2018 400 Cr. |

31.3.2019 100 Cr. | Will Ind AS be applicable from 1-4-2019. What if the company is NBFC?

CB 3. Net worth...

A. To be computed on?

B. For NBFC?

C. Determined as per Companies Act 2013?

D. Computation as per Ind-AS or existing AS based financial statements?

CB 4. Listed company – Can a private company be a listed company? Whether a company in the process of listing abroad be also covered under Ind AS?

CB 5. Ind-AS mandatory at SFS level also? Can Ind-AS be applied voluntarily only at CFS level?

CB 6. Can few Ind-AS be applied voluntarily?

CB 7. Definition of Holding, Subsidiary, JV and Associate to be as Companies Act, 2013 or as per Ind AS?

CB 8. Fellow subsidiaries, whether covered if one of the subsidiary is covered under IndAS as per rule 4?

CB 9. If a company adopts Ind-AS voluntarily will its H-S-JV-A be mandated to apply Ind-AS from same date?

CB 10. Are comparatives to be as per Ind-AS too? Can a company give comparatives for more than 1 year?

CB 11. Whether Ind-AS applicable if foreign holding company has a net worth exceeding prescribed limits? Whether Ind-AS applicable on Government companies, Section 8 companies?

CB 12. For companies following IndAS whether interim FS also to be prepared as per Ind AS?

CB 13. If a company is covered under requirements of Rule 4 of Companies (Ind AS) Rules, 2015, whether it's H/S/JV/A company which is a Bank or Insurance company, also required to comply with Ind AS immediately.

CB 14. Are Ind AS applicable for partnership firms, mutual fund trusts, etc.? What about LLPs?

- CB 15.** Can the company adopt a different transition date, i.e. whether a company adopting Ind AS from 1 April 2021, whether it can restate the previous FS and prepare FS for period prior to the date, 1 April 2020 (Opening Balance Sheet of PY) as per Ind AS?
- CB 16.** Where Ind AS applicable to Stock Brokers, Merchant Bankers, Asset Management Companies, Chit Fund Companies, Nidhi Company, Micro Finance Institutions, Venture Capital Funds?
- CB 17.** Will Ind AS application affect Income tax and Indirect Tax computations?
- CB 18.** Will AS be replaced by Ind AS eventually in future?

PRACTICALS

CE 19. Applicability of Ind AS to an Indian subsidiary of a foreign company and to fellow subsidiary

Company X Ltd. and Company Y Ltd. registered in India having net worth of Rs 600 crores and 100 crores respectively are subsidiaries of a Foreign Company viz., ABC Inc., which has net worth of more than Rs. 500 crores as on 31 March 2021. Whether Company X Ltd. and Y Ltd. are required to comply with Ind AS from financial year 2021-22 on the basis of net worth of the parent Foreign Company or on the basis of their own net worth?

Ans.

As per Rule 4(1)(ii)(a) of the Companies (Indian Accounting Standards) Rules, 2015, Company X having net worth of Rs.600 crores in the end of year 2020-21, would be required to prepare its financial statements for the accounting periods commencing from 1stApril, 2021, as per the Companies (Indian Accounting Standards) Rules, 2015.

Company Y Ltd. having net worth of Rs.100 crores in the year 2020-21, would be required to prepare its financial statements as per the Companies (Accounting Standards) Rules, 2006.

Since, the Foreign company ABC Inc., is not a company incorporated under the Companies Act, 2013 or the earlier Companies Act, 1956, it is not required to prepare its financial statements as per the Companies (Indian Accounting Standards) Rules, 2015. As the foreign company is not required to prepare financial statements based on Ind AS, the net worth of foreign company ABC would not be the basis for deciding whether Indian Subsidiary Company X Ltd. and Company Y Ltd. are required to prepare financial statements based on Ind AS.

FAST Ans: X: Yes, Y : No.

CE 20. APPLICABILITY – CIC

Company A is a Core Investment Company (CIC) having net worth of more than 500 crore as on March 31, 2016. During the year 2016-17, the Reserve Bank of India (RBI) had exempted Company A from certain regulations/directions governing CIC in India.

Whether Company A (exempted CIC) will be regarded as Non-Banking Financial Company (NBFC) for the purpose of applicability of Ind AS?

Ans.

Rule 2(g) of Companies (Indian Accounting Standards) Rules, 2015, read with Companies (Indian Accounting Standards) (Amendment) Rules, 2016, states as follows:

“(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 and Chit Companies, Securitisation and Reconstruction Companies, Mortgage Guarantee Companies, Pension Fund Companies, Asset Management Companies and **Core Investment Companies.**”

It may be noted from above, that core investment companies are specifically included in the definition of NBFC. Accordingly, exempted CIC will be regarded as ‘NBFC’ for the purpose of roadmap for implementation of Ind AS irrespective of the fact that RBI may have given some exemptions to certain class of core investment companies from its regulations.

Further, as per rule 4 of Companies (Indian Accounting Standards) Rules, 2015, read with the Companies (Indian Accounting Standards) (Amendment) Rules, 2016, NBFCs having net worth of more than 500 crore shall comply with Ind AS for accounting periods beginning on or after the 1st April, 2018, with comparatives for the periods ending on 31st March, 2018.

In view of the above, in the given case, Company A will be required to apply Ind AS from the financial year 2018-19. It may further be noted that it cannot voluntarily adopt Ind AS before 1st April 2018.

FAST Ans: Yes applicable

CE 21. APPLICABILITY : ACQUISITION OF ASSOCIATE DURING THE YEAR

Company X, on a standalone basis, has a net worth of above Rs. 500 crore and hence required to comply with Ind AS from financial year 2016-17. Company Y (listed entity), on a standalone basis, has net worth of above INR 250 crore but below Rs. 500 crore and therefore required to comply with Ind AS from financial year 2017-18.

Company X acquires shares of Company Y resulting in Company Y becoming an associate of Company X on October 31, 2016, but before approval of the results for the quarter ended September 2016.

- (a) Whether Company Y will be required to comply with Ind AS from financial year 2016-17 or it will comply from financial year 2017-18?
- (b) If the response is that compliance is from the financial year 2016-17, would the financial results of Company Y for the quarter ended September 30, 2016 be prepared in accordance with Ind AS?

Ans.

Rule 4(1)(ii) of Companies (Indian Accounting Standards) Rules, 2015, states as under:

(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:-

- (a) 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;
- (b) 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;
- (c) holding, subsidiary, joint venture or associate companies of companies covered by subclause (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”.

In accordance with the above, it may be noted that holding, subsidiary, joint venture, associate companies of companies falling under any of the thresholds specified in Rule 4(1)(ii) are required to comply with Ind AS from financial year 2016-17 or 2017-18, as the case may be.

In the given case, Company X is required to adopt Ind AS from financial year 2016-17, since net worth of Company X is more than INR 500 crore. Company X has acquired shares of Company Y resulting in Company Y becoming an associate of Company X during the financial year 2016-17. Accordingly, Company Y will prepare Ind AS financial statements for the year ending March 31, 2017.

As far as the quarterly results are concerned, since, Company Y has become an associate as on October 31, 2016, Company Y will prepare Ind AS financial statements from the quarter ending December 2016 onwards.

FAST Ans:

(a) Yes applicable on Y from 16-17

(b) Yes Interim Financial Statements to be as per Ind AS from Dec 2016 quarter

CE 22. APPLICABILITY : ACQUISITION OF HOLDING DURING THE YEAR

Company X (Listed entity) has a net worth of above INR 500 crore and hence required to comply with Ind AS from financial year 2016-17. Company Y (Unlisted entity), on a standalone basis, has net worth below INR 250 crore and hence it is not required to comply with Ind AS. Company Y acquires shares of Company X during financial year 2016-17, whereby Company Y becomes the holding company of Company X.

Whether Company Y will be required to comply with Ind AS from financial year 2016-17, given that it has now become a holding company of Company X during FY 2016-17?

Ans.

Rule 4(1)(ii) of Companies (Indian Accounting Standards) Rules, 2015, states as under:

(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:-

- (a)** 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;
- (b)** 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;
- (c)** 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”.

In accordance with the above, it may be noted that holding, subsidiary, joint venture, associate companies of companies falling under any of threshold specified Rule 4(1)(ii) are required to comply with Ind AS from financial year 2016-17 or 2017-18, as the case may be.

In the given case, Company X is required to adopt Ind AS from financial year 2016-17, since net worth of Company X is more than INR 500 crore. Company Y has acquired shares of Company X resulting in Company Y becoming holding company of Company X during the financial year 2016-17. Accordingly, Company Y will prepare Ind AS financial statements for the year ending March 31, 2017.

FAST Ans: Applies to holding Company , Y also from 16-17

CE 23. APPLICABILITY – UNLISTING OF COMPANY

As on March 31, 2014, Company A is a listed company and has a net worth of 50 crore. As on March 31, 2016, the company is no more a listed company. Whether Company A is required to comply with Ind AS from financial year 2016-17.

Ans.

Rule 4(1)(iii) of the Companies (Indian Accounting Standards) Rules, 2015, states as under:

“(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:-

- (a) 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;
- (b) companies other than those covered in clause (ii) of sub-rule (1) and subclause (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.
- (c) 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”.

Further, Rule 4(2) of the Companies (Indian Accounting Standards) Rules, 2015, states as under:

“(2) For the purposes of calculation of net worth of companies under 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 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 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 sub-rule (1).”

FAST Ans: *In view of the above requirements, it may be noted that immediately before the mandatory applicability date, if the threshold criteria for a company are not met, then it shall not be required to comply with Ind AS.*

In the given case, before the mandatory applicable date (i.e 2017-18), Company A ceases to be a listed company. Accordingly, it will not be required to apply Ind AS from FY 2017-18.

CE 24. APPLICABILITY – NEGATIVE NET WORTH

Will the following companies with negative net worth need to comply with Ind AS?

- (a) Company A (listed) having negative net worth of ₹ 600 crore.
- (b) Company B (unlisted) having negative net worth of ₹ 300 crore.

Ans.

Rule 4(1)(ii) and Rule 4(1)(iii) of Companies (Indian Accounting Standards) Rules, 2015, state as follows:

- (i) 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:-

- (a) 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;
 - (b) companies other than those covered by sub-clause (a) of clause (ii) of subrule (1) and having net worth of rupees five hundred crore or more;
 - (c) 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”.
- (ii) 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:-
- (a) 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;
 - (b) companies other than those covered in clause (ii) of sub-rule (1) and subclause (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.
 - (c) 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:

In accordance with above provisions, it is clear that Ind AS will be applicable to companies (both listed and unlisted) from financial year 2016-17, if net worth is Rs. 500 crore or more. Therefore, if the net worth of the listed or unlisted company is negative, then Ind AS will not be applicable from F.Y. 2016-17. Accordingly, Ind AS will not be applicable to Company A (listed) and Company B (unlisted) from F.Y. 2016-17.

However, as per the roadmap, Ind AS will be applicable from financial year 2017-18 to all listed companies having net worth less Rs. 500 crore and unlisted companies having net worth Rs. 250 crore or more but less than rupees 500 core. Accordingly, Ind AS will be applicable to Company A (listed) from F.Y. 2017-18, whereas Ind AS will not be applicable to Company B (unlisted) unless net worth criteria being met by Company B subsequently or Ind AS becoming applicable as part of the Group (e.g. holding of Company B is covered under Ind AS) or Company B voluntarily decides to apply Ind AS.

FAST Ans: **Company A : From 2017 – 18 since listed company**
 Company B : No.

CE 25. APPLICABILITY : PARTNERSHIP FIRMS

A Ltd. is a first-time adopter of Ind AS. It had incorporated a partnership firm with B Ltd. namely, M/s A&B Associates. Whether Ind AS will be applicable to M/s A & B Associates by virtue of the fact that Ind AS is applicable to A Ltd?

Also clarify, whether Ind AS will be applicable to non-corporate entities?

Ans.

The applicability of Ind AS has been specified for classes of companies specified in Rule 4 of Companies (Indian Accounting Standards) Rules, 2015. Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015, are applicable for the corporates only. Non- corporates are required to follow the accounting standards issued by the Institute of Chartered Accountants of India.. They cannot be applied by non-corporate entities even voluntarily.

However, in case, a relevant regulator specifically provides for implementation of Ind AS, the non-corporate entities shall apply Ind AS, for example, SEBI has mandated implementation of Ind AS for



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