4. Ind as Implementation for Insurers - Economy

The Insurance Regulatory and Development Authority of India (IRDAI) has proposed April 1, 2026, for insurers to implement Indian Accounting Standards (Ind AS). The date will be applicable to all categories of insurers, including life insurers, general insurers, health insurers and re-insurers, placing an exposure draft and a consultation paper in the public domain for comments.

1. What are Indian Accounting Standards (Ind AS)?

1. Indian Accounting Standards (Ind AS) are a set of accounting principles and reporting standards used by companies in India for preparing financial statements.
2. They are notified by the Ministry of Corporate Affairs (MCA) under the Companies Act, 2013.
3. Ind AS are largely converged with International Financial Reporting Standards (IFRS), which are globally accepted accounting standards used in many countries.
4. The objective of Ind AS is to ensure greater transparency, comparability, and reliability in financial reporting.

2. Institutional Framework for Ind AS

A. Accounting Standards Board (ASB)

1. The Accounting Standards Board formulates the accounting standards.
2. ASB functions under the Institute of Chartered Accountants of India (ICAI).
3. These standards are recommended to the Ministry of Corporate Affairs for notification.

B. Ministry of Corporate Affairs (MCA)

1. The MCA has the legal authority to notify accounting standards under the Companies Act, 2013.
2. Once notified, the standards become mandatory for applicable companies.

3. Convergence with International Financial Reporting Standards (IFRS)

1. Ind AS are IFRS-converged standards, meaning they are largely aligned with IFRS but include certain modifications to suit Indian economic and regulatory conditions.
2. This approach is known as convergence rather than full adoption.
3. Differences exist in areas such as-
    1. Regulatory requirements
    2. Taxation frameworks
    3. Economic conditions specific to India.
4. Convergence ensures that Indian companies' financial statements remain comparable with global firms.

4. Examples of Important Ind AS

A. Ind AS 1 – Presentation of Financial Statements

1. Defines the structure and format for financial statements.
2. Ensures consistency and comparability in financial reporting.

B. Ind AS 7 – Statement of Cash Flows

1. Requires companies to report cash flows under-
    1. Operating activities
    2. Investing activities
    3. Financing activities.

C. Ind AS 16 – Property, Plant and Equipment

1. Governs the accounting treatment for fixed assets such as machinery, buildings, and equipment.

D. Ind AS 109 – Financial Instruments

1. Deals with classification, recognition, and measurement of financial assets and liabilities.
2. Includes rules for impairment and risk management.

E. Ind AS 115 – Revenue from Contracts with Customers

1. Establishes principles for recognizing revenue from contracts based on performance obligations.

5. Implementation of Ind AS in India

1. Ind AS were implemented in a phased manner starting in 2016 to allow companies time to transition from earlier accounting standards.

Phase I (2016)

1. Applied to-
    1. Listed companies
    2. Companies with net worth of ₹500 crore or more.

Phase II (2017)

1. Applied to-
    1. Listed companies with net worth between ₹250 crore and ₹500 crore.

Later Extensions

1. Ind AS were gradually extended to-
    1. Banks
    2. Insurance companies
    3. Non-Banking Financial Companies (NBFCs).
2. The phased implementation helped minimize disruptions in financial reporting systems.

6. Companies for Which Ind AS is Mandatory

1. Ind AS must be followed by-
    1. All listed companies in India
    2. Unlisted companies with net worth of ₹250 crore or more
    3. Holding companies
    4. Subsidiaries
    5. Joint ventures
    6. Associate companies of entities covered under Ind AS.
2. This ensures consistency across corporate groups.

7. Key Features of Ind AS

A. IFRS Convergence

1. Ind AS closely align with global financial reporting standards.
2. This enables easier comparison between Indian and international companies.

B. Principle-Based Standards

1. Ind AS follow principle-based standards rather than rigid rule-based systems.
2. They emphasize the economic substance of transactions rather than only their legal form.

C. Fair Value Accounting

1. Ind AS emphasize fair value measurement reflecting the current market value of assets and liabilities.
2. This provides a more realistic financial picture compared to historical cost accounting.

D. Enhanced Disclosure Requirements

1. Companies must provide detailed disclosures about financial risks, accounting policies, and financial instruments.
2. This increases transparency for investors and regulators.

8. Significance of Ind AS

A. Alignment with Global Financial Standards

1. Convergence with IFRS improves comparability of financial statements across countries.
2. This enhances the credibility of Indian corporate financial reporting.

B. Facilitating Global Capital Access

1. Companies following Ind AS can more easily raise capital in international markets.
2. Investors can evaluate financial performance using globally familiar standards.

C. Promoting Foreign Direct Investment (FDI)

1. Standardized financial reporting increases investor confidence and transparency.
2. This helps attract foreign investment into Indian companies.

D. Strengthening Corporate Governance

1. Detailed disclosure requirements improve accountability of corporate management.
2. Regulators and investors can better assess financial risks and corporate performance.

9. Broader Economic Impact

1. Ind AS contributes to modernizing India's financial reporting ecosystem.
2. It enhances integration of India's corporate sector with global financial markets.
3. The standards also support financial sector reforms and transparency in capital markets.

10. Conclusion

1. Indian Accounting Standards (Ind AS) represent a major reform in India's corporate financial reporting system.
2. By aligning domestic accounting practices with global IFRS standards, Ind AS enhance transparency, comparability, and investor confidence.
3. This strengthens corporate governance and supports India's broader goal of integrating with global financial markets and attracting international investment.

Source- https-//www.business-standard.com/finance/insurance/irdai-proposes-april-2026-shift-to-ind-as-with-parallel-reporting-phase-126030300966_1.html