

Indian Accounting Standards, History, Adoption Phases, Role

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Indian Accounting Standards play a crucial role in ensuring transparency, consistency, and reliability in financial reporting across India. These standards help businesses, investors, regulators, and other stakeholders understand a company's financial position in a uniform manner. With globalization and cross-border investments increasing, India has aligned its accounting framework with international practices through Indian Accounting Standards (Ind AS).

What are Accounting Standards?

Accounting Standards are a set of written principles, rules, and guidelines issued by regulatory authorities to standardize the preparation and presentation of financial statements. They define how financial transactions and events should be recognized, measured, recorded, and disclosed in the books of accounts.

The main objectives of accounting standards are:

- To ensure uniformity and comparability in financial statements
- To improve transparency and reliability of financial information
- To prevent manipulation and misrepresentation of accounts

- To enhance investor confidence and decision-making

Indian Accounting Standards (Ind AS)

Indian Accounting Standards (Ind AS) are a set of accounting principles notified by the **Ministry of Corporate Affairs (MCA)** in 2015. These standards are largely **converged with International Financial Reporting Standards (IFRS)**, bringing Indian financial reporting closer to global practices. Ind AS emphasizes a **principle-based approach**, focusing on **fair value measurement, transparency, and enhanced disclosure**.

Indian Accounting Standards (Ind AS) History

Before the introduction of Indian Accounting Standards (Ind AS), India followed the Indian Generally Accepted Accounting Principles (IGAAP). Indian GAAP was primarily developed by:

1. The Institute of Chartered Accountants of India (ICAI)
2. Provisions under the Companies Act, 1956

Indian GAAP comprised 18 accounting standards issued by ICAI, focusing largely on historical cost accounting and legal compliance. While these standards served India well for decades, the growing need for global comparability and fair value accounting led to the adoption of Ind AS.

Indian Accounting Standards and Its Adoption

The adoption of Ind AS in India was phased, based on company size, net worth, and type of business. The four adoption phases are as follows:

Indian Accounting Standards and Its Adoption				
Phase	Adoption Date	Applicable Companies	Net Worth	Financial Year for Calculation
Phase 1	1st April 2016	All listed and unlisted companies	≥ ₹500 crore	FY between 31/03/2014 and 31/03/2016
Phase 2	1st April 2017	Companies with net worth ≥ ₹250 crore but < ₹500 crore	≥ ₹250 crore but < ₹500 crore	FY between 31/03/2014 and 31/03/2017
Phase 3	1st April 2018	All banks, NBFCs, and insurance companies	≥ ₹500 crore	FY between 31/03/2016 and 31/03/2018
Phase 4	1st April 2019	All NBFCs	≥ ₹250 crore but < ₹500 crore	FY between 31/03/2017 and 31/03/2019

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are a set of accounting guidelines issued by the **International Accounting Standards Board (IASB)**. IFRS provides a **common global accounting language**, enabling companies and investors to **increase transparency and comparability** in financial reporting across countries.

The **IASB**, an independent standard-setting body, was established in **2001** to develop and maintain IFRS. It succeeded the **International Accounting Standards Committee (IASC)**, which previously had the responsibility of setting international accounting standards. The IASB is headquartered in **London** and plays a key role in promoting consistent and transparent financial reporting worldwide.

Basel Norms

Basel Norms are a set of international banking regulations issued by the Basel Committee on Banking Supervision (BCBS). Their primary objective is to strengthen bank regulation, supervision, and risk management globally, ensuring that banks maintain sufficient capital to cover risks and remain financially stable.

Basel Norms				
Basel Accord	Year Introduced	Key Focus	Capital Adequacy Requirement	Description
Basel I	1988	Credit Risk & Capital Adequacy	8% of risk-weighted assets	Introduced minimum capital requirements based on risk-weighted assets. Focused primarily on credit risk.
Basel II	2004	Risk Management & Supervision	8% minimum , with Tier 1 and Tier 2 capital distinctions	Introduced three pillars: minimum capital requirements, supervisory review, and market discipline. Expanded to include credit, operational, and market risks.
Basel III	2010 (post-2008 crisis)	Capital, Liquidity & Stability	Minimum CET1 4.5%, Tier 1 6%, Total Capital 8%, plus Capital Conservation Buffer 2.5%	Strengthened capital quality, introduced leverage ratio, liquidity coverage ratio (LCR), and net stable funding ratio (NSFR) to improve resilience. Focused on stress testing and systemic stability.

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