

Application of AS 30, *Financial Instruments: Recognition and Measurement*, for the accounting periods ending on or before 31st March 2011.

- 1 AS 30 was issued by the Institute of Chartered Accountants of India (ICAI) in 2007 but has not yet been notified by the Government under Section 211(3C) of the Companies Act, 1956. As per this standard;

“Accounting Standard (AS) 30, Financial Instruments: Recognition and Measurement, issued by the Council of the Institute of Chartered Accountants of India, comes into effect in respect of accounting periods commencing on or after 1-4-2009 and will be recommendatory in nature for an initial period of two years. This Accounting Standard will become mandatory in respect of accounting periods commencing on or after 1-4-2011 for all commercial, industrial and business entities except to a Small and Medium-sized Entity....”

- 2 AS 30 further states;

From the date this Accounting Standard becomes recommendatory in nature, the following Guidance Notes issued by the Institute of Chartered Accountants of India, stand withdrawn:

- (i) Guidance Note on Guarantees & Counter Guarantees Given by the Companies.*
- (ii) Guidance Note on Accounting for Investments in the Financial Statements of Mutual Funds.*
- (iii) Guidance Note on Accounting for Securitisation.*
- (iv) Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options.”*

- 3 Subsequent to the issuance of AS 30, the world witnessed financial crisis which raised issues with regard to accounting treatment of financial instruments. Accordingly, various accounting standards setting bodies including the ICAI examined these aspects. Insofar as International Accounting Standards Board is concerned certain modifications have been made in the corresponding International Accounting Standard, viz., IAS 39, *Financial Instruments: Recognition and Measurement*. The International Accounting Standards Board has also issued IFRS 9, *Financial Instruments*, which replaces certain requirements contained in IAS 39 and it is expected that ultimately the entire IAS 39 on which AS 30 is based is not expected to be replaced before June 30, 2011 as presently committed by IASB. Accordingly, AS 30 is not expected to continue in its present form including for those entities for which converged Indian Accounting Standards will come into force from 1st April, 2011. In this changed scenario, the Council has reconsidered the matter regarding the status of the existing AS-30 and has decided to issue the following clarification for the guidance of the Members and others concerned.

- 4 It is clarified that in respect of the financial statements or other financial information for the accounting periods commencing on or after 1st April 2009 and ending on or before 31st March 2011, the status of AS 30 would be as below:
- (i) To the extent of accounting treatments covered by any of the existing notified accounting standards (for eg. AS 11, AS 13 etc.) the existing accounting standards would continue to prevail over AS 30.
 - (ii) In cases where a relevant regulatory authority has prescribed specific regulatory requirements (eg. Loan impairment, investment classification or accounting for securitizations by the RBI ,etc), the prescribed regulatory requirements would continue to prevail over AS 30.
 - (iii) The preparers of the financial statements are encouraged to follow the principles enunciated in the accounting treatments contained in AS 30. The aforesaid is, however, subject to (i) and (ii) above.
5. From 1st April 2011 onwards,
- (i) the entities to which converged Indian accounting standards will be applied as per the roadmap issued by MCA, the Indian Accounting Standard (Ind AS) 39, *Financial Instruments; Recognition and Measurement*, will apply.
 - (ii) for entities other than those covered under paragraph 5(i) above, the status of AS 30 will continue as clarified in paragraph 4 above .
6. The abovementioned clarifications would also be relevant to the existing AS 31, *Financial Instruments: Presentation* and AS 32, *Financial Instruments: Disclosures* as well as for Ind AS 32, *Financial Instruments: Presentation* and Ind AS 107, *Financial Instruments: Disclosures*, after 1st April 2011 onwards.