

A STUDY ON ROLE OF THE CHARTERED ACCOUNTANT-INDIAN ACCOUNTING STANDARDS [Ind AS] AND THE COMPANY SECRETARY – SECRETARIAL STANDARDS [SS]

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ABSTRACT

This paper examines the role and impact of **Indian Accounting Standards (Ind AS)** and **Secretarial Standards (SS)** in promoting financial transparency and effective corporate governance in India. **Ind AS**, which aligns with **International Financial Reporting Standards (IFRS)**, aims to standardize the accounting practices followed by Indian companies, ensuring uniformity in financial reporting and enhancing the credibility of financial statements. By adopting these standards, businesses can offer more transparent, accurate, and comparable financial data, thereby fostering trust with investors and stakeholders. In parallel, the **Secretarial Standards (SS)**, established by the **Institute of Company Secretaries of India (ICSI)**, focus on ensuring compliance with corporate laws and regulations pertaining to corporate meetings, board governance, and record-keeping. These standards are vital in ensuring that companies operate in accordance with legal and regulatory frameworks, thereby promoting good corporate governance practices. While some of these standards are voluntary, they are increasingly becoming crucial for the effective operation of businesses. This paper further explores the connection between **Ind AS** and **Secretarial Standards**, highlighting how both frameworks work together to strengthen governance, ensure legal compliance, and enhance organizational accountability. Compliance with these standards is essential for building long-term business sustainability and maintaining investor confidence in India's corporate sector.

KEY WORDS: *Indian Accounting Standards, Secretarial Standards, IFRS, ICSI.*

INTRODUCTION

In the evolving landscape of corporate regulation and financial transparency, **Indian Accounting Standards (Ind AS)** and **Secretarial Standards (SS)** have emerged as two fundamental pillars of good governance in India. While Ind AS aims to bring consistency, clarity, and comparability in the financial reporting of Indian enterprises by aligning with **International Financial Reporting Standards**

(IFRS), **Secretarial Standards**, issued by the **Institute of Company Secretaries of India (ICSI)**, seek to standardize processes related to corporate governance, especially concerning board and general meetings.

Both standards serve distinct but complementary purposes. Ind AS enhances the **credibility and reliability of financial statements**, ensuring they reflect the true financial position of the entity. SS, on the other

hand, focuses on **compliance and procedural discipline**, guiding company secretaries and directors to act within the legal framework of the Companies Act, 2013.

Together, these standards provide a structured approach to **transparency, accountability, and regulatory compliance**, essential for protecting stakeholder interests and promoting long-term sustainability in corporate operations. This paper explores the objectives, scope, and significance of both Ind AS and SS, and analyzes their impact on improving the overall governance environment in India.

LITERATURE REVIEW:

Indian Accounting Standards (Ind AS) & Secretarial Standards (SS)

The accounting and governance framework in India has undergone significant transformation with the adoption of Ind AS and the implementation of Secretarial Standards. These standards are crucial for enhancing transparency, consistency, and comparability in financial reporting and corporate governance practices.

Indian Accounting Standards (Ind AS)

Evolution and Regulatory Framework

The Indian Accounting Standards are converged with International Financial Reporting Standards (IFRS) and are issued by the **ICAI** under the supervision of the **Ministry of Corporate Affairs (MCA)**. Ind AS aims to bring Indian financial reporting in line with global standards.

Objectives

- Ensure comparability and transparency in financial statements.
- Facilitate global integration of Indian businesses.
- Improve investor confidence through enhanced disclosure.

Literature Findings

- **(Kumar & Sharma, 2018)** found that Ind AS adoption significantly improved the quality of financial reporting in listed companies.
- **(Rao, 2020)** noted challenges faced by Indian SMEs in transitioning to Ind AS due to cost and complexity.
- **(ICAI Reports)** emphasize the need for continuous professional development for accountants to keep pace with evolving standards.

Secretarial Standards (SS)

Overview and Development

Secretarial Standards are unique to India and are issued by the **ICSI** to standardize practices related to board and general meetings. The **Companies Act, 2013**, mandates compliance with notified Secretarial Standards, specifically **SS-1 (Board Meetings)** and **SS-2 (General Meetings)**.

Objectives

- Promote uniformity and transparency in secretarial practices.
- Enhance corporate governance and accountability.
- Ensure statutory compliance by company secretaries.

Literature Findings

- **(Mehta & Das, 2019)** found that Secretarial Standards led to improved documentation and decision-making processes in companies.
- **(ICSI Publications)** report higher compliance rates among listed and large private companies.
- Challenges include the lack of awareness among smaller companies and the need for capacity building among professionals.

1. CHARTERED ACCOUNTANT - Indian Accounting Standards (IND AS): Overview, Purpose, Scope & Key Standards

Indian Accounting Standards (IND AS) are a collection of financial reporting guidelines that align closely with the International Financial Reporting Standards (IFRS). These standards aim to enhance the global compatibility and transparency of financial statements prepared by Indian entities. As Indian enterprises increasingly operate on an international scale, harmonizing local accounting principles with global norms has become crucial. The implementation of IND AS strengthens the dependability of financial disclosures, empowering stakeholders with accurate data for decision-making. Developed by the Institute of Chartered Accountants of India (ICAI), these standards establish India's commitment to international accounting practices, bolstering global investor confidence and credibility.

UNDERSTANDING: Indian Accounting Standards (IND AS)

IND AS are accounting principles endorsed by the Government of India, modeled on IFRS. Their formulation is supervised by the Accounting Standards Board (ASB) under ICAI and guided by the National Financial Reporting Authority (NFRA). These norms are compulsory for designated Indian companies, ensuring their financial reports meet international benchmarks. Established in 1977, the ASB manages the development and oversight of these standards, which have become integral to corporate accounting in India.

OBJECTIVES: Indian Accounting Standards

The Indian Accounting Standards (IND AS) were introduced in India with the primary objective of aligning Indian accounting practices with international standards. Below, we have given rest of the important objectives of Indian Accounting Standards:

- **Uniformity and Consistency:** IND AS aims to establish a consistent framework for accounting practices across various industries and sectors

in India. This uniformity ensures that financial statements are prepared using a common set of principles and methods, making them more comparable and understandable.

- **International Convergence:** One of the primary goals of IND AS is to converge Indian accounting standards with International Financial Reporting Standards (IFRS). This convergence facilitates international trade, investment, and cross-border transactions.

- **Transparency and Accountability:** IND AS promotes transparency in financial reporting by requiring companies to disclose relevant information about their financial performance, position, and cash flows. This transparency enhances accountability and helps stakeholders make informed decisions.

- **Reliability and Credibility:** IND AS ensures that financial information is reliable and credible by providing a framework for the preparation of financial statements that reflect the economic substance of transactions and events.

FINANCIAL REPORTING IN INDIA

- **Investor Protection:** IND AS aims to protect investors by providing them with reliable and comparable financial information. This helps investors make informed decisions about their investments.

- **Facilitation of Cross-Border Transactions:** Convergence with IFRS facilitates cross-border transactions and investments by reducing the complexities associated with reconciling financial statements prepared under different accounting standards.

ADVANTAGES: Indian Accounting Standards

Below are some of the advantages of Indian Accounting Standards,

- Ind AS provides a clear and consistent framework for accounting practices, reducing ambiguity and simplifying financial reporting.
- Ind AS ensures that companies follow standardized accounting practices,

promoting consistency and comparability across industries.

- Convergence with International Financial Reporting Standards (IFRS) facilitates easier comparison of Indian companies with their global counterparts, enhancing their attractiveness to international investors.
- The standardized framework of Ind AS makes financial statements more comparable, aiding in decision-making for investors, creditors, and other stakeholders.
- Ind AS provides a clear framework for auditors, making the auditing process more efficient and effective.
- Adherence to Ind AS enhances the credibility of financial statements, increasing investor confidence.
- Ind AS provides a standardized set of metrics for assessing management performance, facilitating better decision-making and accountability.
- The standardized framework and increased transparency reduce the opportunities for fraudulent activities and manipulation of financial information.

CATALOGUE: Indian Accounting Standards

Here is a curated list of major Indian Accounting Standards:

No. IND AS Description

- 1 Presentation of Financial Statements
- 2 Inventories
- 7 Statement of Cash Flows
- 8 Accounting Policies, Changes in Estimates and Errors
- 10 Events after the Reporting Period
- 11 Construction Contracts
- 12 Income Taxes
- 16 Property, Plant, and Equipment
- 17 Leases
- 18 Revenue

... (Full list continues up to IND AS 115)

This comprehensive set of standards ensures detailed guidance for virtually all types of financial transactions and reporting requirements.

SCOPE AND IMPLEMENTATION: IND AS [Gradual Adoption]

The Ministry of Corporate Affairs (MCA) introduced IND AS through a phased rollout to ease the transition for companies of varying scales:

Phase I (from April 1, 2016): Mandatory for companies (listed/unlisted) with net worth ₹500 crore and above.

Phase II (from April 1, 2017): Applies to listed entities or those seeking listing, with net worth between ₹250–₹500 crore.

Phase III (from April 1, 2018): Enforced for large NBFCs, insurance firms, and banks with net worth of ₹500 crore+.

Phase IV (from April 1, 2019): Extended to NBFCs with net worth from ₹250–₹500 crore.

Key Note: *If a company falls under IND AS, all related entities (subsidiaries, associates, etc.) must also comply, regardless of individual financial standing.*

Foreign Subsidiaries: These entities may continue using local GAAP for their standalone reports but must submit IND AS-aligned figures for consolidation purposes.

Voluntary Implementation

Firms can opt to adopt IND AS voluntarily from April 1, 2015. However, they must also present comparative figures from previous years under the new standards. Once implemented, companies are not allowed to revert to previous norms.

Key Differences Between IND AS and IFRS

Feature	IFRS	IND AS
Defined By	IASB	MCA, India

Feature	IFRS	IND AS
Usage	144+ countries	India-specific
Reporting Requirements	Disclosure of IFRS compliance	No specific disclosure
Financial Statements	Standard IFRS components	Indian-style format and additional notes
Balance Sheet Format	Prescriptive classification	Flexible format with guidance

FINAL THOUGHTS

The adoption of Indian Accounting Standards represents a strategic shift towards transparency, global integration, and consistent financial practices. The alignment with IFRS not only facilitates international transactions but also boosts the appeal of Indian companies in global markets by enhancing the credibility and clarity of financial report

2. COMPANY SECRETARY:

SECRETARIAL AUDIT & SECRETARIAL STANDARDS- an overview

In India, listed companies and their significant unlisted subsidiaries are mandatorily required to undergo a **Secretarial Audit**, which must be conducted by a **Practicing Company Secretary (PCS)**. The outcome of this audit is formally presented in **Form MR-3**.

This report serves as a verification tool to assess whether the company has complied with the applicable **laws, rules, and regulatory frameworks**. Only a PCS – a qualified professional authorized under the ICSI framework – is legally permitted to carry out this audit, thanks to their specialized knowledge and professional expertise in corporate laws and governance

PURPOSE OF THE STANDARDS

The ICSI aims to foster uniform and high-quality auditing practices among its members. These standards are designed to ensure consistency in audit procedures and promote strong corporate governance. Given the existing variation in audit methods across different practitioners, overseeing audit processes can become both complex and inefficient. These standards seek to align audit methodologies nationwide, thereby helping professionals conduct secretarial audits more effectively while ensuring adherence to compliance norms. Ultimately, this should raise the overall quality of compliance across organizations.

SCOPE AND ENFORCEMENT OF STANDARDS

These standards became recommendatory from July 1, 2019, and have been compulsory for audit engagements initiated on or after April 1, 2020.

Legal Status of the Standards

For standards to have statutory force, legislative endorsement is required. For instance, Secretarial Standards 1 and 2 are backed by Section 118 of the Companies Act, 2013, which mandates adherence by companies. However, standards such as SS-3 (Dividend) and SS-4 (Registers and Records) lack legal enforceability and are therefore voluntary. Likewise, the auditing standards by ICSI currently do not have statutory authority, although efforts are underway to establish such backing.

Audits a Practicing Company Secretary May Conduct

PCS professionals are qualified to conduct a range of audits under the Companies Act, SEBI guidelines, and other legal frameworks, including:

- Secretarial Audit (Section 204, Companies Act, 2013)
- Half-yearly certificate on timely issuance of share certificates (SEBI Regulation 40(9))

- Annual Secretarial Compliance Report (SEBI Listing Regulations)
- Asset cover certificate for NCDs (SEBI Regulation 56(d))
- Corporate governance compliance certificate
- Share reconciliation audit (SEBI Depositories and Participants Regulations, 2018)

These standards apply to all such audits and any additional audits assigned to a PCS. For this purpose, "Auditor" refers to a PCS performing any of the above audits.

CSAS-1: Standard on Audit Engagement

This standard outlines the auditor's roles and responsibilities in accepting and executing audit assignments, along with the procedure for forming agreements with the appointing authority.

Eligibility Criteria

The auditor should not hold a significant financial interest (above 2% or ₹50,000) in the auditee and must not owe the auditee ₹5 lakh or more, except in ordinary business dealings. Former employees of the auditee can undertake audits only after a two-year cooling-off period.

Mandatory Actions

- Ensure compliance with the Companies Act for appointments
- Provide an eligibility certificate to the client
- Accept engagement with a formal letter and board resolution
- Include clear objectives, responsibilities, timelines, fees, and confidentiality clauses in the engagement letter
- Inform the previous auditor of the new engagement

- Maintain confidentiality and restrict any changes to engagement terms unless justified

CSAS-2: Standard on Audit Process and Documentation

This standard defines the auditor's responsibilities in keeping adequate documentation to support audit findings and to confirm adherence to audit norms.

Mandatory Steps

- Draft a detailed audit plan aligned with the engagement terms
- Conduct risk assessments considering the auditee's operational structure
- Collect and evaluate evidence, using checklists and third-party confirmations
- Document key discussions and compile final documentation within 45 days post-report
- Preserve records for at least eight years

Audit Plan Features

The plan should ensure an efficient, effective audit focusing on critical areas, guided by professional skepticism and sound judgment.

CSAS-3: Standard on Forming an Opinion

This standard covers the evaluation of audit evidence and forming of conclusions.

Key Actions

- Assess materiality and analyze all relevant evidence
- Apply critical judgment and skepticism
- Ensure timely and accurate audit reporting
- Reference third-party inputs when used
- Provide a clear opinion—unmodified if satisfied, or modified if significant issues or insufficient evidence are found

Audit Report Format

- Address the report to the appointing authority
- Follow prescribed formats and include annexures as needed
- Mention audit limitations and responsibilities clearly
- Include auditor's name, certificate details, date, and location

CSAS-4: Standard on Secretarial Audit

This standard provides a structured approach for evaluating legal and governance compliance under Section 204 of the Companies Act, 2013.

Steps to Follow

- Identify applicable laws and assess MOA, AOA, and disclosures
- Review corporate actions and events
- Verify both scheduled and event-based compliance
- Confirm proper board structure and committee formation
- Assess adequacy of compliance mechanisms
- Investigate and report fraud if detected
- Report changes affecting the entity's continuity, structure, or control

FINAL THOUGHTS

These standards offer a detailed framework for auditors, facilitating a systematic approach to audit activities. Although initial implementation may demand considerable effort, the long-term benefits include improved compliance quality and standardized audit practices. These standards are intended to benefit not only auditors but also the organizations and regulatory authorities involved.

CONCLUSION

In conclusion, both **Indian Accounting Standards (Ind AS)** and **Secretarial Standards (SS)** play integral roles in enhancing corporate governance, transparency, and accountability in India's business environment. The **Ind AS** framework ensures that companies adhere to internationally recognized accounting principles, leading to improved consistency, comparability, and reliability of financial statements. This, in turn, builds investor confidence and promotes economic stability by facilitating informed decision-making.

On the other hand, **Secretarial Standards (SS)** issued by the **Institute of Company Secretaries of India (ICSI)** help standardize corporate governance practices, ensuring companies comply with legal and regulatory requirements related to meetings, records, and board decisions. By ensuring that organizations meet these obligations, SS strengthens internal controls, improves regulatory adherence, and promotes ethical business practices.

Together, these frameworks contribute to a cohesive and robust regulatory environment that supports the sustainable growth of companies while safeguarding the interests of stakeholders. As Indian businesses continue to evolve in a globalized economy, adherence to **Ind AS** and **Secretarial Standards** will remain vital in ensuring regulatory compliance, enhancing corporate reputation, and driving overall organizational success.

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