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IFRS- AN OUTLINE TO INDIAN BUSINESS SCENARIO

YASER YASEEN P

ABSTRACT
IFRS can be explained in a narrow as well as a broad sense. In the narrow sense IFRS is the new numbered series of pronouncements that IASB has issued. In the broad sense IFRS includes standards and interpretations approved by the IASB, IASC & SIC. These new set of accounting standards is more principles based as compared to the earlier standards that were basically an Economic development of any country requires a sound financial reporting system sustained by good governance, clearly defined quality standards and established regulatory framework. As the accounting standards formulating body in our country, the Institute of Chartered Accountants of India (ICAI), has always formulated accounting standards that have withstood the test of time. As we globalize, the significance of convergence increases with International Financial Reporting Standards (IFRS). In today's scenario of global business village India cannot afford to insulate itself from the developments and modifications taking place worldwide.

Irrespective of the varying opinions convergence of IFRS with local standards is now not just a forum of discussion but a reality. There are significant differences between the accounting treatments laid down in the existing Accounting Standards as against the treatments envisaged in the converged Indian Accounting Standards. These differences necessarily will have an impact on the depiction of profit and financial position of an enterprise. As the regulators and various stakeholders use the financial statements to achieve numerous objectives, they cannot afford to ignore the impact of implementation of the converged Indian accounting standards or Ind AS. Regulators would need to be aware of their impact on regulatory accounts, the return earned on assets and profit position under various regulated services.

Keywords: Economic, Development, Financial Reporting, IFRS, Convergence, IASB, Regulatory Board and Business environment

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1. INTRODUCTION

IFRS is short for International Financial Reporting Standards. IFRS is the international accounting framework within which to properly organize and report financial information. It is derived from the pronouncements of the London-based ***International Accounting Standards Board (IASB)***. It is currently the required accounting framework in more than 120 countries. Simply, **IFRS is like a common global language for business affairs** so that company accounts are understandable and comparable across international boundaries.

OBJECTIVES OF IFRS

- **To develop**, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the worlds capital markets and other users make economic decisions;

- To promote the use and rigorous application of those standards;
- In fulfilling the objectives associated with (1) and (2), to take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies.
- To bring about convergence of national accounting standards and International Accounting standards and IFRS to high quality solutions.

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What are the Advantages of Converting to IFRS?
By adopting IFRS, a business can present its financial statements on the same basis as its foreign competitors, making comparisons easier. Furthermore, companies with subsidiaries in countries that require or permit IFRS may be able to use one accounting language company-wide. Companies also may need to convert to IFRS if they are a subsidiary of a foreign company that must use IFRS, or if they have a foreign investor that must use IFRS. Companies may also benefit by using IFRS if they wish to raise capital abroad.

IFRS Vs GAAP
IFRS is used primarily by businesses reporting their financial results anywhere in the world except the United States. Generally Accepted Accounting Principles, or GAAP, is the accounting framework used in the United States. GAAP is much more rules-based than IFRS. IFRS focuses more on general principles than GAAP, which makes the IFRS body of work much smaller, cleaner, and easier to understand than GAAP.

Encouraging factors of the use of IFRS
The below are the primary drivers encouraging the use of IFRS globally.

- Globalization of trade & capital markets
- Rapid development of Information Technology and its impact on operations
- Fast & simplified process of moving funds between countries
- Increased investors interest in foreign investments

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Which Comes Under IFRS?
IFRS covers a broad array of topics, including:

- Leases
- Retirement benefit plans
- Business combinations
- Foreign exchange rates
- Borrowing costs
- Income taxes
- Investment in associates
- Inventories
- Fixed assets

- Intangible assets
- Presentation of financial statements
- Revenue recognition
- Employee benefits
- Operating segments

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Objective of the Study

The objective of the present paper is-

To examine the significance of IFRS in Indian business environment.

#To analyze the similarities and distinction between IFRS and AS

RESEARCH METHODOLOGY

This research is based purely on secondary data, data from, journals, articles, websites. This study is organized in different sections such as Impact of IFRS adoption on corporates and investors Difference between IFRS, Indian GAAP and Indian AS Challenges and opportunities

Accounting fraternity of 10 countries formed International Accounting Standards Committee (IASC) in 1973 and it issued International Accounting Standards. In 2001, the responsibility got transferred to IASB whereby standards were restructured and are now known as IFRS. International Accounting Reporting Standards is a provider of information aiding n economic decisions, giving importance to preference and changes in the financial position of an entity. Accounting Standards, when in conflict with court's decision are respected. India needs major improvements in Accounting Standards. More than 100 countries now require changing and many are in the way of replacing and accepting it. It is mainly based on two concepts and are principle based on-Accrual

- Going concern.
- Its framework is qualitative and characteristics are Understandability
- Relevance
- Reliability
- Comparability of. Indian Accounting Standards (abbreviated as India AS) are a set of accounting standards notified by the Ministry of Corporate Affairs, which are converged with International Financial Reporting Standards (IFRS). These accounting standards are formulated by the Accounting Standards Board of Institute of Chartered Accountants of India. Now India will have two sets of accounting standards viz. existing accounting standards under Companies (Accounting Standard) Rules, 2006 and IFRS converged Indian Accounting Standards (Indian AS). The Indian AS are named and numbered in the same way as the corresponding IFRS. NACAS recommend these standards to the Ministry of Corporate Affairs. The Ministry of Corporate Affairs has to spell out the accounting standards applicable for companies in India. As on date the Ministry of Corporate Affairs notified 35 Indian Accounting Standards (Indian AS). But it has not notified the date of implementation of the same.

2. Need for Convergence towards Global Standards

The last decade has witnessed a sea change in the global economic scenario. The emergence of transnational corporations in search of money, not only for fuelling growth, but to sustain ongoing activities has necessitated raising of capital from all parts of the world, cutting across frontiers. Each country has its own set of rules and regulations for accounting and financial reporting, Therefore, when an enterprise decides to raise capital from the markets other than the country in which it is located, the rules and regulations of that other country will apply and this in turn will require that the enterprise is in a position to understand the differences between the rules governing financial reporting in the foreign country as compared to its own country of origin. International analysts and investors would like to compare financial statements based on similar accounting standards, and this has led to the growing support for an internationally accepted set of accounting standards for cross border filings. The harmonization of financial reporting around the world will help to raise confidence of investors generally in the information they are using to make their decision and assess their risks. A strong need was felt by legislation to bring about uniformity, rationalization, comparability, transparency and adaptability in financial statements. The better way for getting rid of problems faced by different methods of standards is to have a single set of global standards, of the highest quality, set in the interest of public. The convergence of financial reporting and accounting standards is a valuable process that contributes to the free flow of global investment and achieves substantial benefits for all capital market stakeholders. It improves the ability of investors to compare investments on a global basis and thus lowers their risk of errors of judgment. It facilitates accounting and reporting for companies with global operations and eliminates some costly requirements say reinstatement of financial statements. It has the potential to create a new standard of accountability and greater transparency, which are values of great significance to all market participants including regulators. It reduces operational challenges for accounting firms and focuses their value and expertise standard setters and other stakeholders to improve the reporting model.

3. International Accounting Standards Board

With the view of making the financial statements more reliable and transparent , the London based group namely the International Accounting Standards Committee(IASC), responsible for developing International Accounting Standards , was established in June, 1973. Between1973-2001, the International Accounting Standards Committee (IASC) released International Accounting Standards. Between 1997 and 1999, the IASC restructured their organization, which resulted in formation of International Accounting Standards Board (IASB). These changes came into effect from 1st, April, 2001. IASB publishes its standards in a series of pronouncements called International Financial Reporting Standards.

4. International Financial Reporting Standards as Global Standards

The term IFRS comprises IFRS issued by IASB; IAS issued by International Accounting Standard Committee (IASC); and Interpretations issued by the standard Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. International Financial Reporting Standards (IFRSs) are considered a “principles-based” set of standards. In fact, they establish broad rules rather than dictating specific treatments. Every major nation is moving toward adopting them to some extent .Large number of authorities require public companies to use IFRS for stock exchange listing companies to use IFRS for stock-exchange listing purposes, and in addition, banks, insurance companies and stock exchanges may use them for their statutory required reports. So over the next few years, thousands of companies will adopt the international standards. This requirement will affect about 7,000 enterprises, including their subsidiaries, equity investors and joint venture partners. The increased use of IFRS is not limited to public-company listing requirements or statutory reporting. Many lenders and regulatory and government bodies are looking to IFRS to fulfill local financial reporting obligations related to financing or licensing.

5. Adoption of IFRS in India

Increasingly, Indian accountants and businessmen feel the need for convergence with IFRS. Capital markets provide an important explanation for this change. Some Indian companies are already listed on overseas stock exchanges and many more will list in the future. Internationally acceptable accounting standards are becoming the language of communication for Indian companies. To bring the Indian Standards at par with IAS/IFRS, some of the earlier Accounting Standards and Guidance Notes have been revised or are under the process of revision. However, at present, the Accounting Standard Board in consultation with the core group, constituted by the Ministry of Corporate Affairs (MICA) for convergence of Indian Accounting Standards (IFRS), has decided that there will be two separate sets of Accounting Standards.

5.1. Indian Accounting Standards converged with the IFRS(known as Ind AS) The MCA has hosted 35 converged Indian Accounting Standards (Ind ‘AS’) without announcing the applicability date. These are the standards which are being converged by eliminating the differences of the Indian Accounting Standards vis-à-vis.

5.2. Existing Accounting Standards The entities not falling within the threshold limits prescribed for IFRS compliance in the respective phases shall continue to use these standards in the preparation and presentation of financial statements.

6. Recent Trends of IFRS in India

After the enactment of the Companies Act, 2013, the ministry of corporate affairs has now shifted its focus on rolling out international reporting standards for Indian companies which were to be implemented beginning April 1, 2011. According to the draft plan, the ministry wants to implement the international financial reporting standards (IFRS) beginning with companies that have a net worth of over Rs 1,000 crore from April 1, 2015, an official told The Indian Express. In the second phase, both listed and unlisted companies with a net worth of over Rs 500 crore but less than Rs 1,000 crore will have to converge with the international accounting standards from the financial year beginning April 1, 2016. IFRS had been put on the back burner by the government given issues raised by corporates, and unresolved taxation issues. Industry bodies had sought postponement arguing the industry needed more time to prepare. The IFRS-converged accounting standards deal with mark-to-market projections and valuation of financial assets among other things. The implementation is expected to cause some upheaval in companies' finances in the initial stage as the standards call for projecting assets' real value. Various sectors, including banking and real estate would be hit, experts have argued. "The Institute of Chartered Accountants of India (ICAI) has been asked to conduct a sector-wise study, elaborating on the impact the implementation will have on the sectors," the official said. As such, all Indian companies listed overseas or doing business on foreign land currently prepare financial statements as per the international standards. However, banking companies would be exempt from complying with the IFRS. In the third and fourth phase, beginning April 1, 2017, smaller companies would need to prepare their accounts as per the international standards. The main sectors which are likely to be impacted include oil and gas, finance, telecom and infrastructure companies. Over 100 countries have accepted IFRS while India has converged its Taccounting standards with the international reporting standards. Currently, the US, Japan and India are the three main economies that have not adopted IFRS while Canada, Brazil and Russia switched to IFRS last year.

7. BENEFITS AND CHALLENGES

The move to IFRS it not just a technical accounting exercise. It is an exercise in change management and offers opportunities for improvement. IFRS conversion offers companies an opportunity to improve their business in several ways. The company can: Reshape its management reporting systems to better manage both its financial accounting and its financial statement

- Generation and provide company leadership with essential information Improve disclosure — to analysts, investors, regulators and other stakeholders — of your company's financial results and
- Position and other performance indicators Improve the metrics used to evaluate both company and executive performance
- Benchmark itself against its global peers
- Ensure all finance team members have the training, knowledge and skills needed to perform their roles
- Make accounting policy choices that are aligned with global industry practice

8. IFRS: The Impact on Indian Corporate

The use of international financial reporting standards (IFRS) as a universal financial reporting language is gaining momentum across the globe. Over a 100 countries in the European Union, Africa, West Asia and Asia-Pacific regions either require or permit the use of IFRS. The Institute of Chartered Accountants of India (ICAI) has recently released a concept paper on Convergence with IFRS in India, detailing the strategy for adoption of IFRS in India with effect from April 1, 2011. This has been strengthened by a recent announcement from the ministry of corporate affairs (MCA) confirming the agenda for convergence with IFRS in India by 2011. Even in the US there is an ongoing debate regarding the adoption of IFRS replacing US GAAP. Adopting IFRS by Indian corporates is going to be very challenging but at the same time could also be rewarding. Indian corporate is likely to reap significant benefits from adopting IFRS. The European Union's experience highlights many perceived benefits as a result of adopting IFRS. Overall, most investors, financial statement preparers and auditors were in agreement that IFRS improved the quality of financial statements and that IFRS implementation was a positive development for EU financial reporting (2007 ICAEW Report on 'EU Implementation of IFRS and the Fair Value Directive'. There are likely to be several benefits to corporates in the Indian context as well. These are:

*Improvement in comparability of financial information and financial performance with global peers and industry standards, this will result in more transparent financial reporting of a company's activities which will benefit investors, customers and other key stakeholders in India and overseas;

*The adoption of IFRS is expected to result in better quality of financial reporting due to consistent application of accounting principles and improvement in reliability of financial statements. This, in turn, will lead to increased trust and reliance placed by investors, analysts and other stakeholders in a company's financial statements; and

*Better access to and reduction in the cost of capital raised from global capital markets since IFRS are now accepted as a financial reporting framework for companies seeking to raise funds from most capital markets across the globe. A recent decision by the US Securities and Exchange Commission (SEC) permits foreign companies listed in the US to present financial statements in accordance with IFRS. This means that such companies will not be required to prepare separatefinancial statements under Generally Accepted Accounting Principles in the US (US GAAP). Therefore, Indian companies listed in the US would benefit from having to prepare only a single set of IFRS compliant financial statements, and the consequent saving in financial and compliance costs.

9. Key Difference between Indian GAAP, IFRS and Ind -AS

Basis of Point	Indian GAAP	IFRS	IND-AS
Valuation inventories	Valuation of inventory is not based on nature and use of inventory. Valuation should reflect fairest approximation to the cost.	Valuation is based on the nature and use of inventory. Same cost formula will be used for inventory valuation having same nature and use of stock.	Same IFRS
Cash flow statement	AS-3 cash flow statement	IAS-7 Statement of cash flows	IND-AS 7 statement of cash flows
Property plant and equipment	AS-6 depreciation accounting	IAS-16 Property Plant equipment	IND-AS 16 Property Plant and Equipment
Earnings per Share	AS-20 earnings per share	IAS- 33 earnings per share	IND-AS 33 earnings per share
Intangible assets	AS-26 intangible assets	IAS-38 intangible assets	IND-AS 38 intangible assets

Alochana Chakra Journal

IFRS Courses: Full Form, Duration, Certifications, Online, After 12th, Job Prospects, Salary 2022

IFRS Courses stands for (International Financial Reporting Standards), are training programs that are available as IFRS certification and Diploma in IFRS. IFRS Course is specially designed for people who are working or want to work in the field of accounting, auditing, financial statement analysis, budgeting, etc.IFRS Course duration ranges for a month that can be pursued after a Bachelor's in Accountancy or a Master's in Accountancy or any such relevant areas. IFRS Course ACCA is the oldest and highly reputed IFRS Course across the globe. Top Accounting Colleges that offer IFRS course are LPU Jalandhar Christ University, IIMs, IITs, etc. The average IFRS Course fee ranges from INR 20,000 to INR 30,000.Professionals working as a Chartered Accountant, Company Secretary, Chartered Financial Analyst, Financial Planner, Cost Accountant, etc. can opt for this course to have relevance across international borders.IFRS professionals are usually hired by top global auditing firms and earn around INR 8,00,000 to INR INR 15,00,000 per annum. The accounting consultants who specialize in IFRS can expect around INR 15, 00,000 to INR 19, 00,000 per annum. With experience of 6 to 8 years, the salary can increase up to INR 20, 00,000 to INR 25, 00,000 per annum.

Key Research Findings

Globalization of trade and business results into preparation of financial statements according to the needs of global investors, and companies prepare financial statements according to their own standards which creates great confusion for users of financialstatements and inefficiency in capital markets ,therefore there is need to create single set of high quality standards which can be used to record business transactions globally which leads to India to go for convergence of international accounting standards (IAS) into International financial reporting standards (IFRS).Adoption of IFRS is gaining momentum and also challenging for companies .For global investors implementation of IFRS has positive impact as it improves the quality of financial reporting .some of the positive impact of IFRS are Adoption of IFRS raises the reputation and relationship of Indian corporates with international financial community.

So IFRS as single set of globally accepted financial standards results into removal of complexity and confusion of financial statements and benefitted to financial and non-financial users

CONCLUSION

Convergence to IFRS with the accounting standard of course ensure the greater credibility in international capital markets but there islots of difficulties which are experienced by Indian corporates. It is not only accounting exercise which need to change. It is transition requiring everybody concerned to learn new language and new way of working, whileformulating accounting standards on the basis of IFRS.

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