

IND-AS CONVERGENCES WITH IFRS :BENEFITS AND CHALLENGES

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Abstract

Due to Globalization of capital markets and cross border capital flows and growing number of foreign direct investments and mergers and acquisitions at international level, there is need of IND -AS convergence with IFRS. The paper is written with a view to understand the applicability of IFRS. It also covers the adoption phases of IFRS in India. We have also covered the benefits of convergence with IFRS. The paper also discusses the challenges in convergence of IND -AS with IFRS and lastly we have given suggestions for successful implementation of increased convergence in India to develop IND-AS in convergence with IFRS.

Keywords: IFRS, GAAP, Accounting Standards, Generally Accepted Accounting Principles, Convergence.

Introduction

Accounting is the art of recording transactions in the best possible manner, so as to enable the reader to arrive at judgments and take decisions. In this regard, it is utmost necessary that there are a set of guidelines. These guidelines are generally called Accounting Policies. During the past years, most countries have developed a set of accounting principles accounting rules that serve as a common basis for reporting the financial status of businesses to the public operating within their borders. These common accounting principles are formally referred to as Generally Accepted Accounting Principles (GAAP). It is unique to each country. Their purpose is to provide a common and accepted standard for evaluating and comparing the financial status of businesses. GAAP system is different from one country to another country. When businesses were simple and transactions were local, accounting standards were simple and local GAAP was sufficient. Today, businesses have become complex and a globalised world needs comprehensive accounting standards that can be consistently applied and facilitate comparability across companies and jurisdictions.

Need of IFRS

Globalization of capital markets requires a unified global accounting, reporting and disclosure set of standards. As a result of increasing volume of cross border capital flows and the growing number of foreign direct investments via mergers and acquisitions in the globalization era, the need for the harmonization of different practices in accounting and the acceptance of worldwide standards has arisen. This worldwide standard is International financial reporting standards (IFRS). The Accounting Standards not only prescribe appropriate accounting treatment of complex business transactions but also foster greater transparency and market discipline. Accounting Standards also helps the regulatory agencies in benchmarking the accounting accuracy. Accounting standards are being established both at national and international levels. In India, the Accounting Standards Board (ASB) was constituted by the Institute of Chartered Accountants of India (ICAI) on 21st April 1977, which performs the function of formulating accounting standards. Presently, there are two sets of accounting standards that are accepted for international use namely, the U.S., Generally Accepted Accounting Principles (GAAP) and the International Financial Reporting Standards (IFRS) issued by the London-based International Accounting Standards Board (IASB). Generally, accepted accounting principles (GAAP) are diverse in nature but based on a few basic principles as advocated by all

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