

IFRS Implementation in India: Implications, Challenges and Suggestions

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Introduction

IFRS started as an endeavour to orchestrate bookkeeping over the European Union yet the estimation of harmonization rapidly made the idea alluring the world over. Be that as it may, it has been discussed regardless of whether accepted harmonization has happened. Norms that were issued by IASC (the ancestor of IASB) are still inside use today and pass by the name International Accounting Standards (IAS), while models issued by IASB are called IFRS. IAS was issued somewhere in the range of 1973 and 2001 by the Board of the International Accounting Standards Committee (IASC). On 1 April 2001, the new International Accounting Standards Board (IASB) took over from the IASC the duty regarding setting International Accounting Standards. Amid its first gathering the new Board received existing IAS and Standing Interpretations Committee measures (SICs). The IASB has kept on creating guidelines calling the new measures "Worldwide Financial Reporting Standards".

Development and History

Global Accounting Standards Committee was an association which built up in 1973 to be guaranteed the right, reasonable, coherent and genuine and reasonable perspective on introduction of examined accounts and fiscal summaries. They had been issued International Accounting Standards amid year 1975 to be a rule for money related announcing. They had likewise been set up 25 guidelines in 1987. In year 2001, they had been reconstituted to International Accounting Standards Boards to build up the bookkeeping principles and advance them globally. The main

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International Financial Reporting Standards was set up by IASB in the year 2004 which the first name of IFRS is IAS (International Accounting Standards). European Union had been reported that they will be connected IFRS in year 2005 for all euro nations. From that point forward, IASB had been built up Accounting Standards Advisory Forum in mid 2013 to guarantee the nations comprehend of IFRS and connected it appropriately.

Convergence of IFRS in India

Assembly with IFRS suggests accomplishing congruity with IFRSs and to plan and keep up national bookkeeping gauges such that they agree to the International Accounting Standards. The change would empower Indian substances to be completely IFRS agreeable and give an "open and express articulation of consistence with IFRS" in their fiscal reports. In any case, because of wide scope of bookkeeping measures as of now issued in India and different alterations that would have been required, the Indian government had chosen long back that they won't embrace IFRS yet will merge with the IFRS. For this they have issued 35 Ind AS that is halfway among IFRS and bookkeeping guidelines of India. The service of corporate issues have moved quickly and told its stage astute guide for selection of the Indian Accounting Standards (Ind AS) – India's bookkeeping gauges combined with the IFRS. In the wake of waiting suspicion viewing Ind AS getting advised, this positive advancement positions India well at the focal point of high calibre monetary announcing.

Implementation and Applicability of IFRS

In 1949, Indian government to streamline bookkeeping rehearses in the nation built up Institute of Chartered Accountants of India by passing ICAI Act, 1949. Accounting Standard Board was established by ICAI in 1977 so as to fit the different bookkeeping strategies and practices in India. In 2006, a team was set up by ICAI. The goal of the team was to set out a guide for intermingling of IFRS in India.

The utilization of Ind AS depends on the posting status and total assets of an organization. Ind AS will initially apply to organizations with a total assets equivalent to or surpassing 500 crore INR starting 1 April 2016. This will likewise require similar Ind AS data for the time of 1 April 2015 to 31 March 2016. Recorded organizations just as others having a total assets equivalent to or surpassing 250 crore INR will pursue 1 April 2017 onwards. From April 2015 (which is under about a month and a half away) organizations affected in the primary stage should investigate the subtleties of the 39 new Ind ASs as of now informed. Ind AS will likewise apply to backups, joint endeavours, relates just as holding organizations of the elements secured by the guide. In view of the suggestion made by the Task Force and based on result of discourses and general assessments on IFRS selection method, a 3 stage procedure was set somewhere around the Accounting Professionals in India. This three stages IFRS selection methodology can be outlined as pursues:

Stage 1: IFRS Impact Assessment

In this progression, the firm will start with the appraisal of the effect of IFRS appropriation on Accounting and Reporting Issues, on frameworks and forms, and on Business of the firm. The firm will at that point recognize the key transformation dates and likewise an IFRS preparing plan will be set down. When the preparation plan is set up, the firm should distinguish the key Financial Reporting Standards that will apply to the firm and furthermore the distinctions among current money related detailing models being trailed by the firm and IFRS. The firm will likewise recognize the escape clauses in the current frameworks and procedures.

Stage 2: Preparations for IFRS Implementation

This progression will complete the exercises required for IFRS usage process. It will start with documentation of IFRS Accounting Manual. The firm will then redo the inward revealing frameworks and procedures. IFRS 1 which manages the first run through selection of IFRS will be finished to control the first run through IFRS appropriation method. To make the intermingling procedure smooth, a few exclusions are accessible under IFRS 1. These exceptions are recognized and connected. To guarantee that the IFRS are connected effectively and reliably, control frameworks are structured and set up.

Stage 3: Implementation

This progression includes genuine execution of IFRS. The primary action did in this stage is to set up an opening Balance Sheet at the date of change to IFRS. A legitimate comprehension of the effect of the progress from Indian Accounting Standards to IFRS is to be created. This will pursue the total use of IFRS as and when required. First time usage of IFRS requires part of preparing and a few challenges may likewise be experienced. To guarantee a smooth change from Indian Accounting Standards to IFRS, Continuous preparing to staff and tending to every one of the troubles that would be experienced while completing the usage is additionally required.

Challenges

Bookkeeping Professionals in India and over the world have recorded different advantages of embracing IFRS. Disregarding these advantages, selection of IFRS in India is troublesome undertaking and faces numerous difficulties. Maybe a couple of these have been recorded as underneath:

- **Mindfulness about Global Practices:** Adoption of IFRS implies that the whole arrangement of fiscal summaries will be required to experience an extraordinary change. There are various contrasts between the two GAAP's (examined underneath). This may make the clients of fiscal reports take a

gander at them from another viewpoint. It would be a test to realize consciousness of IFRS and its effect among the clients of fiscal summaries.

- **Preparing:** Professional bookkeepers are viewed to guarantee fruitful execution of IFRS. The greatest obstacle for the experts in executing IFRS is the absence of preparing offices and scholarly seminars on IFRS in India. As the execution date moves nearer (2011), it is seen that there is intense lack of prepared IFRS staff.
- **Revisions to the Current Law:** It is seen that execution of IFRS may result in various irregularities with the current laws which incorporate the Companies Act 1956, SEBI guidelines, banking laws and guidelines and the protection laws and guidelines. At present, the revealing prerequisites are administered by different controllers in India and their arrangements supersede different laws. IFRS does not perceive such superseding laws. In spite of the fact that means to revise these laws have been started, the experts need to guarantee that the laws are altered well in time.
- **Tax Assessment:** IFRS union would influence the majority of the things in the budget reports and subsequently the expense liabilities would likewise experience a change. In this way the tax assessment laws should address the treatment of duty liabilities emerging on union from Indian GAAP to IFRS. It is critical that the tax collection laws perceive IFRS agreeable fiscal summaries else it would copy managerial work for the associations.
- **Reasonable Esteem:** IFRS utilizes reasonable incentive as an estimation base for esteeming the greater part of the things of budget summaries. The utilization of reasonable esteem bookkeeping can bring a great deal of unpredictability and subjectivity to the budget summaries. It likewise includes a ton of diligent work in touching base at the reasonable esteem and valuation specialists must be utilized. Besides, changes in accordance with reasonable esteem result in increases or misfortunes which are reflected in the salary articulations. Regardless of whether this can be incorporated into processing distributable benefit is likewise discussed.
- **The Board Pay Plan:** The terms and conditions identifying with the board pay plans would likewise must be changed. This is on the grounds that the money related outcomes under IFRS are probably going to be altogether different from those under the Indian GAAP. The agreements would need to be re-arranged which is likewise a major test.
- **Detailing Frameworks:** The divulgence and revealing necessities under IFRS are totally unique in relation to the Indian announcing prerequisites. Organizations would need to guarantee that the current business announcing model is corrected to suit the detailing prerequisites of IFRS. The data

frameworks ought to be intended to catch new necessities identified with fixed resources, section exposures, related gathering exchanges, and so on. Presence of appropriate inside control and limiting the danger of business disturbance ought to be dealt with while altering or changing the data frameworks.

Key Benefits of IFRS Implementation in India

- IFRS gives better money related data to the investors and administrative framework.
- IFRS upgrade worldwide capacity and improve straightforwardness of results.
- With the utilization of IFRS clients can build capacity to verify cross guest posting.
- With the assistance of IFRS one can improve the board of worldwide activities and better access the capital market.
- IFRS disposes of various announcing; in like manner Tata, Birla and Ambani right off the bat register in India and after that outside India before actualizing IFRS framework.
- IFRS encourage worldwide venture openings inbound and outbound and furthermore diminished expense of capital.
- Reduce hindrances to enter worldwide market and brought down the hazard related with double filings of records.
- IFRS gives new and upgraded benefits particularly in the field of business process re-appropriating (BPO) and expert administrations firms.
- With the assistance of IFRS one can direct once-just survey of money related announcing and data framework for control.
- Uniform bookkeeping standard empowered financial specialists to comprehend venture open door as against two diverse arrangement of national bookkeeping standard.
- With the assistance of IFRS corporate and speculators would know it's actual worth since reasonable valuation is ordered for some, asset report things.

Suggestions

- Proper instruction and preparing of representatives about IFRS
- The legislature of our nation needs to frame a different advisory group for IFRS procedure and criticism reason.
- Government needs to make genuine move with respect to required adjustment of IFRS.
- IFRS ought to be included school framework as a school prospectus so the administration understudy could be a decent IFRS master in future.

- IFRS framework ought to be easy to understand. • Extensive overview and research need to do before usage of IFRS framework.
- Identifying the zones of GAAP contrasts and settling on a choice on determination of the exclusions to be connected.
- Analyzing complex points like Financial Instruments and drawing up the important divulgences.
- Identifying changes required in the current budgetary announcing framework to affirm with IFRS prerequisites.
- Identifying of consequences for the current contracts and understandings before executing IFRS

Conclusion

From the above examination it is particularly evident that transformation from Indian GAAP to IFRS will confront numerous troubles and yet taking a gander at the points of interest that this appropriation will give, the intermingling with IFRS is firmly suggested on the grounds that the measures taken by ICAI and the other administrative bodies to encourage the smooth combination to IFRS are respectable and give the positive thought that the nation is prepared for union. Remembering the way that IFRS is more a rule based methodology with constrained execution and application direction all bookkeepers in the case of rehearsing or non-rehearsing need to take an interest and contribute viably to the union procedure. So the need is to have an efficient way to deal with make the association and the speculators prepared for the change and the standards ready for redesign. In addition corporates need to intend themselves for consistent updation. Resulting updates now and again emerging from its worldwide usage will be required and would help in plan of future universal bookkeeping guidelines. A nonstop research is in truth expected to fit and merge with the universal guidelines and this in certainty can be accomplished just through common worldwide understanding both of corporate destinations and rankings connected to it. Be that as it may, senior administration at numerous organizations sees IFRS as a Finance need in view of the required changes in bookkeeping rehearses yet Indian Corporate World which has been setting up its Financial Statements on Historical Cost Basis will have extreme time while moving to Fair Value Accounting. Be that as it may, considering its advantages it is required and government will start the procedure with corporate.

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