

CONVERGENCE TO IFRS: OPPORTUNITIES AND CHALLENGES IN INDIA

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Abstract

Trust and transparency led to a discussion of financial reporting. Consistent, comparable and understandable financial information is the lifeblood of commerce and making investment. Keeping this in mind, Accounting Professionals and Accounting Bodies across the globe, during last decade, had tried to put a financial reporting system in place which is harmonized, robust and have extensive applicability. IASB (formerly IASC) came out with IFRS which were adopted formally by members of European Union in 2005. In subsequent years, many other countries either adopted IFRS or converged to IFRS. An upcoming economy on world economic map, India, too, decided to converge to IFRS. This study tries to analyze the information available on IFRS adoption process in India. It also discusses the IFRS adoption procedure in India and the utility for India in adopting IFRS. The paper discusses the problems faced by the stakeholders (Regulators, Accountants, Firms etc.) in the process of adoption of IFRS in India. In conclusion part, Paper brings out the ways through which these problems can be addressed.

Keywords: IFRS, IASC, IASB, FDI, ASB, GAAP, ICAI, Financial Reporting, Upcoming Economy.

Introduction

India is one of the emerging economics in the world. For the economic development foreign direct investment (FDI) is needed, to facilitate the investment climate, it wants to integrate its financial reporting with rest of the economies of the globe so that investors from outside will understand the financial results and financial positions of the companies. Accounting standards are being established both at national and international levels. However, the diversity of accounting standards among the nations of the world has been a problem for the globalization of the business environment. 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 GAAP rules. These principles include consistency, relevance, reliability and comparability.

Objectives of IFRS

The main objective of IFRS development is harmonization in financial statements reporting. Some additional objectives are:

- To create the global financial reporting infrastructure.
- To generate sound business sense among the beneficiaries.
- To generate the dimensions of fair presentation of financial statement.
- What is the reason to implement the International Financial Reporting Standards (IFRS) in India?

Overview of Adoption of IFRS

IFRS are accounting rules issued by the IASB, an independent organization based in London, UK. Before the inception of IASB, international standards were issued by the IASB's predecessor

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