Inspira-Journal of Commerce, Economics & Computer Science (JCECS)
ISSN : 2395-7069 GIF: 2.7273, CIF: 4.964, Volume 05, No. 03, July-September, 2019, pp. 151-155

IFRS CONVERGENCE: INDIAN EXPERIENCE

Sunil Kumar Sharma*

ABSTRACT

*To improve the Present Accounting and Reporting Methods to fulfill the facts required to stakeholders highly Active and Proven **IFRS** is converged and applicable in India. As the Convergence of Accounting policy has gained momentum in the current scenario at global level, ICAI has made it mandatory for Indian Companies to adopt IFRS in two stages and in the given time period i.e., from 1st April, 2016 and 1st April, 2017. Our research paper presents information on IFRS standards, its implementation in banking sector, insurance companies and NBFC's. Voluntary adoption of IFRS converged Ind. AS, Mandatory applicability and new measurement method after IFRS adoption and finally comment upon the convergence and its impact over Indian industries.*

***KEYWORDS**: Convergence, IAS, IFRS, AS, IASC, NBFC's, ICAI, FDI, MNC, GAAP.*

Introduction

Financial statement provides the accurate information of what company did in the past one year, there are various ways of presenting this information. But the standard practice is to be conversant with the accounting standards of the country. For this purpose the accounting standards were made by the ICAI in India. But as the time progresses and multinational companies have made India as their new destination, new requirement of the disclosure and presenting the financial information arises. And we have to look towards more efficient standards for providing accurate and meaningful information to stakeholders. Thus the best measure prevails are IFRS that it has been adopted for making the accounting practices of our country similar to the world class companies. Our nation is also in the progression of convergence of IAS with IFRS. The modern Indian AS has now been substituted with Ind.AS which is virtually equivalent to IFRS, next allowing for the financial milieu of the state. This will appeal FDI in the country, as the investors are now capable to compare the financial statements of domestic companies with Annual accounting statements MNC. The ICAI being the accounting standards-setting body in India, way back in 2006, initiated the process of moving towards the IFRS issued by IASB with a interpretation to enhance acceptability and transparency of the financial information communicated by the Indian corporate through their financial statements. This transferee route for IFRS was later acknowledged by the Administration body of the country. The GoI in discussion held with ICAI certain to meet and not to espouse IFRS. The resolution of merging rather than embracing was engaged after the thorough investigation of IFRS requests and all-encompassing conversation with various participants. Accordingly, while framing IFRS-compatible Indian AS (Ind.AS), determinations made to retain these Principles, as far as potential, similar to corresponding IAS/IFRS and retreats have been completed where measured unconditionally crucial. These changes have been made considering various factors, such as, various terminology related changes needed to make it consistent with the terminology used in law, e.g., 'statement of profit and loss' in place of 'statement of comprehensive income' and ' balance sheet' in place of 'statement of financial position'. Certain changes have been made allowing for the financial setting of the country, which is different as compared to the economic environment presumed to be in existence by IFRS.

As per the prior roadmap for operation of IFRS-Converged Ind.AS supplied by the GoI, originally Ind.AS was estimated to be applied from the year 2011. However, observance in opinion about the

---

* Research Scholar, Department of ABST, University of Rajasthan, Jaipur, Rajasthan, India.

circumstance that many questions including tax matters were still to be addressed, the Ministry of Corporate Affairs (MCA)categorically postpone the date of applicability of Ind.AS. The Hon'ble Finance Minister of India, Shri Arun Jaitely ji, in his Budget Speech in July 2014 stated that – *"There is an urgent need to converge the existing Indian AS with the IFRS. He proposed for acceptance of the new Indian AS (Ind.AS) by the Indian companies from the financial year 2015-16 voluntarily and from the financial year 2016-17 on a mandatory basis. Based on the universal agreement, the controllers will distinctly inform the date of application of Ind.AS for the Insurance companies, Banks and other concerns Criterions for the calculation of tax shall be notified separately".*

As it has announcement, various phases have been taken to simplify the application of IFRS-converged Ind. AS. Moving in this direction, the MCA has given out the Companies (Ind. AS) Rules, 2015 applicable from February 16, 2015 covering the bone up roadmap of application of Ind.AS for companies other than Insurance Companies, NBFCs and Banking companies, and Ind.AS. As per the Notification, Ind. AS congregated with IFRS shall be implemented on voluntary beginning from 1st April, 2015 and compulsory from 1st April, 2016. Further, the MCA (March 30, 2016), has also informed the view method for implication of Ind.AS for Banks, NBFCs and Insurance companies from 1st April, 2018 ahead and also alterations to Ind.AS in link with the modifications made in IFRS/IAS vide Companies (Ind.AS) Amendment Rules, 2016.Another major steps in adoption of Ind.AS taken by the ICAI is updating of the Ind.AS Agreeing to the newest form of IFRS as post finalization of 35 Ind.AS in 2011, not only note worthy alterations have been made in IFRS, but frequent new IFRS have been issued by the IASB. While updating Ind.AS corresponding to the latest IFRS issued by the IASB, it was decided that all Ind.AS that would be applicable from the financial year 2015-16 on voluntarily basis and from financial year 2016-17 on mandatory basis should be updated corresponding to the IFRS issued/finalized till the date of August 31, 2014.

According to Companies (Indian Accounting Standards) Rules, 2015, adoption of Ind.AS is noncompulsory for companies till beginning on or after 1 April 2015. Further, it is mandatory for following companies to comply with Ind.AS in preparation of FC for the accounting periods beginning on or after **1 April 2016**:

- Companies with equity or debt securities are registered or are in the procedure of being registered on any stock exchange in India or outside India and having net worth of rupees INR 500 crores or more;
- Unregistered businesses with net worth of rupees INR 500 crores or more;
- Holding, subsidiary, joint venture or associate companies of above companies

Further, it is mandatory for subsequent corporations to obey with Ind.AS in preparation of financial statements for the financial year beginning on or after **1 April 2017**:

- Companies with equity or debt securities are registered or are in the process of being registered on any stock exchange in India or outside India and having net worth of less than rupees 500crore;
- Unregistered companies having net worth of rupees 250crore or more but less than rupees 500 or more ;
- Holding, joint venture or associate, subsidiary companies of above companies

Notes:

- Net worth here means net worth in accordance with the stand-alone financial statements of the company
- Once the Ind. AS's are in function, it shall be unchangeable.
- The insurance companies, banking companies and non-banking finance companies are not required to follow Ind.AS for their financial statements either on voluntary or mandatory basis.

Banks (Scheduled commercial), non-banking financial companies (NBFC'S) and Insurance companies

In pursuance to the Budget Announcement trails the following path:

- **Scheduled Commercial Banks (SCB) and Insurance Companies**
  - With All-India Term-lending Refinancing Institutions (i.e. Exim Bank, NABARD, NHB and SIDBI) and Insurance companies, they are required to prepare Ind.AS based financial reports from

beginning of April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018. Ind.AS would be applicable to both consolidated and individual financial statements.

- Though the roadmap for companies, the holding, subsidiary, joint venture or associate companies of SCB (excluding RRBs) is required to prepare Ind.AS based financial reports for accounting periods beginning from April 1, 2018 onwards, in accordance with the periods ended on March 31, 2018.
- For Urban Cooperative Banks (UCBs) and RRB sit is not obligatory to use Ind.AS and shall continue to comply with the existing AS, for the present-day.

- **NBFCs**

  They are essential to prepare Ind.AS based financial reports in two stages:

  - Stage I, includes groups of NBFCs who are required to prepare Ind.AS based financial reports at the starts from April 1, 2018 or periods ending March 31, 2018. It is applicable to both amalgamated and individual financial reports.
    - NBFCs having net worth of Rs.500 crores or more.
    - Joint venture, Holding, subsidiary, or associate companies protected under (a)(i) above, other than those companies already covered under the corporate roadmap.
  - Under stage II, the following categories of NBFCs shall be required to prepare Ind.AS based financial statements for accounting periods beginning from April 1, 2019 onwards with comparatives for the periods ending March 31, 2019 or thereafter. Ind.AS would be applicable to both consolidated and individual financial statements.
    - NBFCs with equity and debt securities are registered or are in the process of registering on any stock exchange in India or outside India and having net worth less than Rs.500 crores.
    - NBFCs further than those enclosed in above points, that are unregistered companies, having net worth of Rs.250 crores or more but less than Rs.500 crores.
    - joint venture or associate companies, Holding or subsidiary, of companies covered above, other than those companies already covered under the corporate roadmap announced by the MCA, GoI., having net worth below Rs. 250 Crores and not covered under the above provisions shall continue to apply AS specified in Annexure to Companies (Accounting Standards) Rules, 2006.
  - Scheduled commercial banks, NBFCs, insurance companies are applied Ind.AS only.

- **Voluntary Adoption of IFRS Converged Ind. AS**

Companies can willingly adopt Ind.AS for accounting periods beginning on or after 1 April 2015 with comparatives for period ending 31 March 2015 or thereafter. However, once they have chosen this path, they cannot switch back.

- **Mandatory Applicability**

Stage I

Ind.AS will be mandatorily applicable to the following companies for periods beginning on or after **1 April 2016**, with comparatives for the period ending **31 March 2016** or thereafter:

- Companies whose equity and/or debt securities are registered or are in the process of listing on any stock exchange in India or outside India and having net worth of 500 crore INR or more.
- Companies having net worth of 500 crore INR or more other than those covered above.
- Holding, subsidiary, joint venture or associate companies of companies covered above.

Stage II

Ind.AS will be mandatorily applicable to the following companies for periods beginning on or after **1 April 2017**, with comparatives for the period ending **31 March 2017** or thereafter:

- Companies whose equity and/or debt securities are registered or are in the process of being registered on any stock exchange in India or outside India and having net worth of less than rupees 500 Crore.

- Unregistered companies other than those covered in Phase I and Phase II whose net worth are more than 250 crore INR but less than 500 crore INR.
- Holding, subsidiary, joint venture or associate companies of above companies.

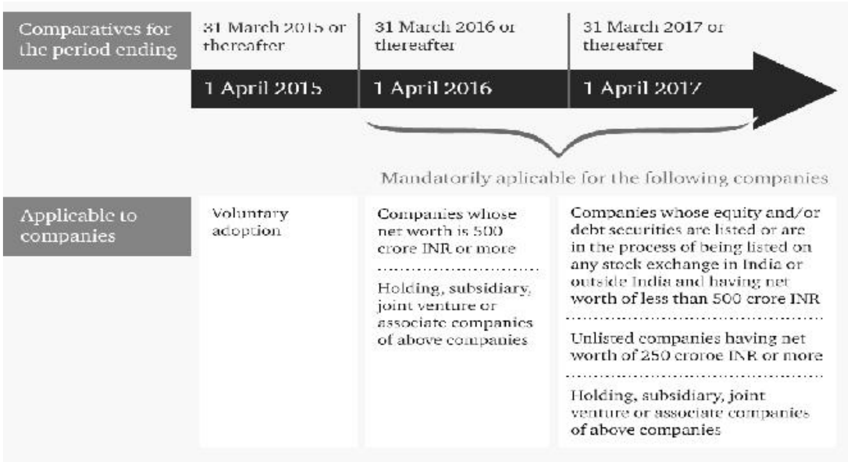

Figure 1: IFRS adoption timeline

New Measurement Method after IFRS Adoption

- **Net Worth**
  - It has been simplified that net worth will be determined based on the standalone accounts of the company as on 31 March 2014 or the first audited period ending subsequently that date.
  - **Standalone and consolidated financial declarations**
  - Ind.AS applied to both consolidated and stand-alone financial reports of a company covered by the roadmap. So they will not have to maintain dual accounting systems.

Challenges in Implementation of IFRS in India

- **Fair Value Accounting:** The use of this method can bring unpredictability and individually to the financial reports it is identically problematic to arrive at the fair value and valuation. Experts also sense trouble to shift towards fair value method. Moreover, adjustments to fair value results in gains or losses which are reflected in the income statements. Whether this can be included in computing distributable profit is also debatable issue.
- **Taxation:** IFRS convergence would affect most of the items in the financial statements and consequently the tax liabilities would also undergo a change. Thus the tax regulations should duly report the management of tax obligations emerged on convergence from Indian GAAP to IFRS.
- **Teaching:** A major obstacle in executing IFRS is absence of learning training abilities and theoretical developments on IFRS in India. IFRS Agency had offered a few Online IFRS package, diploma and certificate learning methodologies and also The ICAI has started Training/learning programs for its members, CA and other interested parties. Still, in present there does a large break between Trained Experts required and trained specialists exist.
- **Auditing:** Alternative pretentious subdivision is the audit firms that have to review the fair value book-keeping as per the IFRS, deprived of adequate direction these audit companies are carrying out the audit as per the total conception accounting. They need to deliberate elements of their arrangements of quality mechanism for their performances.

Conclusion

After IFRS implementation in India, companies are provided an opportunity to prepare their monetary declarations as per IFRS delivered by the IASB (the true IFRS), which has been now removed by law. The guidelines stipulated that in case of struggle between Ind.AS and a regulation, the requirements of the regulation shall overcome and the monetary declarations shall be equipped in conventionality with it. With IFRS agreed to develop the forthcoming Indian GAAP and IFRS being a touching goal, Indian corporations must aggressively screen and contribute in the IASB's standard setting process.

References

- Adhikari, Ajay and Tondkar, Rasoul H., "Environmental Factors Influencing Accounting Disclosure Requirements of Global Stock Exchanges", Journal of International Financial Management and Accounting, Vol. 4, 1992, 75-105.
- Anderson, Nancy, "The Globalization GAAP", Management Accounting, August 1993, 52-54.
- Baingani, vikas,&Nitinagarwal, “IAS and IFRS: A Comparative Study”, The Chartered Accountant of India, 2005, feb., 1050-1052
- Baydoun, Nabil and Willett, R., "Cultural Relevance of Western Accounting Systems to Developing Countries", Abacus, Vol. 31 (1), 1995, 67-92.
- Biddle, Gary C. and Saudagaran, Shahrokh M, "Foreign Stock Listings: Benefits, Costs, and the Accounting Policy Dilemma", Accounting Horizons, 1991, (September), 69-80.
- Cheung, Sherman C. and Lee, Jason, "Disclosure Environment and Listing on Foreign Stock Exchanges", Journal of Banking and Finance, Vol. 19, 1995, 347-362.
- Choi, Frederick, D.S. and Lee, Changwoo, "Merger Premia and National Accounting Differences in Accounting for Goodwill", Journal of International Financial Management and Accounting, Vol. 3 (3), 1991, 219-240.
- Choi, Frederick, D.S. and Levich, Richard M., "Behavioral Effects of International Accounting Diversity", Accounting Horizons, 1991, June, 1-13.
- Choi, Frederick, D.S. and Levich, Richard M., The Capital Market Effects of International Accounting Diversity, Dow-Jones Irwin, Chicago, II, 1990.
- Choi, Frederick, D.S., Frost, Carol A. and Meek, Gary K., International Accountin.q, Prentice Hall, Upper Saddle River, NJ, 1999.
- Dunne, Kathleen M. and Ndubizu Gordian A., "International Acquisition Accounting Method and Corporate Multinationalism: Evidence from Foreign Acquisitions", Journal of International Business Studies, Vol. 26 (2), 1995, 361-374.
- Fechner, Harry, H. E. and Kilgore, Alan, "The Influence of Cultural Factors on Accounting Practice", International Journal of Accounting, Vol. 29 (3), 1994, 265-277.
- Fletcher, Greg, "International Accounting Standards--Past, Present and Future", AFP Exchange, Vol. 22 (4), 2002, 14-19.
- Gray, Sidney J., "To a Theory of Cultural Influence on the Development of AS Internationally", Abacus, Vol. 3, 1988, 1-15.
- Hansen, Fay, "International Standards Will Smooth Credit Management", Business Credit, Vol. 105 (3), 2003, 60-63.
- Hofstede, Geert, Culture’s Consequences: International Differences in Work Related Values, Sage Publications, Beverley Hills, CA, 1980.
- Hussey, Roger, and Ong, Audra, "Financial Reporting: IAS-The IASB and the White Rabbit", Accountancy, 2003, 98-99.
- Perera, Hector., "Culture and International Accounting: Some Thoughts on Research Issues and Prospects", Advances in International Accounting, Vol. 7, 1994, 267-285.
- Saudagaran, Shahrokh M. and Biddle, Gary C., "Foreign Listing Location: A Study of MNCs and Stock Exchanges in Eight Countries", Journal of International Business Studies, Vol. 26 (2), 1995, 319-341.
- Saudagaran, Shahrokh M. and Diga, Joselito G., "Financial Reporting in Emerging Capital Markets; Characteristics and Policy Issues", Accounting Horizons, Vol. 11 (2), 1997, 41-46.
- http://www.mca.gov.in /Ministry/accounting_standards.html
- www.worldgappinfo.com