



IFRS – CONCEPT AND ITS CONVERGENCE IN INDIA

Commerce

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ABSTRACT

The main purpose of this paper is to impart knowledge about the IFRS concept and its phase wise applicability in India. This study endeavours that IFRS Standards are standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB) to provide a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. IFRS is principle based set of standards that establish broad rules as well as dictating specific treatments. The objective behind the IFRS is to make a common platform for better understanding of accounting internationally. By adopting IFRS, a business can present its financial statements on the same basis as its foreign competitors, making comparisons easier. After issuing the revised roadmap for implementing Ind AS in January 2015, the Ministry of Corporate Affairs (MCA) has come up with the phase wise adoption of Ind AS, India's Accounting Standards converged with IFRS. IFRS were established in order to have a common accounting language for business and accounts so that stability and transparency is maintained

KEYWORDS

Introduction

IFRS originated in the European Union, with the intention of making business affairs and accounts accessible across the continent. The idea quickly spread globally, as a common language allowed greater communication worldwide. Although only a portion of the world uses IFRS, participating countries are spread all over the world, rather than being confined to one geographic region. The United States has not yet adopted IFRS, as the GAAP is viewed as the "gold standard". Currently, about 120 countries use IFRS in some way, and 90 of those require them to fully conform to IFRS regulations. IFRS is maintained by the IFRS Foundation. The mission of the IFRS Foundation is to "bring transparency, accountability and efficiency to financial markets around the world." Not only does the IFRS Foundation supply and monitor these standards, but it also provides suggestions and advice to those who deviate from the practice guidelines.

The goal with IFRS is to make international comparisons as easy as possible. This is difficult because, to a large extent, each country has its own set of rules. For example, U.S. GAAP is different from Canadian GAAP. Synchronizing accounting standards across the globe is an ongoing process in the international accounting community.

IFRS began as an attempt to harmonize accounting across the European Union but the value of harmonization quickly made the concept attractive around the world. However, it has been debated whether or not de facto harmonization has occurred. Standards that were issued by IASC (the predecessor of IASB) are still within use today and go by the name International Accounting Standards (IAS), while standards issued by IASB are called IFRS. IAS were issued between 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 responsibility for setting International Accounting Standards. During its first meeting the new Board adopted existing IAS and Standing Interpretations Committee standards (SICs). The IASB has continued to develop standards calling the new standards "International Financial Reporting Standards".

The International Financial Reporting Standards, usually called the IFRS Standards are standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB) to provide a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. They are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries. They are progressively replacing the many different national accounting standards. They are the rules to be followed by accountants to maintain books of accounts which are comparable, understandable, reliable and relevant as per the users internal or external. IFRS are standards, interpretations and the framework for the preparation and presentation of financial statement adopted by the International Accounting Standards Board (IASB). In

April, 2001, the IASB adopted all IAS and continued their development, calling the new standards, IFRS.

IFRS is principle based set of standards that establish broad rules as well as dictating specific treatments. The objective behind the IFRS is to make a common platform for better understanding of accounting internationally. 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 wise. 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 IF

Features of IFRS

- 1. Fair presentation and compliance with IFRS:** Fair presentation requires the faithful representation of the effects of the transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework of IFRS.
- 2. Going concern:** Financial statements are presented on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.
- 3. Accrual basis of accounting:** An entity shall recognise items as assets, liabilities, equity, income and expenses when they satisfy the definition and recognition criteria for those elements in the Framework of IFRS.
- 4. Materiality and aggregation:** Every material class of similar items has to be presented separately. Items that are of a dissimilar nature or function shall be presented separately unless they are immaterial.
- 5. Offsetting:** Offsetting is generally forbidden in IFRS. However certain standards require offsetting when specific conditions are satisfied (such as in case of the accounting for defined benefit liabilities in IAS 19 and the net presentation of deferred tax liabilities and deferred tax assets in IAS 12).
- 6. Frequency of reporting:** IFRS requires that at least annually a complete set of financial statements is presented. However listed companies generally also publish interim financial statements (for which the accounting is fully IFRS compliant) for which the presentation is in accordance with IAS 34 *Interim Financing Reporting*.
- 7. Comparative information:** IFRS requires entities to present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. In addition comparative information shall also be provided for narrative and descriptive information if it is relevant to understanding the current period's financial statements. The standard IAS 1 also requires an additional statement of financial position (also called a third balance sheet) when an entity applies an accounting policy retrospectively or makes a retrospective

restatement of items in its financial statements, or when it reclassifies items in its financial statements. This for example occurred with the adoption of the revised standard IAS 19 (as of 1 January 2013) or when the new consolidation standards IFRS 10-11-12 were adopted (as of 1 January 2013 or 2014 for companies in the European Union).

- 8. Consistency of presentation:** IFRS requires that the presentation and classification of items in the financial statements is retained from one period to the next unless:
- It is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8; or
 - An IFRS standard requires a change in presentation.

IFRS Convergence in India and its applicability

Reserve Bank of India has stated that financial statements of banks need to be IFRS-compliant for periods beginning on or after 1 April 2011.

The ministry of Corporate affairs has also come out with the road map for achieving convergence of Indian Accounting Standards with International Financial Reporting Standards (IFRS) from the year 2011. The ICAI has also stated that IFRS will be applied to companies above INR 1000 crore (INR 10 billion) from April 2011.

Phase wise applicability details for different companies in India:

Phase	Specified Class of Companies	Effective Date
I	a) Companies which are part of NSE Index (Nifty 50)	April 1, 2011
	b) Companies which are part of BSE Index (Sensex 30)	
	c) Companies whose shares or other securities are listed on a stock exchange outside India	
	d) Companies (whether listed or not) having net worth of more than INR 1000 crore (INR 10 billion)	
II	Companies (whether listed or not) having a net worth exceeding Rs 500 crores but not exceeding Rs 1,000 Crores	April 1, 2013
III	Listed companies having net worth of Rs 500 Crores or less	April 1, 2014

Phase wise implementation of IFRS in Banking, Insurance and Non – Banking Financial Companies

Class of Companies	Criteria for Phased Implementation	Opening balance sheet
Insurance companies	All insurance companies	April 1, 2012
Banking companies	all schedule commercial banks	April 1, 2013
	Urban co-operative bank with net worth in excess of Rs 300 crores	April 1, 2014
Non-banking financial companies (NBFC's)	Urban co-operative bank with net worth in excess of Rs 200 Crores but not exceeding Rs 300 Crores	April 1, 2014
	NBFC's part of Nifty – 50 Index, BSE Sensex 30 Index, listed and unlisted NBFC's with net worth in excess of Rs 1,000 crores	April 1, 2013
	All listed NBFC's which do not fall in above companies	April 1, 2014
	Unlisted NBFC's which do not fall under the above categories and whose net worth is exceeding Rs 500 crores.	

On 22 January 2010, the Ministry of Corporate Affairs issued the road map for transition to IFRS. It is clear that India has deferred transition to IFRS by a year. According to the press note issued by the government, those companies will convert their first balance sheet as at 1 April 2011, applying accounting standards convergent with IFRS if the accounting year ends on 31 March. This implies that the transition date will be 1 April 2011.

The Institute of Chartered Accountants of India (ICAI) has announced

that IFRS will be mandatory in India for financial statements for the periods beginning on or after 1 April 2016 in a phased manner. There is a roadmap issued by MCA for adoption of IFRS. The application of Ind AS is based on the listing status and net worth of a Company. Also these standards will be applied to various threshold companies in phased out manner. The below table summarises the various phase of application

Phases	Companies	Date
1	Companies having Net worth of greater than or equal to INR 500 crore.	1 April 2016
2	List Companies and companies having Net worth of greater than or equal to INR 250 crore.	1 April 2017

List of IFRS

This is a **list of the International Financial Reporting Standards (IFRSs)** and official interpretations, as set out by the IFRS Foundation. It includes accounting standards either developed or adopted by the International Accounting Standards Board (IASB), the standard-setting body of the IFRS Foundation.

The IFRS include

- International Financial Reporting standards (IFRSs)—developed by the IASB;
- International Accounting Standards (IASs)—adopted by the IASB;
- Interpretations originated from the International Financial Reporting Interpretations Committee (IFRICs); and
- Standing Interpretations Committee (SICs).

IFRS No.	Title	Originally Issued	Effective	Fully Withdrawn	Superseded by
IFRS 1	First-time Adoption of International Financial Reporting Standards	2003	January 1, 2004		
IFRS 2	Share-based Payment	2004	January 1, 2005		
IFRS 3	Business Combinations	2004	April 1, 2004		
IFRS 4	Insurance Contracts	2004	January 1, 2005	January 1, 2021	IFRS 17
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	2004	January 1, 2005		
IFRS 6	Exploration for and Evaluation of Mineral Resources	2004	January 1, 2006		
IFRS 7	Financial Instruments: Disclosures	2005	January 1, 2007		
IFRS 8	Operating Segments	2006	January 1, 2009		
IFRS 9	Financial Instruments	2009 (updated 2014)	January 1, 2018		
IFRS 10	Consolidated Financial Statements	2011	January 1, 2013		
IFRS 10	Joint Arrangements	2011	January 1, 2013		
IFRS 12	Disclosure of Interests in Other Entities	2011	January 1, 2013		
IFRS 13	Fair Value Measurement	2011	January 1, 2013		
IFRS 14	Regulatory Deferral Accounts	2014	January 1, 2016		
IFRS 15	Revenue from Contracts with Customers	2014	January 1, 2018		

IFRS 16	Leases	2016	January 1, 2019		
IFRS 17	Insurance contracts	2017	January 1, 2021		

Conclusion :

Financial statements are a structured representation of the financial positions and financial performance of an entity. International financial reporting standards are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the international accounting standard board, and they specify exactly how accountants must maintain and report their accounts. IFRS were established in order to have a common accounting language , so business and accounts can be understood from company to company and country to country. IFRS maintain stability and transparency throughout the financial world. This allows businesses and individual investors to make educated financial decisions, as they are able to see exactly what has been happening with a company in which they wish to invest.

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