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AN EXPLORATORY STUDY ON EVOLUTION & IMPLEMENTATION OF IFRS IN INDIA

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ABSTRACT

Accounting Standards are the principles that govern and conceptualize accounting practices. They work as a benchmark in the accounting field. Accounting standards are also known as generally accepted accounting principle (GAAP). It is used to measure the impact of accounting transactions and event. it provides the standardized treatment of each and every transaction. Every country has its own sets of accounting standards called (GAAP), because of this, the financial statements of one company cannot be compared with another company. So the regulating bodies felt a need for common accounting standards which is globally accepted. International Financial Reporting Standards (IFRS) are the international accounting standards in which financial reporting is done. IFRS is more transparent, reliable and providesuniformity among the different countries in terms of financial reporting. The responsibility for developing IFRS is on international accounting standard board (IASB),which is an independent, not for profit organization previously known as an international accounting standard committee(IASC). Now the cross-border transactions can be easily done just because of uniformity in the accounting standards. It will help to attract the foreign investor to invest in that country who has adopted IFRS or in the process of adopting IFRS. In India, the institute of chartered accountant of India (ICAI)has taken the responsibility to converge IFRS.On 16-February 2015 Ministry of corporate affairs (MCA) has issued the notification to implement IND-AS in India for the listed, unlisted, banking, NBFC, insurancecompanies. The converged form of IFRS in India is known as IND-AS. This paper will highlight the introduction, approaches, roadmap of implementation of IFRS, benefits, and challenges of adoption of IFRS in India.

KEYWORDS: *Globalization, international accounting standards, financial statements.*

INTRODUCTION OF IND-AS

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 isa set of guidelines. These guidelines are generally called Accounting Policies. The intricacies of Accounting Policies permitted Companies to alter their accounting principles for their benefit. This made it impossible to make comparisons. In order to avoid confusion and to have a harmonized accounting principle, Standards needed to be set by the recognized Accounting Bodies. This paved the way for Accounting Standards to come into existence. The Accounting Standards are set by the Regulating Bodies like the Financial Accounting Standards Board (FASB) the International Accounting Standard Board (IASB). Accounting Standards are formulated with a view to harmonizing different accounting policies and practices in use in a country. Adoption of IFRS means the use of the International Financial Reporting Standards as the primary GAAP of the domestic Listed and unlisted companies in their consolidated Financial Statements for the External Financial Reporting. This means that the basis of the presentation note and the auditor's report indicate that the Financial Statements are prepared on the basis of IFRS.As of 2010, Institute of Chartered Accountants of Indiaissued 32 Accounting Standards out of which AS-8 merged with AS-26 and AS-6 merged with AS-10. In G20, the idea of convergence of Indian GAAP with IFRS was made by the Prime Minister of India Dr. Manmohan Singh to align the Indian Accounting Standards with the IFRS for accounting periods commencingon or after 1st April 2011 in a phased manner as envisaged in the Roadmap to IFRS formulated by the Ministry of Corporate Affairs. The new set of standards which has been converged with IFRS is known as India Accounting Standards or IND-AS. MCA has notified the Company Indian Accounting Standards Rules 2015 vide its G.S.R dated 16 February 2015 and 30th March 2016. Accordingly, it has notified 39 IND-AS and haslaid down an IND- AS transition road map for companies including banking companies and non-bankingfinance companies.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

International Financial reporting standards (IFRS) are the set of globally accepted Accounting Principles used by the companies to prepare financial statements, a common language of accounting in the world to publish information in the financial statements which is useful to various stakeholders to understand a company's financial performance and management's administration of the company's resources. IFRS has developed by the International Accounting Standards Board (IASB). These are the set of accounting rules followed by or been adopted by more than 150 countries. All member states of the EU are required to use IFRS as adopted by the EU for listed companies since 2005. All other major economies have initiated a process to consider a convergence or adoption of IFRS in the near future, even the United StatesGAAP as developed by the Financial Accounting Standards Board (FASB) being the other two important set of financial reporting standards, where cross-listed firms in the US stock markets have been permitted to file statements prepared under IFRS since 2007.

IMPLEMENTATION ROADMAP OF INDIAN ACCOUNTING STANDARDS (IND-AS) IN INDIA

Voluntary adoption

Companies can voluntarily adopt IND-AS for accounting periods beginning on or after April 01, 2015 with comparatives for the period ending 31 March 2015 or thereafter. However, once they have started reporting as per the IND-AS, they cannot revert.

Listed and unlisted companies

The provisions of the IND-AS are made applicable as per the notifications issued by the MCA. As per the notification of the Ministry of Corporate Affairs, the applicability of IND-AS shall be in a phased manner – Phase I & Phase II.

Phase I

IND-AS shall be mandatorily applicable to the following companies for periods beginning on or after 1 April 2016, with comparative figures for the period ending 31 March 2016 or thereafter:

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

Phase II

IND-AS shall be mandatorily applicable to the following companies for periods beginning on or after 1 April 2017, with comparative figures for the period ending 31 March 2017 or thereafter:

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

Non-Banking Finance Companies, Banking companies, and insurance companies

The MCA on March 30, 2016, notified the Companies (Indian Accounting Standards) (Amendment) Rules, 2016, which includes a road map for implementation of Indian Accounting Standards (IND- AS) for Non-Banking Financial Companies (NBFCs), Backing companies and insurance companies. NBFCs will be required to comply with IND- AS in a phased manner, from accounting periods beginning on or after 1 April 2018 for the first phase and 1 April 2019 for the second phase.

Scheduled Commercial Banks (excluding RRBs) and Insurers/Insurance companies

Mandatory for accounting periods beginning from 1 April 2018 onwards:

- Scheduled commercial banks (excluding RRBs).
- All-India term-lending refinancing institutions (Exim Bank, NABARD, NHB, and SIDBI).
- Insurers/insurance companies.
- Notwithstanding the roadmap for companies, holding, subsidiary, joint venture or associate companies of scheduled commercial banks.
- Comparative information required for the period ending 31 March 2018 or thereafter.

Non-Banking Finance Companies

Phase I

From April 01, 2018, onwards, with comparative figures for the periods ending on or after 31 March 2018:

- NBFCs having a net worth of INR500 crores or more, and
- The holding, subsidiary, joint venture or associate companies of the above, other than those companies already covered under the road map for companies issued by MCA (corporate road map (in February 2015.

Phase II

From April 01, 2019, onwards with comparatives for the periods ending on or after 31 March 2019:

- NBFCs whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having a net worth of less than INR500 crore.
- NBFCs that are unlisted companies, having a net worth of INR250 crores or more but less than INR500 crore.
- Holding, subsidiary, joint venture or associate companies of the above class of companies, other than those already covered by the road map for companies issued by MCA (corporate road map (in February 2015.

NBFCs with a net worth below INR250 crores and not covered in Phase I or II will continue to comply with the existing accounting standards.

Ways of implementing IFRS

IFRS can be implemented in two ways, either by Full Adoption or Convergence. The two terms, though used interchangeably, but there is a faint but important difference:

1) **Adoption:** It is a process of adopting IFRS as issued by the IASB, with or without modifications. Modifications being, generally in the nature of additional disclosure requirement or elimination of alternative treatment. It involves an endorsement of IFRS by legislative or regulatory with minor

modifications done by the standard setting authority of a country.

2) **Convergence:** It is the harmonization of national GAAP with IFRS through the design and maintenance of accounting standards in a way that financial statements prepared with national accounting standards are in compliance with IFRS.

REVIEW OF LITERATURE

i. Vinayagamoorthy (2014) studied IFRS and Indian current scenario. The main focus of this study to be to find out the need, benefits, and challenges of adoption of IFRS in India. This study provided suggestions to the government and Regulatory body to overcome the implementation process.

ii. Rakesh &Shilpa (2013) paper focused on the effect of IFRS and financial statements on FDI and Indian economy. This study used the hypothesis to test the effect of IFRS and financial statement of FDI and Indian economy.

iii. Sambaru & Kavitha (2014) studied on IFRS in India described the key comparison between international financial reporting standards (IFRS) and Indian Generally accepted accounting principles. This paper compares the preparation of the financial statement in IFRS in line with IGAAP.

iv. Shukla (2015) discussed the Empirical Study of the Impact of Adoption of IFRS on the Financial Activities of Companies in India. In this paper, the author tried to ascertain the impact of IFRS on the financial activities of the selected Indian company. The financial activities included financial risk, investment activity, operating activity.

v. Muller III (2011) discussed the consequences for mandatory adoption of fair value accounting by the European real estate industry. This paper also analyzed the consequences of information asymmetry after the adoption of the fair value of the real estate industry. This paper dealt with the procedure adopted by end AS 40 "investment property" with IFRS.

vi. Tabassum (2018) studied the implementation of IFRS in India, the author tried to understand the impact of IFRS on Indian corporate are also found some vital differences between IFRS and IGAAP. This Paper described the need for IFRS in India and explained the formation of an International Accounting Standard Board (IASB).

OBJECTIVES

1) To study the present landscape of Indian Accounting Standards (IND-AS) in India.
2) To examine the implementation process of Indian Accounting Standards (IND-AS) in India.

RESEARCH METHODOLOGY

1) **Nature of Data**: The study is Exploratory in nature and the data used for the study is secondary. The data collected from Financial Statements, Annual Reports of the company, Official pronouncements issued by the Reserve Bank of India(RBI), Security and Exchange Board of India(SEBI), Ministry of Corporate Affairs of India (MCA), Institute of Chartered accountants of India (ICAI).

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