



### Chief Editor

**Dr. A. Singaraj**, M.A., M.Phil., Ph.D.

### Editor

**Mrs.M.Josephin Immaculate Ruba**

### Editorial Advisors

1. Dr.Yi-Lin Yu, Ph. D  
Associate Professor,  
Department of Advertising & Public Relations,  
Fu Jen Catholic University,  
Taipei, Taiwan.
2. Dr.G. Badri Narayanan, PhD,  
Research Economist,  
Center for Global Trade Analysis,  
Purdue University,  
West Lafayette,  
Indiana, USA.
3. Dr. Gajendra Naidu.J., M.Com, LL.M., M.B.A., PhD. MHRM  
Professor & Head,  
Faculty of Finance, Botho University,  
Gaborone Campus, Botho Education Park,  
Kgale, Gaborone, Botswana.
4. Dr. Ahmed Sebihi  
Associate Professor  
Islamic Culture and Social Sciences (ICSS),  
Department of General Education (DGE),  
Gulf Medical University (GMU), UAE.
5. Dr. Pradeep Kumar Choudhury,  
Assistant Professor,  
Institute for Studies in Industrial Development,  
An ICSSR Research Institute,  
New Delhi- 110070.India.
6. Dr. Sumita Bharat Goyal  
Assistant Professor,  
Department of Commerce,  
Central University of Rajasthan,  
Bandar Sindri, Dist-Ajmer,  
Rajasthan, India
7. Dr. C. Muniyandi, M.Sc., M. Phil., Ph. D,  
Assistant Professor,  
Department of Econometrics,  
School of Economics,  
Madurai Kamaraj University,  
Madurai-625021, Tamil Nadu, India.
8. Dr. B. Ravi Kumar,  
Assistant Professor  
Department of GBEH,  
Sree Vidyanikethan Engineering College,  
A.Rangampet, Tirupati,  
Andhra Pradesh, India
9. Dr. Gyanendra Awasthi, M.Sc., Ph.D., NET  
Associate Professor & HOD  
Department of Biochemistry,  
Dolphin (PG) Institute of Biomedical & Natural Sciences,  
Dehradun, Uttarakhand, India.
10. Dr. D.K. Awasthi, M.SC., Ph.D.  
Associate Professor  
Department of Chemistry, Sri J.N.P.G. College,  
Charbagh, Lucknow,  
Uttar Pradesh. India

ISSN (Online) : 2455 - 3662  
SJIF Impact Factor :3.967

EPRA International Journal of  
**Multidisciplinary  
Research**

Monthly Peer Reviewed & Indexed  
International Online Journal

**Volume: 3 Issue: 2 February 2017**



**Published By :**  
**EPRA Journals**

**CC License**





## A STUDY ON CHALLENGES AND OPPORTUNITIES OF IFRS IN INDIA

**Dinu Fathima<sup>1</sup>**

<sup>1</sup>Assistant Professor,  
Department of Commerce & Centre for  
Research,  
PSMO College (Affiliated to Calicut  
University Kerala)  
Thirurangadi, Kerala, India

### ABSTRACT

*With the advent of Globalisation, Indian economy changed lot. In order to convergence Indian economy with world economy, Indian economy needed to be adopt International financial reporting system (IFRS). Through this study, I would like to find out the challenges and opportunities of IFRS in Indian economy and also make a conceptual framework of IFRS in India. The finding reveals that the one of the major challenge faced by Indian economy is unawareness of IFRS and lack of trained professionals and main opportunity is that easy comparability of financial transaction between two or more countries in the world.*

### I. INTRODUCTION

The current reality is that the world's capital markets operates more and more friendly across borders. So the global economy needs to speak in a language which is globally accepted. The operations and activities of a modern business move towards with globalization, the users of financial statements are need **transparent & comparative information** to make economic decisions. So the harmonized accounting standards to be arised.

Now International Financial Reporting System (IFRS) has evolved into being the most widely accepted and trusted financial reporting language. Considering the emerging role of India in the global economy, it was imperative for India to harmonize with global financial reporting standards. In August 2007, Institute of Chartered Accountants of India (ICAI) announced India's intention to converge its reporting standards with International Financial Reporting System (IFRS). Further MCA has set up a core group to develop a road map for India's transition to International Financial Reporting System (IFRS) and also SEBI amended the listing agreement

to permits voluntary early adoption of International Financial Reporting System (IFRS) by listed parent company.

### II. OBJECTIVES OF THE STUDY

- To provide a conceptual clarity on IFRS in India
- To identify the challenges and opportunities of IFRS in India.

### III. A CONCEPTUAL FRAMEWORK OF IFRS IN INDIA

- **Accounting - :** It is a language that communicates the performance and financial position of any organization.
- **Accounting Standards – :**  
→ **Meaning -:** Accounting standards are written documents, policy documents issued by expert accounting body or by Government or other regulatory body covering the aspects of recognition, measurement, treatment, presentation and disclosure of accounting transaction in the financial statement.

→ **Objectives:**

- Uniformity in Accounting methods
- Improve reliability of financial statements
- Simplicity of accounting information
- Prevent fraud and manipulations
- Help to Auditor

➤ **Indian GAAP – :**

- It is the set of accounting standards that every company operating in India has to follow when reporting its financial result.
- Indian Accounting Standards are termed as Indian GAAP
- Generally Accepted Accounting Principle ( GAAP ) differ for each country .
- This helps to all companies follow an uniform procedure in financial disclosures which are widely acceptable and followed in country.

➤ **Accounting Standards in India -**

- ⇒ It issued by Institute of Chartered Accountants of India (ICAI)
- ⇒ The ICAI become an associate member of the IASC in **April 1974**.
- ⇒ First Accounting Standard in India issued in **23 December 1976**
- ⇒ On **21 April 1977**, ICAI recognize a need to harmonize the diverse accounting practices and policies at present in use in the India and ICAI constitute the Accounting Standard

- **Meaning - :** International Accounting Standards are Standards for the preparation and presentation of financial statements created by the International Accounting Standards Committee (IASC). They were *first written in 1973*, and stopped when the International Accounting Standards Board (IASB) took over their creation in *March 2001*.

➤ **International Financial Reporting Standards (IFRS)**

- **Meaning - :** IFRS is an acronym of International Financial Reporting Standards and it is a single set of accounting standards, developed and maintained by the International Accounting Standards Board (IASB) with the intention of those standards being capable of

Board (ASB) to issue Accounting Standards.

- ⇒ **ASB** perform the functions of preparations of the AS in India.
- ⇒ As per **Sec 211 (3A)** of **companies Act, 1956** requires that every *Profit/Loss Account and Balance sheet* shall compel with the Accounting Standards which recommended by the ICAI and prescribed by the Central Government in consultation with the National Advisory Committee on Accounting Standards (NACAs).
- ⇒ In **G-20**, 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 standard with IFRS for accounting periods commencing on or after 1 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 **Indian AS/ Ind AS**.
- ⇒ The Ministry of corporate affairs has notified **39 Ind AS** on 16 feb 2016.

➤ **International Accounting Standards -:**

being applied on a globally consistent basis—by developed, emerging and developing economies to compare the financial performance of publicly listed companies on a like-for-like basis with their international peers.

▪ **Components -:**

- ✓ IFRS (International Financial Reporting Standards)
- ✓ IAS (International Accounting Standards)
- ✓ SIC (Standard Interpretation Committee)
- ✓ IFRSIC

• **IFRS in India**

Year	Incident
1966	<ul style="list-style-type: none"> <li>• Establish <i>a International Study Group</i>, comprising                             <ul style="list-style-type: none"> <li>⇒ <b>ICAEW</b> - Institute of Chartered Accountants of England and Wales</li> <li>⇒ <b>AICPA</b> - American Institute of Certified Public Accountants</li> <li>⇒ <b>CICA</b> - Canadian Institute of Chartered Accountants</li> </ul> </li> </ul>
1967 Feb	<ul style="list-style-type: none"> <li>• Establish <i>Accountants International Study Group (AISG)</i></li> </ul>
1973 June	<ul style="list-style-type: none"> <li>• Establish <i>International Accounting Standard Committee (IASC)</i> <ul style="list-style-type: none"> <li>✓ It is the structure for setting international accounting standards</li> <li>✓ At the formation, it has 9 members from 9 countries (Australia, USA, UK, Netherland, Japan, Germany, Canada, France and Mexico)</li> <li>✓ Additional sponsoring members adding in subsequent years</li> </ul> </li> </ul>
1997	<ul style="list-style-type: none"> <li>• Establish <i>Standing Interpretation Committee( SIC)</i></li> <li>• To consider continuous accounting issues that needed authorities' guidance to stop widespread variations in practice.</li> </ul>
2000 Feb	<ul style="list-style-type: none"> <li>• Financial Statements prepared accordance with IAS is recognized by Stock Exchanges throughout the world.</li> </ul>
2001 April 1	<ul style="list-style-type: none"> <li>• <i>IASC</i> restructured and renamed as <i>International Accounting Standard Board (IASB)</i></li> <li>• It is an <b>independent, Privately sector body</b> develop and approve <i>International Financial Reporting Standards(IFRSs)</i>.</li> <li>• Situated in <b>London</b>.</li> <li>• <b>14 members</b> come from nine countries(IFRSs).</li> <li>• <b>IASB reissued the standards in to two types-</b> <ul style="list-style-type: none"> <li>⇒ <b>International Accounting Standards (IAS)</b> –issued by IASC</li> <li>⇒ <b>International Financial Reporting Standards (IFRS)</b>- issued by IASB</li> </ul> </li> </ul>

<p><b>2010 Jan 22</b></p>	<ul style="list-style-type: none"> <li>• <b>The Ministry of corporate Affairs</b> issued the <b>road map</b> for <b>transition to IFRS</b></li> <li>• <b>Phase wise</b> Application for different companies in India’s details give                     <ul style="list-style-type: none"> <li>➔ <b>PHASE I</b> - Opening balance sheet as at 1 April 2011*                             <ul style="list-style-type: none"> <li>i. Companies which are part of NSE Index – Nifty 50</li> <li>ii. Companies which are part of BSE Index – Sensex 30</li> </ul> </li> </ul> </li> </ul> <p><b>Note-</b> Companies include - whose shares or other securities are listed on a stock exchange outside India &amp; Companies, whether listed or not, having net worth of more than INR 1000 crore (INR 10 billion)</p> <ul style="list-style-type: none"> <li>➔ <b>PHASE III</b> - Opening balance sheet as at 1 April 2014*</li> </ul> <p><b>Note</b> -Listed companies not covered in the earlier phases * If the financial year of a company commences at a date other than 1 April, then it shall prepare its opening balance sheet at the commencement of immediately following financial year.</p>
<p><b>2011 April 1</b></p>	<ul style="list-style-type: none"> <li>• The <b>ICAI stated that IFRS</b> will be applied to <b>companies INR 1000 crore (INR 10 billion) from April 2011</b></li> <li>• <b>RBI state that</b> financial statement of <b>banks need to be IFRS</b> – compliant for periods beginning on or after 1 April 2011.</li> </ul>
<p><b>2013 April 1</b></p>	<ul style="list-style-type: none"> <li>• <b>Companies, whether listed or not, having net worth of more than INR 5 billion will convert</b> their opening balance sheet as <b>at 1 April 2013.</b></li> </ul>
<p><b>2014 April 1</b></p>	<ul style="list-style-type: none"> <li>• <b>Listed companies</b> having <b>net worth of INR 5 billion or less</b> will <b>convert</b> their opening balance sheet as <b>at 1 April 2014.</b></li> </ul>
<p><b>2016 April 1</b></p>	<ul style="list-style-type: none"> <li>• <b>The ICAI</b> has announced that <b>IFRS will be mandatory in India</b> for financial statements for the periods beginning <b>on or after 1 April 2016 in a phased manner.</b> There is <b>a roadmap issued by MCA for adoption of IFRS.</b></li> </ul>

▪ **List of New set of standards in India which convergence to IFRS**

<b>A. Ind AS issued under Companies (Ind AS) Rules 2015</b>	
Ind AS 102	First-time Adoption of Indian Accounting Standards
Ind AS 102	Share-based Payment
Ind AS 103	Business Combinations
Ind AS 104	Insurance Contracts
Ind AS 105	Non-current Assets Held for Sale and Discontinued Operations
Ind AS 106	Exploration for and Evaluation of Mineral Resources
Ind AS 107	Financial Instruments: Disclosures
Ind AS 108	Operating Segments
Ind AS 109	Financial Instruments
Ind AS 110	Consolidated Financial Statements
Ind AS 111	Joint Arrangements

Ind AS 112	Disclosure of Interests in Other Entities
Ind AS 113	Fair Value Measurement
Ind AS 114	Regulatory Deferral Accounts
Ind AS 115	Revenue from Contracts with Customers
Ind AS 1	Presentation of Financial Statements
Ind AS 2	Inventories
Ind AS 7	Statement of Cash Flows
Ind AS 8	Accounting Policies, Changes in Accounting Estimates and Errors
Ind AS 10	Events after the Reporting Period
Ind AS 12	Income Taxes
Ind AS 16	Property, Plant and Equipment
Ind AS 17	Leases
Ind AS 19	Employee Benefits
Ind AS 20	Accounting for Gov. Grants and Disclosure of Govt. assistance
Ind AS 21	The Effects of Changes in Foreign Exchange Rates
Ind AS 23	Borrowing Costs
Ind AS 24	Related Party Disclosures
Ind AS 27	Separate Financial Statements
Ind AS 28	Investments in Associates and Joint Ventures
Ind AS 29	Financial Reporting in Hyperinflationary Economies
Ind AS 32	Financial Instruments: Presentation
Ind AS 33	Earnings per Share
Ind AS 34	Interim Financial Reporting
Ind AS 36	Impairment of Assets
Ind AS 37	Provisions, Contingency
Ind AS 38	Intangible Assets
Ind AS 40	Investment Property
Ind AS 41	Agriculture
<b>B. Ind AS issued under Companies (Ind AS) (Amendment) Rules 2016</b>	
Ind AS 11	Construction Contracts
Ind AS 18	Revenue

#### IV. CHALLENGES OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) IN INDIA

The challenges in the process of adoption of IFRS in India are given below,

##### **1. Scarcity of Trained and Skilled Resources**

Presently, in India there are tremendously limited pools of resources which are well versed with guidance and experience in IFRS. It is the accountability of the professional bodies to make certain the successful implementation of IFRS in Indian business environment. In India such accounting professional and officials require training facilities. As the face of implementation going to be start in India, it has been found that there is a lack of adequate number of completely trained professionals to accomplish the IFRS adoption process. In the

recent past it has been seen a noticeable change in Indian business environment in respect of financial reporting technique. An effective control and enforcement system is required for the existence of high quality corporate financial reporting in a country.

##### **2. Amendments to the Existing Laws**

IFRSs do not override local regulations on financial statements. IFRS doesnot follow existing laws in India such as companies Act, SEBI regulations, Indian Banking Laws & Regulations, Foreign Exchange Management Act . In that time Accountants will have to follow IFRS fully without overriding laws. So Indian Lawmakers will have to make necessary amendments in existing laws to ensure a smooth transition to IFRS.



## 2. **Awareness of International Financial Reporting Practices**

IFRS is the set of principles and rules on reporting of various items, transactions or situations in financial statements. The stakeholders (firms, banks, stock exchanges..etc) has not aware about these reporting standards and there is a difficult task to bring complete awareness among these stakeholders.

### 4. **Taxation**

At present Income Tax Laws in India don't recognize the Accounting Standards. But IFRS adoption will affect most of the items in the Financial Statements and consequently, the tax liabilities would also undergo a change. So enough changes are to be made in Tax Laws to ensure that tax authorities recognize the IFRS .

### 5. **Financial Reporting System**

In India do not have a sufficient reporting system for companies to make their financial statement according to IFRS. So Indian firm will have to ensure that existing business reporting model is amended to suit the requirements of IFRS. And also the amended reporting system will take care of various new requirements of IFRS.

### 6. **Use of Fair Value as Measurement Base**

Indian companies has been preparing its Financial Statements on Historical cost basis. But IFRSs use fair value to measure most of the items in Financial statements. The use of fair value accounting can bring a lot of volatility and subjectivity to the financial statements. Moreover, adjustments to fair value results in gains or losses which are reflected in the income statements. So Indian companies faces some difficult to shift from historical cost to fair value.

### 7. **Auditing**

The audit firms in India also face difficulties when they have to audit the fair value accounting as per the IFRS without adequate guidance. Early they are ding audit as per the cost concept accounting. Actually, IFRS are implemented without any adequate guidance by the ICAI. But the auditors should do their responsibilities as per Companies Act 2013.

### 8. **Other regulatory changes**

Regulators make confirming changes to other regulations such as indirect taxes particularly when India is moving towards Goods and Services Tax (GST).

## V. **OPPORTUNITIES OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) IN INDIA**

The various opportunities of adopting IFRS in India are given below,

### 1. **Global Comparability**

Across the globe, Investors ( both individual and corporate) would gain confidence by being able to evaluate the comparable financial results of different companies internationally as well as nationally when making investment decisions.

### 2. **Access Global Market for funds**

Now India as one of the strongest economy on the global economy. Indian companies are expanding by way of setting plants in other countries and acquiring other companies across the globe. Funds for these expansion of companies available at cheaper cost from various capital market such as American , European and Japanese. Indian companies should prepare their financials as per IFRS to meet the regulatory requirements of these markets. So IFRS help to arise fund at cheaper cost.

### 3. **Easy Cross Border**

IFRS help the Indian companies to arise funds from across the globe. There is no any boundary limit in economic, political areas.

### 4. **Elimination of Multiple Recording**

Before adopting IFRS, when the Indian companies registered both in and outside the country, they need to be prepares different accounts as per different accounting standards of respective country. Adoption of IFRS ensures the elimination of multiple financial reporting standards by these firms are following single set of Financial reporting.

### 5. **Better Quality of Financial reporting**

Adoption of IFRS lead to better quality of financial reporting due to consistent application of accounting principles and improvement in reliability of financial statements. IFRS follows fair value which can help Indian firms to reflect their true worth of Asset held in the financial statements. So if we prepare financial statements as per IFRS , which are very consistent, reliable and easy to adopt ensuring better quality of financial reporting.

### 6. **For Auditors-**

1. International opportunities – The take their professional abilities and deep knowledge anywhere around the world.
2. Potential demand of Fair valuation experts
3. Appointment in companies as IFRS specialist.

### 7. **For MNCs-**

1. Better access to foreign investor fund
2. Appraisal of foreign entities for take overs and mergers would be more straight forward.

3. It would easier to comply with the reporting requirements of overseas stock exchanges.
4. A reduction in audit cost
5. Transfer of accounting staff across national borders would be simpler.

The above benefits are perceived benefits of adoption of IFRS.

## VI. CONCLUSION

In short, this present study reveals that the major challenges and opportunities of IFRS in India. The mere adoption of IFRS in India without sufficient and efficient IFRS enforcement mechanism is not enough. When IFRS Implementation in India ,Indian Accounting system faces lot of challenges such as unawareness of the IFRS, scarcity of trained and professional person, taxation...etc. If India adopt a high quality IFRS , they can also enjoy the opportunities like global comparability, easy access of cross borders etc.

## VII. REFERENCES

1. [.http//www.researchgate.net](http://www.researchgate.net)
2. [www.wbiconpro.com](http://www.wbiconpro.com)
3. [www.nfcgindia.org](http://www.nfcgindia.org)
4. [www.researchdirection.org](http://www.researchdirection.org)
5. [www.viewspace.org](http://www.viewspace.org)