A STUDY ON ANALYSIS AND COMPARISON BETWEEN IFRS AND IND AS OF THE FIRM (CNC)

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ABSTRACT

It is a common phenomenon for all companies in the present scenario to be international orientation. India is one of the emerging global economy, the Government of India has committed to convergence of Indian accounting standards with IFRS from April 1, 2011 IFRS become a global language in terms of accounting. IFRS Became a burning issues to adopt or reject. This paper represents a detail discussion about IFRS, Comparison of standard Indian accounting standard and IFRS, Problems, challenges IFRS, Comparisons of financial statements (CNC). Main focus is to throw the lights of pro and cons of IFRS and Indian accounting standard. Further the paper suggests a couple of measures for implementing IFRS in India.

KEYWORDS: IFRS, Indian accounting standards, financial statements, global economy

INTRODUCTION

International financial reporting standards (IFRS), Formerly International accounting standards (IAS) are the standards, interpretations and framework for the standards Board (IASB). IAS was issued between 1973 and 2001 by the board of the international accounting standards committee (IASC). IFRS are the accounting rules of IASB, An independent accounting standards setting body based in London. It consist of 15 members from 9 countries, including china, japan, Australia, France, Canada, Mexico, Netherlands, Ireland and United Kingdom. In 2002, a year after their establishments the IASB got united with the financial accounting standards board to combined their knowledge and develop a set of high quality accounting standards that would be compatible with all countries in order to successfully carry out international business affairs and their accounting. This set of global accounting standards is referred to as the international financial reporting standards (IFRS).

ETHODOLOGY

In this paper presentation, i had collected the data based on secondary sources (annual report only). It’s also been conducted mainly on the basis of the broad view of accounting.

OBJECTIVES OF STUDY

- To know the transparency of IFRS Adoption in India.
- To over view of the pros and cons
- To understand the concept of IFRS and IAS.

LITERATURE REVIEW

Aubert and Grudnitski (2011), for instance, examine 13 countries in the European Union and 20 industries at the same time, but failed to document a statistically significant increase in the value – relevance of accounting information after IFRS adoption.

Devalle et al. (2010) focus on companies listed on 5 European stock exchanges- Frankfurt, Madrid, Paris, London, and Milan – and find mixed evidence: the value- relevance of earnings on share price increased following the introduction of IFRS In Germany, France and the united kingdom, while the value-relevance of book value decreased, except for the united kingdom.

**IFRS ACCEPTENCE IN INDIA**

In India, accounting standards are formulated by a council of the institute of charted accounts of India (ICAI). In July 2007, the council of the institute of charted accountant s of India set a target of adopting international financial reporting standards (IFRS) for all listed, public interest and large size entities for accounting periods beginning on or after 1 April 2011.

In 2007, India has decided to converge with IFRS in 2007. ICAI started the process of developing a complete set of accounting standards that are “converged with “IFRS- which will be known as Indian AS. There is a difference between adoption and convergence to IFRS. Adoption means using IFRS as issued by IASB. Convergence means that the Indian accounting standard board and IASB would continue working together to develop high quality, compatible accounting standard over time. With an objective to insure a smooth transition to IFRS from 1 April, 2011, ICAI is taking up the matter of convergence with IFRS with national advisory committee on accounting standards(NACAS) Established by the ministry of corporate affairs, government of India and other regulators including the reserving bank of India(RBI), insurance regulatory and development authority (IRDA) and the securities and exchange board of India(SEBI)

<table>
<thead>
<tr>
<th>Indian accounting standards</th>
<th>IAS/IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS NO.</td>
<td>NAME OF STANDARD</td>
</tr>
<tr>
<td>1</td>
<td>Disclosures of Accounting Policies</td>
</tr>
<tr>
<td>2</td>
<td>Valuation of Inventories</td>
</tr>
<tr>
<td>3</td>
<td>Cash Flow Statement</td>
</tr>
<tr>
<td>4</td>
<td>Contingencies and Events Occurring after the Balance Sheet Data</td>
</tr>
<tr>
<td>5</td>
<td>Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies</td>
</tr>
<tr>
<td>6</td>
<td>Depreciation</td>
</tr>
<tr>
<td>7</td>
<td>Constructions Contracts</td>
</tr>
<tr>
<td>9</td>
<td>Revenue Recognition</td>
</tr>
<tr>
<td>10</td>
<td>Accounting for Fixed Assets</td>
</tr>
<tr>
<td>11</td>
<td>The effects of changes in Foreign Exchanges Rates</td>
</tr>
<tr>
<td>12</td>
<td>Accounting for Government Grants</td>
</tr>
<tr>
<td>13</td>
<td>Accounting for Investment</td>
</tr>
<tr>
<td>14</td>
<td>Accounting for Amalgamation</td>
</tr>
<tr>
<td>15</td>
<td>Employee Benefits</td>
</tr>
<tr>
<td>16</td>
<td>Borrowing Costs</td>
</tr>
<tr>
<td>17</td>
<td>Segment Reporting</td>
</tr>
<tr>
<td>18</td>
<td>Related Party Disclosures</td>
</tr>
<tr>
<td>19</td>
<td>Leases</td>
</tr>
<tr>
<td>20</td>
<td>Earnings Per Share</td>
</tr>
<tr>
<td>21</td>
<td>Consolidated Financial Statements</td>
</tr>
<tr>
<td>22</td>
<td>Accounting for Taxes for Income</td>
</tr>
<tr>
<td>23</td>
<td>Accounting for Investment in Associates in Consolidated Financial Statements</td>
</tr>
<tr>
<td>24</td>
<td>Discontinuing Operations</td>
</tr>
<tr>
<td>25</td>
<td>Interim Financial Reporting</td>
</tr>
</tbody>
</table>
Standards available under Indian GAAP for the following IAS/IFRS:

**IAS 26:** Accounting & Reporting by Retirement Benefit Plan
**IAS 29:** Financial Reporting in Hyperinflationary Economies
**IAS 40:** Investment Property
**IAS 41:** Agriculture
**IFRS 1:** First Time Adoption of International Financial Reporting Standards
**IFRS 2:** Share Based Payment
**IFRS 4:** Insurance Contract
**IFRS 6:** Exploration for & Evaluation of Mineral Resource

**RECIPIENTS OF CONVERGENCE WITH IFRS**

There are many beneficiaries of convergence with IFRS such as the economy, investors and industries.

**The Economy**

The convergence benefits the economy by increasing the growth of its international business. It facilitates maintenance of orderly and efficient capital markets which also helps to increase the Capital formation and thereby economic growth. It encourages international investment and thereby leads to more capital flows into the country because the people all over the globe will be able to understand the financial statements based on the International Standards of a very high quality financial reporting.

**The Investors**

The Investors want the information that is more relevant, reliable, timely and comparable across the jurisdictions. For better understanding of financial statements, global investors have to incur more cost in terms of the time and efforts to convert the financial statements so that they can confidently compare opportunities. Investors’ confidence would be strong if accounting standards used are globally accepted. Convergence with IFRS contributes to investors understanding and confidence in high quality financial statements.

**The Industry**

The Industry would be able to raise capital from foreign markets at lower cost if it can create confidence in the minds of foreign investors that their financial statements comply with globally accepted accounting standards. With the diversity in accounting standards from country to country, enterprises which operate in different countries face a multitude of accounting requirements prevailing in the countries. The burden of financial reporting is lessened with the convergence of accounting standards because it simplifies the process of preparing the individual and group financial statements and thereby reduces the costs of preparing the financial statements using different sets of accounting standards.

**PROBLEMS AND CHALLENGES**

- Variations in GAAP and IFRS
- Issue of GMP Reconciliation
- Taxation
- Fair Value Measurement
- Re-Negotiation of Contract
- Reporting systems
- Utility in India in adopting of IFRS
- Better Access to Global Capital Markets
- Easier Global Comparability
- Easy Global Market Listing
- Better Quality of Financial Reporting
- Elimination of Multiple Reporting

**SUGGESTIONS**

- To provide Instance, guidance on accounting Issues and problems, the ICAI has issued guidance notes.
- To facilitate discussions at seminars, workshops, 9th ICAI has issued background material on newly established accounting standards.
- To help its members, the ICAI council has formed an expert advisory committee to respond the queries from its members.
- Proper education and training of employees and students about IFRS.
- To adopt into the application software or open source software.
- The government of our country needs to format a separate committee for IFRS process and feedback purpose.
- Identifying changes required in the existing financial reporting system to confirm with IFRS requirements.
Identifying of effects on the existing contracts and agreements before implementing IFRS.

CONCLUSION
As India is striving ahead on the path of financial and economic progress, Indian corporates need to unify and compete with global peers. The financial reporting thus has to be competitive and based on global accounting standards. Indian accounting standards as many loopholes in our accounting standard such as No accounting standards for Agriculture, share based payment, Exploration for and Evaluation of Mineral Resources, Accounting and reporting by retirement Benefit Plans Investment Property. All these items are not matched to Indian accounting standards or if it’s matched, but not treated as separate standard. They need to focus on that and try to overcome in near future years.

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