IFRS and India

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The convergence of accounting standards towards IFRS is gaining momentum across the globe and accounting bodies such as the International Accounting Standard Board(IASB) and the US Financial Accounting Standard Board(FASB) have already initiated the groundwork of converging International Financial Reporting Standards(IFRS) and Generally Accepted Accounting Principle(GAAP). The boards for standards all over the world have set their own timeline for adapting IFRS. More and more countries have agreed to adopt the new standards as there national accounting standards in future. Internationally so far as cross-boarder investment are concerned. A non-IFRS compliant country is perceived as an additional risk factor.

Many countries have recognized the need for convergence of there national accounting standards with IFRS and are in the path of implementation while others are more passive in there approach. The timeline for convergence of selected countries along with India is given below.

Country		Target Date
Russia		Limited adoption in initial phase
India	Companies with net worth of Rs.1,000 crore and those which are listed in NIFTY,SENSEX and Overseas Exchange	April,2011
India	All companies with net worth between Rs.500-Rs.1,000 crore	April,2013
India	Banking and Non-Banking Finance Companies	April,2013
India	All listed companies with net worth of Rs.500 crore or less	April,2014
China	Keen but has reservations on some aspect	No date set
Canada		2011
Japan		2011
Malaysia		2012
UK		2012
USA		2014-15

Source : Concept Note, ICAI

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Implications

Currently there is some divergence of Indian Accounting Standards from IFRS. Illustrations of few of them are given below: Current investments are valued at lower of the cost or fair value under Indian Accounting Standard 13. After implementation of IFRS, They are to be calculated at fair value only. Similarly there are only a few minor differences with the corresponding Indian Accounting Standard with respect to IAS-2 Inventories, IAS-7 Cash Flow Statements, IAS-20 Accounting for government Grants and Disclosure of Government Assistance, AS-33 Earning per share, AS-36 Impairment of Assets, AS-38 Intangible Assets etc. So it is easier for Indian Companies to have smooth and successful transition to IFRS.

Need for IFRS

Level of Confidence

The key benefit will be a common accounting system that will be acceptable as stable, transparent and fair to investors across the globe.

Risk Evaluation

IFRS will eliminate the barriers to cross boarder listings and will be beneficial for investors hesitate to invest if the underlying financial information is not prepared in accordance with international standards.

Merger & Takeover Activity

Cross boarder mergers and acquisition will get a boost by making it easier for the parties involved in as far as redrawing the financial statements is concerned.

Investments

Foreign Investors will be attracted to economies where IFRS-Compliant Financial statements are the norm.

Conclusion

Though the timeline for the convergence of Indian GAAP with IFRS is April 1, 2011.Companies started adopting the standards from FY10 itself so that comparative figures would be available for disclosure in Annual Report. A successful transition requires a well-thought-of plan and hopefully well in advance. Many large listed companies have already adopted the new standards and those that are in transition must be actively incorporating the change, especially in the beginning of the new financial year.