IFRS CONVERGENCE/ IFRS ADOPTION

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- IFRS Adoption means adoption of international financial reporting standards
- “IFRS CONVERGENCE Means Accounting standards of a country converged with IFRS

Indian Accounting standards converged with IFRS are known as ind-Ass.

35 Indian Accounting Standards converged with IFRS were notified by the Ministry of

Corporate Affairs on 25th feb 2011.

NEEDS FOR IFRS COVERGENCE

IFRS specifies how businesses need to maintain and report their accounts. Created to establish a common accounting language, the goal of the international financial reporting standards is to make financial statements coherent and consistent across different industries and countries.

- **Financial Globalisation**

It is the phenomenon of the 21st century .the opening up of East European and economies of china and India has accelerated the pace of integration of capital market .diversity in international accounting practises adversely effects capital flows. And it will promote confidence in capital markets .

- **Multinational corporations**

In the early ,1990s ,there were an estimated 37000 MNCs with about 1, 70000 affiliates and their numbers increased to 78,000 with nearly 7, 80,000 affiliates by 2006. MNCs will probably be the greatest beneficiaries of IFRS covergence.

- **Accounting profession**

Covergence of accounting practises would promote the internalisation of the accounting profession . Covergence of accounting practises will improve the quality of services provided by countries as China and India . This reduces the risk on account of accounting scandals that occurred in the recent past.

- **Government and Revenue Authorities**

If the financial reporting and disclosure requirements are converged, the government would find it easier to understand and control them.

BENEFITS OF ADOPTING IFRS

→Benefits to "ECONOMY"

- Increase the growth of Global
- Financial statements made under IFRS is accepted by stock exchange All over the world
- developed Industrial and capital market In the countryIn the country .
- An economic Can attract more foreign capital At lower cost

→Benefits to "investors "

- IFRS makes accounting information reliable relevant,primary , timely, reliable and comparable.
- it increasing confidence among the investors.
- convergence with IFRS also develops better understanding of financial statements globally .
- investors better understand investment opportunities.

→Benefits to “INDUSTRY”

•”rice capital from capital industries cost of preparing environmental statement is reduced.
• task of maintenance different set of financial statement is maintained by adoption of IFRS.
• at improves completely of financial statements with another Countries
• industry would be able to rise capital from market at a lower cost.
• the adoption of IFRS may reduce the risk premium.consequently, the cost of capital decreases.

→**Benefits to “ACCOUNTING PROFESSIONALS”**

Globalisation of accounting profession increase the service throughout the world.

→**Benefits to “ tax authorities and researchers”**

It helps Uniformity in reporting to interested groups ie, tax authorities researches etc.


Indian Accounting
Standards
(Ind-AS)
www.justarchon.com

INDIAN ACCOUNTING STANDARDS (Ind-AS)are formulated by the ICAI to give a basic framework for the accounting policies and practices in the country.

- **IFRS Adoption** : It means to adopt IFRS as it is, as the basic accounting standards of country.

- **IFRS Convergence :** It means to modify the IFRS slightly according to the rules, law and environment prevailing in a country.

- India has chosen IFRS Convergence.

- Indian accounting standards converged with IFRS are known as **Ind-AS**.

- 40 Indian accounting standards converged with IFRS (Ind-Ass) were notified by the Ministry of Corporate Affairs (MCA) on 2020.

IFRS ADOPTION or CONVERGENCE IN INDIA

- ICAI -2006 initiated the process Of moving towards the IFRS withi a view to acceptability and transparancy of the finacial information communicated by the indian corporates through
- The govt of india in consultation with the ICAI decided to converge and not to adopt IFRS issude by the IASB
- The decision of convergence rather than adoption was taken after the detail analysis of IFRS
- Accordingly while formulating IFRS converged Ind AS, efforts have been made to keep these standards

- The Ministry of Corporate Affairs (MCA) has issude the companies rules in 2015 Feb 19
- Revised roadmap of implementation of Ind As for companies other than Banking companies, insurance companies and NBFCs.
- This notification Ind AS converged with IFRS shall be implemented on voluntary basis from 1 st April 2015.

STANDARD SETTING PROCESS IN INDIA

1. Determination of the areas of accounting standard
2. Constitution of study group
3. Dialogue with various representatives
4. Preparation of exposure draft

Issuance of circulation 5

Consideration of views and drafting the standard 6

Modification of proposed standard 7

Issuance of accounting standard 8

ENTITIES REQUIRED TO ADOPT IND AS

There entities are required to adapt Ind AS. Following are them:

a) All companies which are listed /or in process of listing inside or outside India on Stock Exchanges.

b) Unlisted companies having net worth of Rs. 250 crores or more.

c) Parent, Subsidiary, Associates, and J.V. of the listed and unlisted companies covered above.

d) Scheduled commercial Banks(excluding RRBs, All India Term Lending Refinancing Institutions (like Exim Bank, NABARD, NHB and SIDBI)and Insurance Companies.

e) Holding , subsidiary, joint venture or associate companies of Scheduled Commercial Banks covered under(d) (excluding RRBs)

f) Non Banking Finance Companies(NBFCs) having net worth of Rs. 500 crores or more.

g) Holding, subsidiary, joint venture or associate companies of companies covered under (f) above, other than those companies already covered under corporate roadmap announced by the MCA.

h) 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.

i) NBFCs that are unlisted companies having net worth of Rs. 250 crores.

j) Holding, subsidiary, joint venture or associate companies of companies covered under (i)and (j) above.

NBFCs include house financing companies, merchant banking companies, micro finance companies, venture capital fund companies, mutual benefit companies, stock broker or sub-broker companies, nidhi companies, chit companies, securitisation and reconstruction companies, mortgage guarantee companies, pension fund companies, asset management companies and core investment companies.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD®

Financial Accounting Standards Board (FASB) is an independent nonprofit organization responsible for establishing accounting and financial reporting standards for companies and nonprofit organizations in the United States, following generally accepted accounting principles (GAAP).

- It was formulated as a consequence of the stock market crash of 1968.
- It was established in 1972 and started functioning in 1973.
- It is the independent,private sector non-profit organisation based in Norwalk,Connecticut (USA).
- It establishes financial accounting and reporting standards for public and private companies.
- It is recognized by the securities and exchange commission (USA) as the designated accounting standard setter for public companies.
- FASB has seven full-time members.They individually have diverse background.
- Each member has a cocern for investors,other users,the public interest in matters of accounting and financial reporting.
- They collectively have knowledge of accounting,finance,business, accounting education and research.
- They are appointed for a five year term and are eligible for one additional five year term.
- The members are selected by the financial accounting foundation (FAF).

FINANCIAL ACCOUNTING FOUNDATION®

FINANCIAL ACCOUNTING FOUNDATION

“ The FINANCIAL ACCOUNTING FOUNDATION (FAF) is located in Norwalk,Concecticut,United States. It is an independent organization in the private sector Operating with the goal of ensuring objectivity and integrity financial report standards.”

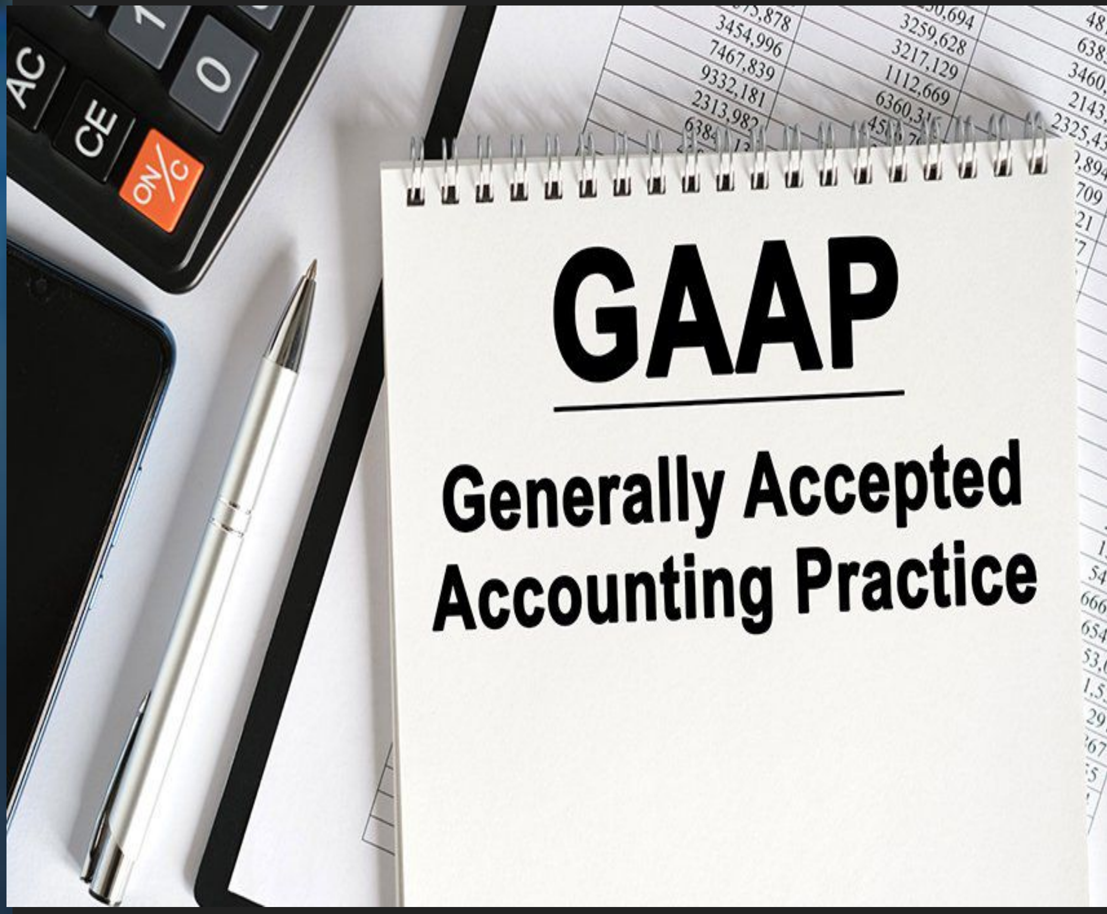
- The members of FASB are selected by the Financial Accounting Foundation (FAF).
- It supports and oversees the FASB.
- FAF was established in 1972.
- It is the independent, private sector, non-profit organization.
- It is responsible for the oversight, administration, financing and appointment of the FASB and Governmental Accounting Standard Board (GASB).
- The board of Trustees of the FASB has 15 members.
- It finance the activities of the FASB.

FUNCTIONS OF THE FASB

THE MAIN FUNCTIONS OF FASB ARE OUTLINED BELOW:

- To extablish and improve gnerally accepted accounting principles (GAAP s) within USA in public interest.
- To provide research findings on issues ranging from the consolidation of subsidiaries to post- employment benefits.
- To prepare research projecrs , discussion memoranda , public hearings , comment letters ,and proposal drafts .
- To propagate the pronouncement   of various governments agencies (particularly SEC) and proffessional bodies (particularly the AICPA ‘s accounting standards division)

Role of FASB in developing Accounting Standards and GAAPs



FASB has an important role in developing accounting standards and GAAPs,

- It develops high quality accounting standards and monitors their effective implementation.
- It is engaged in educationg stakeholders.
- Helping preparers and practitioners in interpreting the standards and making necessary clarifications to the standards.
- FASB has a unique position in the financial reporting process.
- Its main goal is to provide leadership for public companies in establishing and improving the accounting methods used to prepare financial statements.
- It aslo considers the feedback from business when making changes to current changes.
- On 18th September 2002, FASB met with IASB and together issued a memorandum of understanding on convergence project regarding IFRS to converge IFRS and US GAAP. They created Financial Crisis Advisory Group.
- It was an international group of standard setting bodies that co-ordinated responses on the future of global stamdards in the light of financial crisis of 2007-10.
- FASB- IASB are working closely together for a common goal, it is to develop standards that are objective based, internally consistent, amd internationally converged.


IFRS &
Ind-AS

IFRS

- Profit or loss ascertained by preparing either “statement of profit and loss and other comprehensive income”
- The effect of change in the accounting policy with retrospective effect is to be accounted and for the same reason the comparative figures are to be restated.
- Unrecognised possible losses and probable gains are to be disclosed.

Ind-AS

- Profit or loss is ascertained by preparing only one statement namely, “statement of profit or loss”.
- The effect of change in accountin policy to be included in the incom statement of the year in which the change has been effected.
- If the probability of occurance is removed, then contingencies are not be disclosed.

IFRS	Ind-AS
IFRS is based on fair value concept	Indian accounting standards are based on historical cost
Financial statements under IFRS	Indian accounting standards differ in form and substance
Under IFRS, past errors are incorporated in the accounts of the years it pertain to, even if audited and adopted by share holders	But, these are treated as adjustment in the current year under indian accounting standards
Depreciation On revalued assets need to be routed throght income statement under IFRS	But indian accouning standards dis allow such a treatment
Under the IFRS, prior period items will be give retrospective effect in opening equity	Under IAS it is not so
Prospose dividend is not required to be reflected in financial statement unde IFRS	But this is required to be reflected in financial statement under ind AS
. Under IFRS provision made for dismantling of assets or for site closure can be capitalised	Under indian accounting standards this cannot be capitalised
. Under IFRS, EPS has to be disclosed separated for continuing and discontinuing	This is not required under indian accounting standards
. The terminologies used in IFRS.-eg instead of “statement of comprehesive incom”under IFRS.and “ statement of financail position”under IFRS	The terminologies used in ind AS .- eg the term ‘statement of profit and loss is used in ind AS and in the term ‘ balance sheet is used in ind AS