FIRST TIME ADOPTION OF INDIAN ACCOUNTING STANDARDS-A COMPARISON OF IFRS AND IND-AS

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ABSTRACT

Accounting has rightly been termed as the language of business. The basic function of a language is to serve as a means of communication. Indian Accounting Standards are formulated with a view to harmonize different accounting policies and practices in India. Institute of Chartered Accountants of India (ICAI) constituted Accounting Standard Board (ASB) in India. Similarly London based accounting body formed to convey the accounting language to all people in the world. International Accounting Standard Committee (IASC), which was formed and came in to existence on 29th June 1973, the work of the IASC has made a marked impact on the development of accounting standards globally. IASC recently named as International Accounting Standard Board (IASB) which announced in April, 2001 that accounting standards would be designated as ‘International Financial Reporting Standards’(IFRS). Till April 1, 2011 India followed Indian GAAP but in order to introduce single set of universally accepted accounting standards, the IFRS has been recommended. After ICAI has proposed convergence of existing GAAP in India with IFRS and revised roadmap for adoption of IFRS converged Indian Accounting Standards (IND-AS) with effect from 1st April 2016. There are some relevant areas of issues in convergence of IND- AS to IFRS came into existence. The present study discussed about some relevant issues of “first time adoption of Indian accounting standards” from IFRS to IND-AS. It ensures comparability of financial statements of different enterprises with a view to provide meaningful information to various users of financial statements which will be helpful for economic decision.

Keywords: GAAP, IAS, IFRS, IND-AS.

Introduction:

The main purpose of financial accounting is to give adequate and suitable information for efficient decision-making. When the procedure and practices of accounting are differing one country to another, it will create problem to all. Therefore, the Institute of Chartered Accountants of India has emphasized that the Indian financial statements require an integral language for easy communication. Globalization, Multinational companies, which are establishing business in various countries, capital market become worldwide trend and more companies that are Indian listed on overseas stock exchange. Statement of International Accounting Standards is issued by the board of the International Accounting Standard Committee between 1973 and 2001. The IASC, recently renamed as International Accounting Standard Board (IASB), London based, is an independent and privately funded accounting standard body is committed in developing a single set of high quality, understandable accounting standards to achieve convergence of accounting standard around the world. The year 2001 onwards IASB issues IFRS which recommends for transition from Indian GAAP to IFRS, applicable with effect from 01.04.2011 in which Companies with over Rs.1000 Crore networth and Companies listed in Sensex-30/NIFTY-50/overseas stock exchanges. Companies with a networth more than Rs.500 Crore but less than Rs.1000 Crore, transition applicable with effect from 01.04.2013.All listed Companies with networth less than or equal to Rs.500 Crore, transition effectively from 01.04.2014 onwards, however SMEs and unlisted companies with a networth less than or equal to Rs.500 Crore exempted transition to IFRS. As of now, more than 120 companies have implemented IFRS, the aim of moving from Indian GAAP to IFRS not merely changing from one set of accounting policies to another but Convergence of Indian GAAP to IFRS with unique challenges to India. After ICAI has proposed convergence of existing GAAP in India with IFRS and revised roadmap for adoption of IFRS converged Indian accounting standards with effect from 1st April 2016.

Review of Literature:

Brian b stanco and Thomas l zeller (2010) examines the International Standard boards efforts to create greater comparability and uniformity in global financial reporting , reasons for past and present inter country reporting differences and changes that have affected the governing structure of international financial reporting environment.

Ramesh kumar (2010) reveals the top five technical accounting challenges faced by Indian banks due to convergence of Indian GAAP to IFRS and how it overcome this challenges which include loan or investment challenges can be overcome through strengthen credit risk management function, strengthen data capture system. Use of fair value system can be overcome through trained personnel for significant area of expertise and judgment. Banks focus on to meet challenges on Hedge accounting or Derivative; certain strategic decisions need to be made. Now Indian Banks are ready to IFRS convergence.

Christopher write and Steven hobbs (2010) reveals that impact and implication of IFRS conversion or convergence, they concluded that conversion or convergence of local GAAP to IFRS require more disclosure than most countries local GAAP requirements. It reduces current level of complexity, improve transparency of financial reporting.

Ragavan.R.S (2010) reveals that applicability of IFRS include certain time table i.e. depending upon the size, category, size of the company belongs. Adoption of IFRS become very challenging assignment, but the Indian accounting profession is capable of handling in future.

Pranam Dhar and Jafor Ali Akhan (2010) in their study reveals that Indian standard-setting bodies like ICAI and other subsidiary bodies, has a great role to make the accounting and valuation of Intangibles IFRS-complaint in India in the forthcoming years. Valuations of accounting for intangible have become the most critical issue. This study deals with a comprehensive discussion about the economic nature, definition and classification of intangibles, a brief discussion about IFRS and the relevant provisions in the IFRS regarding the accounting for intangibles. The Indian corporate are ready to implement the provisions regarding valuation and accounting for intangibles in the forthcoming years.

Kanchan Mukherjee (2010) reveals that how to solve the key challenges that were faced during first time adoption of IFRS.The experience of major European Bank, Barclays plc ,British petroleum, Glaxo Smith Kline and Mark and Spencers were cited to illustrate the complexity and solutions adopted. In India we are threshold of commencing the convergence with IFRS and we hope to draw lessons from Europe.

Subramanyan.M (2011) in his study reveals that some major areas impacted due to convergence with IFRS will be business combinations, group accounts, fixed assets and investment property, presentation of financial statements. Good number of entities, which have been already doing global business, readied themselves by preparing their organizations to meet various challenges while convergence from Indian GAAP to IFRS.

Titas Rudra and Dipanjan Bharttacharjee (2012) states that the quality of IFRS is higher than most domestic accounting standards and found that accounting standards may control earning management in some cases, it does not necessarily mean that a country with high quality accounting standards will also have high quality reported financial information and thus low earnings management.

Titto vargheese (2014) in his study reveals that the problem faced by the stakeholders in the process of adoption of IFRS in India and brings about the ways in which this problem can be solved like changes in existing Companies Act, Tax Laws and Foreign Exchange Management Act etc.

Statement of the Problem:

The difference in accounting standards will create problems to all if different procedures and practices are followed by accounting men. The researcher has checking whether IFRS ensures comparability of financial statements of different enterprises with a view to provide meaningful information to various users of financial statements than IND-AS.

Objective of the Study:

The main objective of the study is to understand the difference in valuation or treatment of 'First Time Adoption of Indian Accounting Standards' by IFRS and IND-AS and how it effects in treatment and valuation.

Analysis And Discussion:

Difference between IFRS and IND-AS as per First Time Adoption of Indian Accounting Standards:

There are some significant differences between IFRS and IND-AS. Some major areas related to First Time Adoption of Indian Accounting Standards are given below.

Basis of Difference	IFRS	IND-AS
1) **Date**	IFRS 1 defines transitional date as beginning of the earliest period for which an entity presents full comparative information under IFRS. It is this date which is starting point for IFRS and it is on the date of cumulative impact of transition is recorded based on assessment of conditions at that date by applying the standards retrospectively except to the extent specifically provide in this standard as optional exemptions and mandatory exemptions	IND-AS 101 provides that date of transition is the beginning of the current period and in addition provides an option to present comparative financial statements on a memorandum basis
2) Time	IFRS 1 defines previous GAAP as the basis of accounting that a first time adopter used immediately before adopting IFRS.	IND-AS 101 defines previous GAAP as the basis of accounting that a first time adopter used immediately before adopting IND-

		AS for complying with the reporting requirements in India.
3)Comparative Period Financial Statements	IFRS requires reconciliation for opening equity, total comprehensive income, cash flow statement and closing equity for the comparative period to explain the transition to IFRS from previous GAAP	IND-AS 101, provides an option to provide comparative period financial statements on memorandum basis.
4)Exemptions	IFRS 1 provides for various optional exemptions that an entity can seek while an entity transition to IFRS from its previous GAAP	However as per IND-AS 101 similar provisions have been retained along with few changes of IFRS.

Conclusion:

The lack of financial statement comparability influenced business decision in many ways. The view of ICAI adoption or Convergence of Indian GAAP to IFRS in April 1, 2011onwards.In some cases some conceptual differences with the treatment prescribed in IFRS and IND-AS.. There are many challenges of IFRS to convergence of IND-AS but it creates exiting opportunities. Certain big companies, multinational companies like Infosys technology, Wipro Limited now use IFRS instead of Indian GAAP. It is applicable in India step by step. Ultimate objective of IND-AS to harmonize accounting between countries, which helpful cross border capitalization, cross border transaction, reduction of multiple reporting, easy access of international market etc.

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