
STUDY ON IFRS-ISSUES & CHALLENGES TO RELATED INDIAN GAAP AND ITS CONVERGENCE

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ABSTRACT

Accounting Standards are defined as documents of accounting rules and guidelines for preparing the uniform and consistent financial statements relating to recognition, measurement and disclosure of accounting transactions. In order to run business smoothly consistency, reliability, comparability and understandability is required. The standards to be followed in the preparation of financial statements and to promote their acceptance and adoption by different countries of the world. The standards issued by the board of IASC are called 'International Accounting standards(IASs)'. This research paper put forward a view point that the convergence of Indian GAAP with IFRS will bring benefits to parties who are associated with the business. The main idea behind converging Indian Accounting standard with IFRS is to compare all the financial statements across the world. It is issued by 'Institute of Chartered Accountants of India' and it is regulated by 'Securities and Exchange Board of India' (SEBI) covering such aspects as recognition of events, measurement, presentation and disclosure of accounting transactions and events in the financial statements, namely Balance Sheet and Profit and Loss Account. International Financial Reporting Standards are the accounting standards accepted globally and adopted by 'International Accounting Standard Board (IASB)' from 'International Accounting Standard Committee' (1973-2000). IASC was established in 1973 to formulate or prepare and publicize in public interest. The standards to be followed in the preparation of financial statements and to promote their acceptance and adoption by different countries of the world. The standards issued by the board of IASC are called 'International Accounting standards(IASs)'. This research paper put forward a view point that the convergence of Indian GAAP with IFRS will bring benefits to parties who are associated with the business. **Keywords:-** IFRS, , IASC, Indian Gaap ,IASB,Accounting standards.

INTRODUCTION

IFRS

IFRS is one of the best money related reporting frameworks, which does not incorporate any nation with variety of bookkeeping arrangements. Presently a solitary set of money related reporting is last explanation to present over the world at a decreased expense and more dependable, straightforward and reasonable reporting of an substance. International financial accounting standards are designed as a common global language for business as well as company accounts are understandable and comparable across international borders business. They are the consequence of the ownership and growth of international trade and are particularly important for companies that do business in several countries. They are gradually replacing the different national accounting standards. The rules to be followed by accountants keep books of accounts which is comparable, understandable, relevant and reliable by internal and external users. Selection of IFRS has turned into a crucial issue of exchange and civil argument in the diverse nation. Due to distinctive nation's GAAP of an individual nations, there is a danger on the harmonization of bookkeeping standards. The sidelines of an ASSOCHAM workshop on International Financial Reporting Guidelines (IFRS) here "We are as yet chipping away at reasonable quality ideas and different issues like deterioration, however I can guarantee you that we will stick to the guide laid for the union of Indian norms with the IFRS". These profits are pulling in every nation to set required for embracing IFRS in their country. India has additionally command the IFRS for money related reporting explanation from first April 2011 yet at the same time India have been most certainly not succeeded to determination its issues identifying with transformation with IFRS, for example, taxation.

Structure of IFRS

IFRS are as principles based set of standards that establish broad rules and also dictate specific treatments. International Financial Reporting Standards comprises of

- International Financial Reporting Standards (IFRS) - standards issued after 2001
- International Accounting Standards (IAS) - standards issued before 2001
- Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC) - issued after 2001
- Standing Interpretations Committee (SIC) - issued before 2001

Research Methodology

The present study focused on secondary data. Secondary data has been sourced from RBI Bulletin, Government budget document, Report on Currency and Finance (RBI), Economic survey of Government of India, various reports of committees, ICAI reports in journals and magazines etc.

Mapping Of Accounting Standards to IFRS & IAS

There is a mapping in IAS with IFRS/IAS which has been specified in Table 1 which shows that the AS 1 describes about the disclosure of accounting principles wherein IAS 1 describes Presentation of financial statements and IFRS 1 outline the First time adoption of Financial Reporting Standards. There are certain Indian accounting standards which matches with IAS like AS 3 outlines Cash flow statement and the same is highlighted in IAS 6.

IFRS and INDIA

Beneficiaries of Convergence of Indian GAAP to IFRS

1. Accounting Professionals: However, there would be at first numerous issues however union with IFRS would unquestionably profit the bookkeeping experts and it will be useful them to offer their ability and skill over the globe. This adoption will bring a common platform for all the accounting professionals throughout the world to have a healthy discussion.

2. The corporate world: Convergence with IFRS would assemble the notoriety and durable relationship of the Indian corporate world with the global monetary elements. Besides, the corporate substances back in India would be profited due to a few reasons. The larger amount of consistency will be kept up in the middle of outer and interior reporting, two, due to better get to worldwide budgetary markets, three, it will enhance the danger rating and makes the corporate world more focused all-inclusive as their similarity with the worldwide contenders will increment.

3. The Economy: IFRS would offer assistance to the industry which is useful to the corporate world as the comparability, reliability and uniformity in the accounting standards would help in understanding the profit generation of the companies'. And this would lead to know about the exact tax to be imposed. Adoption of IFRS will create a common platform for the existing economies.

Issues and Challenges

IFRS are detailed by International Accounting Standard Board. In any case, the obligation of joining with IFRS vests with nearby government and bookkeeping and administrative bodies, for example, the ICAI in India. Therefore ICAI need to put resources into base to guarantee agreeability with IFRS. India has a few demands and commonsense difficulties to reception and consistence with IFRS. So there is a need to change a few laws and regulations overseeing monetary bookkeeping and reporting in India. There are some legitimate necessities which focus the way in which monetary data are displayed in budgetary proclamations. For example, the Companies Act gives the arrangement to planning of budgetary articulation be that as it may this may be not the same as the

prerequisite under IFRS. One more exam is identified with Business Blend under Indian GAAP, acquisitions are accounted at book estimations of identifiable resources and liabilities of the concern, with the abundance of thought over the net book worth perceived as goodwill. Under IFRS, bookkeeping is finished all benefits including shrouded intangibles at reasonable worth.

RESULT

1. Difference in GAAP and IFRS: Adoption of IFRS implies that the whole set of money related articulations will be obliged to experience an exceptional change. The distinctions are wide and profound routed. it would be a test to achieve familiarity with IFRS and its effect among the clients of budgetary explanations.

2. Issue of GAAP Reconciliation: The Securities Exchange Commission (sec) laid out two choices in its proposal- one requiring the customary IFRS first-time reception compromise, the other obliging that step furthermore an on-going unaudited compromise of the budgetary explanations from IFRS to U.S. GAAP which is unmistakably all the more excessive methodology for organizations and for financial specialists.

3. Training and Education: Due to lack of preparing offices and scholarly courses on IFRS will likewise posture test in India. There is a need to confer training and preparing on IFRS and its application. The certification courses would create the base for the conceptual understanding about IFRS.

Conclusion

General the profit for value, return on resource, complete resource turnover and net benefit apportion are not fundamentally influenced by joining to IFRS yet the influence degree shows huge change on meeting with IFRS. There is additionally noteworthy changes in the Total Equity and aggregate obligation position on meeting to IFRS however not conspicuous changes in the Total Asset Position. All these appreciation make a reason that IFRS is reasonable quality situated and Balance Sheet arranged bookkeeping where there are more straightforward divulgements and Indian GAAP is traditionalist methodology. The procurement under IFRS is lessened to a great degree on the grounds that profit procurement is not perceived in IFRS. Reasonable quality estimation of available to be purchased speculation and the offer remuneration cost perceived in IFRS is higher, as in IFRS reporting quickened amortization of stock pay cost in the starting years emulating the gift of choices, though in Indian GAAP reporting perceives the stock pay costs in evaluated way on a straight line premise over the imperative vesting period for the whole honor which brought about increment in offer based installment hold.

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