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Research Journal

*Indian Streams
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INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS): PROSPECTS AND CHALLENGES



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ABSTRACT

Steady, practically identical and reasonable Financial data is the backbone of business and making speculation. The possibility of worldwide harmonization of bookkeeping benchmarks comes from absence of equivalence of money related proclamations the nation over. Expanding cross fringe contributing and expansion of budgetary items have represented a test to organizations as they confronted different guidelines. Harmonization and combination with IFRS can enormously add to the endeavors to assemble worldwide budgetary announcing framework. This brought about universal activity of union of Accounting Standards to a typical standard viz. the International Accounting Standards/International Financial Reporting Standards (IFRS).

In India, the ICAI figures the bookkeeping measures on different issues. In any case, since most recent couple of years, the point has been following the IFRS to the degree conceivable. From this time forward, while issuing bookkeeping guidelines, IFRS should be embraced appropriately. Be that as it may, deviations from IFRS have been noted because of some unavoidable reasons like legitimate and administrative necessities, financial condition, level of readiness, calculated contrasts and so forth. Subsequently, it tends to be contended that regardless of whether there has been a great deal of pondering on combination of Indian bookkeeping benchmarks with IFRS, it is hard to receive IFRS thinking about the indigenous issues. Keeping in mind the end goal to determine this issue, the ICAI has given a guide through which, IFRS can be embraced in India in a staged way.

KEYWORDS :Accounting standards; IFRS; IAS; Convergence.

INTRODUCTION

Predictable, equivalent and justifiable money related data is the backbone of trade and making speculation. The possibility of worldwide harmonization of bookkeeping measures comes from the absence of similarity of budgetary articulations the nation over. Specifically, an organization having nearness in various nations needs to get ready money related reports according to Generally Accepted Accounting Principles (GAAP) of the nation of task and after that it is required to accommodate every such report with the end goal of solidification according to GAAP of the nation to which the parent has a place. This builds the cost of setting up the budgetary reports and furthermore execution estimation over the topographical district ends up troublesome as a result of noncomparable bookkeeping rules.

In India, the Central Government endorses bookkeeping principles in conference with the National Advisory Committee on Accounting Standards (NACAS) set up under the Companies Act, 1956. NACAS, has been occupied with the activity of looking at Accounting Standards arranged by ICAI. It has adjusted the worldwide standards built up by the International Financial Reporting Standards [1] issued by the International Accounting Standards Board. The Central Government informed 28 Accounting Standards (AS 1 to 7 and AS 9 to 29) in December 2006 as Companies (Accounting Standard) [2] Rules, 2006, in the wake of accepting proposals of NACAS. The Government has embraced a strategy of empowering exposure of organization accounts in a straightforward way at standard with generally acknowledged global practices, through a procedure of combination with the International Financial Reporting Standards (IFRS). The activity for harmonization of the Indian bookkeeping norms with IFRS, taken up by NACAS in 2001 and actualized through notice of bookkeeping benchmarks by the Central Government in 2006. Such expanding multifaceted nature of business activities and globalization of capital markets makes [3] compulsory a solitary arrangement of great announcing benchmarks. This space can appropriately be filled in with the development of International Financial Reporting Standards (IFRS), as detailed by the International Accounting Standards Board. IFRS has developed as another power in adjusting the worldwide firms on a solitary line. Universal Financial Reporting Standards are set by the International Accounting Standards Board (IASB). The mission of IASB is to create, in the general population intrigue, a solitary arrangement of great, reasonable and International Financial Reporting Standards (IFRS) for broadly useful monetary explanations. IASB is a free standard-setting board, delegated and directed by a topographically and professionally different gathering of Trustees of the IASC Foundation who are responsible to general society intrigue. It is bolstered by an outside warning chamber (SAC) and an understandings advisory group (IFRIC) to offer direction wherever difference practically speaking happens. The IASB coordinates with national bookkeeping standard setters to accomplish combination in bookkeeping guidelines around the globe. In India the Institute of Chartered Accountants of India (ICAI) has chosen to completely combine with IFRS issued by the International Accounting Standards Board for bookkeeping periods initiating on or after April 1, 2011. The Ministry of Corporate Affairs (MCA) issued different official statements on the IFRS guide and union arrangement for India indicating the combination date to be 1 April, 2011, through 2014 for select Indian organizations. Since the course of events in the guide is never again substantial for Phase I organizations, the new execution date for Ind AS is anticipated from the MCA. It is indistinct if the MCA will discharge a new guide or simply change the execution date. Union will deliver aplenty advantages to financial specialists, industry, experts and the economy overall. This is a noteworthy move towards the development of IFRS as a worldwide bookkeeping dialect.

WHAT IS IAS REGULATION AND IFRS

IAS is International Accounting Standards (IAS) which was issued somewhere in the range of 1973 and 2001 by the International Accounting Standard Committee (IASC). On 1 April, 2001, IASC was supplanted by International Accounting Standards Board (IASB). From that point forward International Accounting Standards Board (IASB), based at London - UK is presently capable to issue International Financial Reporting Stan IASB is an autonomous body and comprises of individuals from nine unique nations around the world having assortment of utilitarian foundations. Amid its first gathering the Board embraced existing IAS and SICs. The IASB has kept on creating measures calling the new norms IFRS

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Models, Interpretations and the Framework for the Preparation and Presentation of Financial Statements set and embraced by the International Accounting Standards Board. IFRS has supplanted the more established term global bookkeeping standard. A considerable lot of the guidelines shaping piece of IFRS are known by the more established name of International Accounting Standards (IAS). IFRS are considered 'standards based' arrangement of norms in that they set up wide principles and in addition managing particular trématent.

OBJECTIVES OF IFRS

Harmonization is the need of present day globalized time in light of the fact that different variables ike cross outskirt ventures, association on exchange, increment of business complexities, worldwide money related emergency, worldwide lull and portability of capital and individuals over the globe, are fundamentally affecting the world economy. Subsequently, the primary target of IFRS improvement is harmonization in budgetary articulations detailing. Some extra destinations are:

To make the worldwide budgetary announcing foundation.

To produce sound negotiating prudence among the recipients.

To produce the measurements of reasonable introduction of budgetary explanation.

To keep up higher straightforwardness of budgetary explanation and versatility of capital.

BENEFITS OF CONVERGENCE WITH IFRS

- It is sensible to influence a watchful starter appraisal and a cost/to profit investigation of regardless of whether under the specific conditions, a selection of IFRS would be attractive and furthermore look at changed situations concerning timing of receiving IFRS. The quantity of organizations which choose to embrace IFRS is developing and this is on account of IFRS detailing [4] offers a wide extent of advantages. Cases of these advantages incorporate the accompanying:

IFRS inside and out improves the similarity of substances and give more unsurprising cash related information. IFRS are recognized as a budgetary uncovering structure for associations searching for admission to most of the world's stock exchanges (tallying US).

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admission to most of the world's stock exchanges (checking US). The upgraded likeness of the organizations' money related data and the enhanced nature of correspondence to their investors, diminish speculator vulnerability, lessen chance, builds advertise productivity and in the long run limits the cost of capital.

- IFRS kills obstructions to cross outskirt exchanging securities, by guaranteeing that money related articulations are more straightforward.
- Management announcing for inward purposes under IFRS, can enhance the quality and consistency of data that administration needs with a specific end goal to make powerful, effective and auspicious choices for the business.
- IFRS reception might be utilized as an opportunity to make some vital upgrades to the fund frameworks and procedures and also to decrease costs in the more drawn out term.
- IFRS monetary explanations that are generally comprehended and practically identical can both enhance and start new associations with clients and providers crosswise over national fringes.
- Because of the constructive outcome IFRS money related data has using a credit card evaluations, an organization's position fortifies in arrangements with credit establishments and cost of borrowings are lessened.
- IFRS can likewise result in more exact hazard assessments by loan specialists and to a lower chance premium. It additionally encourages organizations to exploit elective types of fund.
- In the instance of gatherings it evacuates the requirement for singular organizations to get ready two arrangement of monetary explanations, if every individual organization in the gathering apply IFRS. It additionally enables multinational gatherings to have a typical bookkeeping dialect, along these lines enhancing administration revealing and basic leadership.
- As IFRS hit the market, investigators and financial specialists will turn out to be more advanced rapidly and will be less sympathetic towards organizations which furnish the market with the poor divulgences [5, 6].

CONVERGENCE WITH IFRS: INDIAN PROSPECTS

According to European Commission the prerequisite of consistence of IFRS by every single recorded organization in their CFS from 2005 (IAS Regulation) onwards will help kill boundaries to cross visitor exchanging securities by guaranteeing that organization accounts all through the European Union (EU) are more dependable and straightforward. In the event that the Indian organizations set up their records as per IFRS, they can be all the more effectively contrasted and their records with EU organizations and different IFRS client nations. This will, thusly, increment advertise proficiency and lessen the cost of raising capital for organizations, at last enhancing intensity and helping support economy.

In India, controls of records turn into a key factor in introduction of money related proclamations. The Financial Accounting Standards Board (FASB), USA, is having a union undertaking with the IASB and is extensively embracing the rule based approach rather than manage based approach. IFRS are guideline based models which have unmistakable preferred standpoint that the exchanges can't be controlled effortlessly to accomplish a specific bookkeeping. Illustrations are:

- IAS 17, Leases, recognizes fund rent from working lease in light of rule of 'substance over frame', though comparing US GAAP set down standards for making such qualification.
- IAS 27, Consolidated and Separate Financial Statements, sets down criteria of capacity to oversee

money related and working strategies for recognizable proof of auxiliaries. The comparing US GAAP set down necessity for greater part responsibility for as it were. In India, the Companies Act definition depends on either greater part proprietorship or board control.

SUBSTANCE OVER FORM

IFRS set down medicines in light of the financial substance of different occasions and exchanges as opposed to their authoritative document. The use of this approach may result into occasions and exchanges being displayed in a way not the same as their authoritative document. To delineate, according to IAS 32, inclination shares that accommodate required recovery by the backer are introduced as an obligation. The profit payable on combined redeemable inclination shares is dealt with as cost and not as dispersion of benefits.

Non-financial Disclosures

According to the IASB:

Structure for the Preparation and Presentation of Financial Statements:

The goal of monetary articulations is to give data that is helpful to an extensive variety of clients in settling on financial choices. The Framework perceives money related proclamations don't give all the data required to choices. To accomplish, the target the money related reports may incorporate extra data as non-monetary divulgements. In India, non-money related data assumed a critical part in settling on monetary choices. Non-money related exposure may incorporate data about:-

Nature of business, Objectives and Strategies, Key assets, Risks, Results Prospects, and so on. Such revelations are generally contained in Management Report. To manage the angle, the IASB is building up a different IFRS on Management Commentary. As of late, a discourse paper regarding the matter has been issued.

IFRS Auditing Standards: Indian Perspective

A solitary arrangement of bookkeeping benchmarks would empower worldwide reviewing firms to institutionalize preparing and guarantee better nature of their work on a worldwide scale. It would likewise allow universal money to stream all the more uninhibitedly, empowering reviewing firms and their customers to create consistence worldwide practices on bookkeeping issues [7]. It is gainful to controllers as well, as the multifaceted nature related with expecting to comprehend different detailing administrations would be diminished. Examining Standards are codification of existing prescribed procedures in the region of reviewing. Worldwide Standards on Auditing (ISA) are issued by the IAASB of IFAC. In India, the ICAI plans Auditing and Assurance Standards (AAS). Essential contemplations behind AAS definition are:

- Harmonization with ISA, to the degree conceivable – a Membership commitment for ICAI
- Applicable laws in India.
- Customs, uses and business condition in India.

These benchmarks apply at whatever point self-governing audit did and free of size, legitimate record or business manners of thinking of the client. It may appropriately apply to various components of investigators.

Convergence with IFRS: Major Challenges

The issue of contrasts in bookkeeping guidelines will keep on existing for quite a while. From an administrative point of view, combination to IFRS would expect corrections to the Companies Act and the Income Tax Act, to specify the significant ones. As of now ventures, for example, keeping money and protection are additionally directed by particular acts that endorse bookkeeping standards. Today, IFRS does not give industry particular principles so there would be extra change challenges as and when advance is made. IFRS requires valuations and future gauges, which will include utilization of evaluations, presumptions and administration's judgments. The ICAI and the Ministry of Corporate Affairs have officially gained vital ground in moving towards IFRS [8].

Legal and regulatory considerations

Now and again, the legitimate and administrative bookkeeping prerequisites in India vary from the IFRS. In India, Companies Act of 1956, Banking Regulation Act of 1949, IRDA controls and SEBI rules endorse definite arrangements for money related proclamations to be trailed by individual endeavors in their budgetary detailing. In such cases, strict adherence to IFRS in India would result in different legitimate issues [9, 10].

Economic Environment

Some IFRS require reasonable esteem way to deal with be taken after, for instance:

IAS 39, Financial Instruments: Recognition and Measurement

IAS 41, Agriculture

The business sectors of numerous economies, for example, India typically don't have satisfactory profundity and expansiveness for solid assurance of reasonable qualities. With a view to give promote direction on the utilization of reasonable esteem approach, the IASB is building up an archive. Till date, no feasible arrangement of target reasonable esteem measures is accessible.

Interpretation

A substantial number of use issues emerge while applying IFRS. There is a need a gathering which may address the application issues in particular cases. In India, the Institute of Chartered Accountants of India has constituted the Expert Advisory Committee to give direction on big business particular issues.

CONCLUSION

Irrespective of various challenges, adoption of IFRS in India has significantly changed the contents of corporate financial statements as a result of:

More refined measurements of performance and state of affairs, and Enhanced disclosures leading to greater transparency.

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