Journal of Advanced Research in Economics and Business Management
Volume 4, Issue 1 - 2021, Pg. No. 22-27
Peer Reviewed Journal

Article

Ind AS: Opportunites, Challenges and Beneficiaries

Punit Kumar Kanujiya[1], Hargun Sahni[2]

[1]Assistant Professor, Department of Commerce, National PG College Lucknow, India.
[2]Research Scholar, Department of Commerce and Business Administration, University of Allahabad, India.

INFO

Corresponding Author:
Punit Kumar Kanujiya, Assistant Professor, Department of Commerce, National PG college Lucknow, India.
E-mail Id:
kanauziyaa@gmail.com
Orcid Id:
https://orcid.org/0000-0002-0723-4585
How to cite this article:
Kanujiya PK, Sahni H. Ind AS: Opportunites, Challenges and Beneficiaries. *J Adv Res Eco Busi Mgmt* 2021; 4(1): 22-27.

Date of Submission: 2021-04-01
Date of Acceptance: 2021-05-21

ABSTRACT

In the current time of globalization, in excess of 3600 worldwide organizations are building up their organizations in the various areas in India. These Indian business firms are introducing budget summaries according to IFRSs, Indian GAAPs, USGAAPs, Japan GAAP, and so forth, With a view to avoid this kind of inconvenience, the accounting bodies across the world are working towards a standard set of accounting policies, valuation norms and disclosure requirements.

As of late, on sixteenth February 2015, the Ministry of Corporate Affairs through Companies rules, 2015 set out the guide for use of Ind AS and even government has advised Ind AS for application from first April, 2015 either deliberately or by following the expression given. IND-AS is the convergence form of IFRS, it is one of the great revolutions in the field of Accounting. IFRS is a single set of accounting language which are global acceptable which offers comparability, reliability, accuracy etc., which helps global investors to invest globally and also, helps company to enter into global market.

Keywords: Corporate, Globally, Appropriation, Global Market

Introduction

To show the uniformity in reporting of financial statement there is only one body called International Accounting Standards Committee (IASC) (the predecessor body to the IASB) was formed in June 1973 in London. This was formed due to the result of an agreement between accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, European nation, UK and USA. In 2002, a year after their establishment the IASB got united with the Financial Accounting Standards Board (FASB) to combine their knowledge and grow a set of high-quality accounting standards that would be compatible with all countries in order to successfully carry out international business affairs and their accounting.

This set of global accounting standard is referred to as the International Financial Reporting Standards (IFRS). The primary objective of the IASB is to develop one set of top quality, comprehensible, enforceable and globally accepted International Financial Reporting Standards (IFRS) through its standard-setting body, the IASB, to promote the utilization and severe claim of these standards, to require account of the financial reporting needs of rising economies and Small and Medium-ized Entities (SMEs) and to advance and work with appropriation of IFRSs, being the guidelines and understandings gave by the IASB, through the assembly of public bookkeeping principles and IFRSs.

Objectives of Study

- The objectives of this paper presentation can be listed below
- To understand the concept of IFRS and Indian Accounting Standard
- To throw the light on untouched accounting standard in IFRS
- To study the implementation of International Financial Reporting Standards (IFRS) in India
- To know the likely beneficiaries of IFRS convergence in India

- To identify the opportunities and Challenges involved in implementing IFRS in India

Statement of Problem

Due to globalization and liberation, more and more countries are opening their doors to foreign investment and as businesses expand across borders, there is a need for common accounting standards in order to interact globally. Today, more than 12000 companies in 150 countries have already adopted IFRS and India has planned to converge with IFRS through IND AS by 2017 in all the sectors including SMEs.

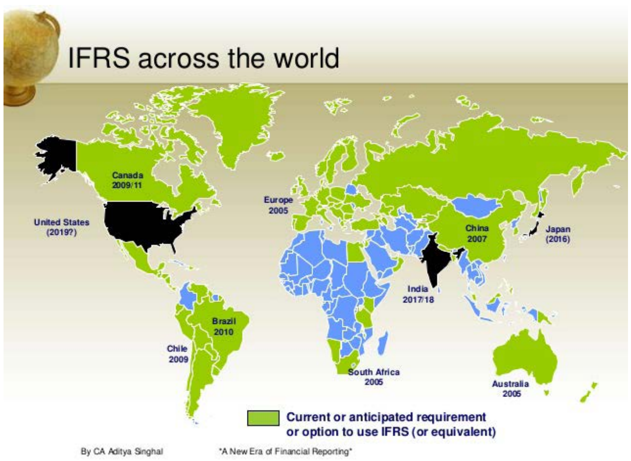
Origin and Evolution of IFRS

Table 1

YEAR	DETAIL
2001	ASB announces first program of technical projects IFRS Foundation established. Paul Volcker appointed Chairman of the Trustees, Sir David Tweedie as Chairman of the IASB
2003	IASB issues first standard, IFRS 1, and begins webcasting of meetings
2004	IASB completes stable platform of IFRSs for 2005 adoption
2005	Trustees conclude first Constitution Review, expand Trustee membership, and strengthen due process
2008	IASB and FASB form Financial Crisis Advisory Group to guide joint response to crisis
2009	IFRS Foundation Monitoring Board established, providing enhanced public accountability, Trustees conclude first part of Constitution Review, expand IASB to 16 members, introduce triennial public consultation on IASB agenda, IASB issues IFRS for SMEs
2009	Trustees begin review of strategy in parallel with Monitoring Board governance review, IASB launches dedicated investor liaison programme
2011	Trustees establish IASB Emerging Economies Group Hans Hoogervorst appointed as Chairman of the IASB, Ian Mackintosh as Vice-Chairman
2012	IFRS Foundation Asia-Oceania office opens, IASB completes first triennial agenda consultation, Monitoring Board and Trustees jointly publish conclusions of governance and strategy reviews
2013	Trustees conclude major revisions to Due Process Handbook Trustees establish Accounting Standards Advisory Forum, holds inaugural meeting

IFRS Hierarchy and Strucure

Adoption of IFRS in World



Independent of different difficulties, reception of IFRS in India has altogether changed this substance of corporate fiscal summaries because of it will improve the straightforwardness in the revealing budget reports.

As a result, we can conclude that there should be some amendments in all those areas of regulatory where IFRS do not support. Without amendments if we use IFRS in the same manner then it may create a lot of problems in front of accounting professionals. So should try to make harmonize between IFRS and regulatory

IFRS in INDIA

Intermingling with IFRS: IFRSs gave by the IASB are not nation explicit. They are intended to be applied across the globe. Be that as it may, every nation has its own idiosyncrasies and henceforth, combination of IFRSs as they are, with certain change, might be practicable and flights may must be made essentially by virtue of the lawful, administrative and monetary climate winning in the country.

Union can be considered “to plan and keep up public bookkeeping norms such that budget summaries arranged as per public bookkeeping guidelines draw open articulation of consistence with IFRSsIn this specific circumstance, consideration is attracted to passage 14 of International Accounting Standard (IAS) 1, Presentation of Financial Statements, which expresses that fiscal reports will not be portrayed as following IFRSs except if they agree with every one of the necessities of IFRSs. Convergence with IFRSs implies appropriation of IFRSs with the aforementioned special cases, where important

In 2007 the Concept Paper was delivered which proposed Convergence of Accounting Standards in India with IFRS from April 2011. In the wake of going through different legitimate methods and discussion, the Ministry of Corporate Affairs which directs organizations in India has given a Roadmap for Convergence with IFRS in India in January 2010 and has advised 35 bookkeeping principles called as IND AS in February 2011 for the assembly cycle.

New Road Map for the Process of Convergence

On 16th February2015, Ministry of Corporate Affairs has announced a new road map for the execution of New Indian Accounting Standards (Ind AS) with effect from 1st April 2015 as voluntarily basis and from 1st April 2016 as mandatorily. ICAI has issued 39 accounting standards converged with IFRS (Annexure 1).

The insurance companies, banking companies and non-banking finance companies shall not be required to apply Indian Accounting Standards (Ind AS) for preparation of their financial statements either voluntarily or mandatorily as per MCA notification.

Why do we Need Single set of High Quality Global Standards?

- To keep up the consistency in detailing of fiscal summaries
- To stay away from material control or blunders in fiscal summaries
- To guarantee dependability and great monetary detailing.To enable a systematic review and evaluation of the performance of a MNC‟s having subsidiaries and associates in various countries
- To make the comparison of the performance of a company against its domestic and international peers easier and more meaningful
- To provide a level playing field where no country is advantaged or disadvantaged by its GAAP and disclosures

Pros of Adopting IFRS in India

Economies across the globe have benefitted by adopting IFRS for financial reporting purposes. The past studies and researches have suggested several advantages of adopting IFRS. The implementation of IFRS leads to a better financial information for all stakeholders. It's Focus on comparability, Improved transparency of results, Increased ability to secure cross-border listing, Better Management of global operations and reduced cost of capital. This study will try to connect some of these and few other benefits with respect to the firms in India and also India as a country.

Better Access to Global Capital Markets

During the last decade, India has emerged as a strong economy on the global economic map. India market became hot favorites in Private companies. These firms are not only establishing plants in other countries, but also acquiring other entities across the world. To grab the opportunity, the firm requires funds at cheaper cost which is available in American, European and Japanese Capital Markets. The companies also borrow the funds from different sources from financial institutions such as the IMF, World Bank, BRICK bank, New Development bank and the list goes on. To meet the regulatory requirements of these markets, Indian Companies should report their financial reports according to IFRS guidelines. Hence, the adoption and implementation of IFRS will help Indian firms in accessing global markets for the requirement of funds and also makes available funds at cheaper cost.

Easier Global Comparability

Across the globe, Firms are using IFRS to report their financial results. The adoption of IFRS by Indian business firms, the comparison of two entities becomes easier. Investors, Bankers and Lenders also find it easy to compare the two financial statements following same reporting procedure. Indian firms must provide financial results to interested parties while raising funds from untapped capital markets.

Easy Global Market Listing

As mentioned earlier availability of fund is essential for the expansion plans of the Indian firms which are not limited to economic and political boundaries of India. Indian firms are taking over firms across the globe. By raising the funds from European and American Markets, these firms are also getting listed in both European and American Capital Markets. One of the important requirements for the getting listed on European Markets is the preparation of accounts according to IFRS. The Indian corporate companies which have raised funds from the European markets have already started preparing their Accounts and Financial Statement according to IFRS regulations.

Better Quality of Financial Reporting

Application of IFRS is ensuring better quality of financial reporting due to the regular application of Accounting Principles and improves the reliability of financial statements. IFRS follows a concept of fair value which can help Indian firms to reflect their true worth of Assets in the financial statements. Since a single body (IASB, London) is preparing IFRS, these are very consistent, reliable and easy to adopt ensuring better quality of financial reporting.

Elimination of Multiple Reporting

Large Business Houses in India like TATA, INFOSYS, BIRLA, and AMBANI have firms registered in India and also firms registered outside India in European, London, Japan, china, American capital markets. Firms registered in India prepare their Accounts as per Indian Accounting Standards, whereas firms registered in other countries prepare their financial statements as per the Reporting standards of the respective country. Adoption of IFRS ensures the elimination of multiple financial reporting standards by these firms as they are following a single set of Financial Reporting. The Researches have yet to be carried out to understand actual pro and Coins of adoption of IFRS. This can be a future scope of study on the impact of adoption of IFRS by corporate houses.

Problems and Challenges of Adopting IFRS in India

IFRS is a set of international accounting and reporting standards which will help to harmonize company financial knowledge, improve the transparency of accounting, and ensure that investors receive more accurate and consistent reports. Despite several benefits as may be looked out by the different people, there will be several challenges that will be faced on the way of IFRS convergence.

Variations in GAAP and IFRS

The differences between GAAP and IFRS are wide and very deep rooted. Bringing awareness about IFRS and its impact among the people who prepares economic declarations is a challenging task.

Issue of GAAP Reconciliation

The Securities Exchange Commission (SEC) spread out with two choices in its proposition initially requiring the conventional IFRS first time appropriation measure, furthermore necessitating that progression in addition to an on-going unaudited compromise of the fiscal reports from IFRS to US GAAP. Obviously the subsequent one is a costlier methodology for firms and its clients.

Training and Development

Lack of training and education courses about the implementation IFRS and its use has raised a challenge in India. So, it is an essential need to provide training and education on the operations of IFRS.

Legal and Regulatory

Presently, the financial reporting necessities are authorized by various regulatory authorities in India and their obligations override other laws and regulators. IFRS does not acknowledge such prevailing laws. So, such laws and regulations in India will create challenges to IFRS and its application.

Taxation

The conjunction of IFRS in India will not only affect the Financial Statements but also the tax liabilities would also get changed. Present scenario, Indian Tax laws does not recognize the Accounting Standards. To entertain an immediate change in the Indian Tax Law is the major challenge faced by the Indian Law makers.

Fair Value Measurement

IFRS uses fair value to measure the majority of transaction in financial statements. The use of fair value accounting can lead a lot of instability and prejudice to the financial statements. The professionals have to work hard to arrive at the fair value and valuation experts have to be used.

Re-Negotiation of Contract

The contracts would have to be re-negotiated which is also a big challenge. This is because the financial results under IFRS are likely to be quite different from those under the Indian GAAP.

Reporting Systems

The corporate houses must endure to make necessary amendments to suit the reporting requirements of IFRS. The information system should be designed to undertake new requirements with regards to fixed assets, segment disclosures, related party transactions, etc.

Beneficiaries of Convergence with IFRS

There are many beneficiaries of convergence with IFRS such as the economy, investors and industries.

The Economy

The union advantages the economy by expanding the development of its worldwide business. It works with upkeep of systematic and productive capital business sectors and furthermore assists with expanding the capital development and in this manner financial development. It energizes worldwide contributing and in this manner prompts more capital streams into the country on the grounds that individuals everywhere on the globe will actually want to comprehend the fiscal summaries dependent on the global principles of an exceptionally excellent monetary detailing.

The Investors

The Investors want the information that is more relevant, reliable, timely and comparable across the jurisdictions. For better understanding of financial statements, global investors have to incur more cost in terms of the time and efforts to convert the financial statements so that they can confidently compare openings. Financial backers' certainty would be solid if bookkeeping norms utilized are worldwide acknowledged. Intermingling with IFRS adds to financial backers comprehension and trust in excellent budget reports.

The Industry

The business would have the option to raise capital from unfamiliar business sectors at lower cost in the event that it can make trust in the personalities of unfamiliar financial backers that their budget summaries agree with internationally acknowledged bookkeeping principles. With the variety in bookkeeping guidelines from one country to another, undertakings which work in various nations face a large number of bookkeeping prerequisites winning in the nations. The weight of monetary announcing is decreased with the intermingling of bookkeeping principles since it improves on the way toward setting up the individual and gathering fiscal summaries and subsequently lessens the expenses of setting up the budget reports utilizing various arrangements of bookkeeping norms.

Recommendations and Measure for Implementation in India

- To provide instance, guidance on accounting issues and problems, the ICAI has issued guidance notes
- To facilitate discussions at seminars, workshops, etc., ICAI has issued background material on newly established accounting standards
- To help its members, the ICAI council has formed an expert advisory committee to respond the queries from its members
- Proper education and training of employees and students about IFRS
- To adopt into the application software or open source software
- The government of our country needs to format a separate committee for IFRS process and feedback purpose
- Regulatory bodies and Law makers in India like Companies Act, Taxation authorities, SEBI, IRDA has to amend their laws and regulations in order to meet the requirement for successful implementation of IFRS in India
- IASB should publicize the standards developed by it and get support from accounting profession, members' countries and corporate management all over the world
- Indian firms will have to ensure that existing business reporting model is amended to suit the requirements of IFRS
- Indian companies must begin to assess the impact of IFRS and start its planning immediately, by dedicating full-time resources to the project
- Mere adopting of IFRS is not enough, each interested parties namely top management, directors of the firms, independent auditors and accountants of the company have to be trained and come together to discuss and work as a team for successful implementation of IFRS
- Expansion and wealth maximization are the objectives of each and every business unit; even domestic industries also expect the same
- Companies that undertake the transition without extensive project planning have less effective transitions
- The stakeholders must be properly educated in this line so that they can understand the IFRS-converged reports properly and can take better investment and financial decisions
- IFRS should be added in College System as a college syllabus so that the management student could be a good IFRS expert in future.
- Extensive survey and research need to carry out before implementation of IFRS system
- Identifying changes required in the existing financial reporting system to confirm with IFRS requirements
- Identifying of effects on the existing contracts and agreements before implementing IFRS

Conclusion

IFRS convergence is the demand of the day. It is very much clear that transition from Indian GAAP to IFRS will face many difficulties, but at the same time looking at the advantages that this adoption will confer, the convergence with IFRS is strongly recommended. We have also seen that this transition is not without difficulties as to the proper implementation process which would require a complete change in formats of accounts, accounting policies and also amendments in existing laws and regulations. Therefore, all parties concerned with financial reporting also need to share the responsibility of international harmonization and convergence.

References

1. Kishore Kumar Shah (2014) IFRS and India: Opportunities and Challenge.
2. Vera Palea IAS/IFRS And Financial Reporting Quality: Lessons from the European Experience http://ifrs.icai.org/www.icai.org
3. http://www.indianmba.com/Articles_on_Management/AOM49/aom49.html
4. http://www.wipro.com/microsite/annualreport/2012/financial-statements-ifrs-balancesheet.html
5. http://lexicon.ft.com/Term?term=International-Financial-Reporting-Standards--IFRS
6. http://taxguru.in/finance/history-of-accounting-and-accountingstandards.html#sthash.x1aSKDF8.dpuf
7. www.mca.org.in
8. http://www.ifrs.org/.[16] http://www.mca.gov.in/

Ministry/pdf/Notification_20022015.pdf.[17] http://www.mca.gov.in/MinistryV2/Stand.html.[18] www.pwc.com.[19] http://www2.deloitte.com/in/en/industries [20]. https://home.kpmg.com/xx/en/home/industries.html.[21] Impact of IFRS on Indian Corporate Sector, Mohan R Levi, Willey Publications, 2016.
9. www.iosco.org