

“FAQ s on Convergence of Indian Accounting Standards convergence IFRS”

1. What is IFRS?

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by the International Accounting Standards Board (IASB). These are becoming the global standard for the preparation of public company financial statements.

2. What is IASB?

IASB is an independent accounting standard-setting body, which consists of 14 members from nine countries and is based in London. This organisation took over from the International Accounting Standards Committee in 2001. It is funded by contributions from major accounting firms, private financial institutions and industrial companies, central and development banks, and other international and professional organisations throughout the world.

3. What is the difference between convergence and adoption?

Adoption would mean full-fledged use of IFRS as issued by the IASB by the Indian public companies.

Convergence means that the Indian Accounting Standards (AS) and the International Financial Reporting Standards (IFRS) would, over time, continue working together to develop high quality, compatible accounting standards.

4. What is the deadline for convergence of IFRS in India?

As per the notification of the Ministry of Corporate Affairs, convergence of Indian Accounting Standards (AS) with International Financial Reporting Standards (IFRS) will take place in phases. The first phase commences 1st April 2011.

5. Are IFRS and the Revised Indian Accounting Standards the same?

No. They are not the same. India wants to converge with IFRS and not adopt IFRS and there are some differences between IFRS and revised AS. For example, the terminologies are different as against the Indian Accounting Standards.

Indian Accounting Standards	IFRS
Balance Sheet	Statement of Financial Position
Statement of Profit and Loss Account	Statement of Comprehensive Income
Approval for the financial statement for issue	Authorisation of the financial statements for issue

There are some conceptual differences in some standards.

6. What are the advantages of converging with IFRS?

Convergence with IFRS:

- Improves investor confidence across the world with transparency and comparability
- Improves inter-unit/ inter-firm/inter-industry comparison
- Group consolidation made easy with same standard by all companies in group wherever located
- Acceptability of financial statements across all stock exchanges, which facilitates entry of any Indian company to any stock exchange across the globe

7. What are the major differences between existing Indian Standards and IFRS?

The major difference is in fair value accounting. Also, some new concepts and models have been introduced. For example, Acquisition Method in lieu of Purchase Method in business combinations. Also, certain practices have been removed. For example, the LIFO method has been removed in accounting of inventories.

8. How difficult is it to converge Indian Accounting Standards with IFRS?

It will not be difficult because we have always been following good standards of accounting. However, every corporate has to take the necessary step in understanding the new standards, training its staff and paving a smooth transition. The management at the top level should take interest in this regard.

9. What other areas of the profession will IFRS affect apart from the accounting professionals?

Apart from accounting professionals, other professionals like valuation experts, actuaries and so on will have a role to play once there is convergence with IFRS.

10. What are the likely costs of converting to IFRS?

The costs would be determined largely by the size and nature of the respective company. The initial cost to identify and quantify the differences between Indian GAAP and IFRS, staff training, and implementing IT support could be significant.

11. What are the different phases of convergence for companies in India?

Phase I	Date	Coverage
Phase I	Opening Balance Sheet as at 1 April 2011	Companies which are part of NSE Index – Nifty 50 ii. Companies which are part of BSE Sensex – BSE 30

		<ol style="list-style-type: none"> 1. Companies whose shares or other securities are listed on a stock exchange outside India 2. Companies, whether listed or not, having a net worth of more than INR1,000 crore
Phase II	Opening balance sheet as at 1 April 2013*	Companies not covered in Phase 1 and having net worth exceeding INR 500 crore
Phase II	Opening balance sheet as at 1 April 2014*	Listed companies not covered in the earlier phases
<p>* If the financial year of a company commences at a date other than 1 April, it shall prepare its opening balance sheet at the commencement of immediately following financial year.</p>		

12. For implementing the Converged AS, is there a need to change other regulatory requirements?

Yes. The changes in the regulations relating to SEBI, RBI and IRDA are required to be aligned with IFRS. The Institute of Chartered Accountants of India is liaising with the respective regulators to enable a smooth transition.

13. What are the challenges envisaged in convergence?

- Training of accounting professionals to adapt to the new standards
- Changes required in accounting software and information technology systems
- Issues related to different legal and regulatory requirements