

## Implementation of International Financial Reporting Standard (IFRS) as an Ind-AS in India: Prospects and Challenges

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### Abstract

Each and every country has their own accounting standards or polices which has been followed by them preparing the financial statement of organisation or company. But there is lack of awareness and knowledge about the IFRS in our country. Now-a-days the developed countries are following the IFRS because understandable and comparable across the world. IFRS work as a common financial language of the accounting standards. It attracts the international investor, in result of raising the capital for companies to develop and growth also. This paper explains about its implementation, prospects and challenges of IFRS as an Ind-AS.

**KEYWORDS:** - IFRS, IASB, Ind-AS, Phase Manner.

### Introduction

International financial reporting standard (IFRS) has been designed as an international language for entire business affairs which are much easier to understandable and comparable across the globe. It creates the opportunities for the international transaction with flow of capital to international business organisation. IFRS deals with by prescribe a set of accounting standards or principle are applicable for all over the world. It not only providing the standards or rules for the accountant but also showing the true and fair view of the financial statement.

### IFRS IN INDIA

An International financial reporting standard is the latest model version of IAS international accounting standard. It is providing is a set of principles or standards which developed in 1<sup>st</sup> April 2001. International accounting standards board in being use in company for preparation and disclose of financial statements. IFRS is only the standards which are simplified the procedures allowing the reporting language that will be recognized all over the world.

International Accounting Standards Board (IASB) was formed between 1997 to 1999 by International accounting standards committee (IASC) which was developed the IAS in 1973 through an agreement made by professional accounting bodies of European countries. IASC developed the IAS. IASB published or announcement of its standards as a series of IFRS.

Indian accounting standards (Ind-AS) is approximately with IFRS which globally acceptable and most of the developed countries are followed. Government of India declared on 1<sup>st</sup> April 2011 that coverage the Indian accounting standards with IFRS. The ministry of corporate affairs (MCA) issued Indian Accounting Standard on

20<sup>th</sup> February 2015 and there are approximate 39 Accounting Standards which is consequence with IFRS.

### Objectives of study

- The materiality, significance and modifier of IFRS have been given importance in this study.
- To understand the phase manner system for implementation in India.
- To identify the challenges faced by India.
- To measure concern the implementation of problems by firm or companies.

### Sources of data

This research paper based on secondary data which followed various related books, journal and internet web pages.

### Review of Literature

1. According to Ball (2006) there is low quality of local governance institute in the developing countries and adoption of IFRS will be helpful.
2. Dr. Pran Krishna sing Boolaky studied problems and challenges to the private and public enterprise in his paper.
3. In another study governance Agarwal, Subhajit Das and Abhiruchi Agarwal examined the impact of IFRS of Indian companies find out the significance difference in Indian GAAP and IFRS.
4. Paramshivaiah and Puttaswamy gave the statement understanding of new concept of accounting rules and should provide academic training.

### Adoption of Ind AS:

On 16<sup>th</sup> February ministry of corporate affairs (MCA) announced for the implementation of new Ind-AS in India.

#### 1. Voluntary Adoption

Voluntary Adoption implemented in the date of 1<sup>st</sup> April 2015.

#### Rule for Adoption:-

Once it adopted, it cannot opt out and it will be continued of subsequently year.

Mandatory followed Ind-AS of their holding and subsidiary, joint venture and associate company.

#### 2. Mandatory adoption

Mandatory adoption is two classes

- Phase 1
- Phase 2

It is counting from the accounting period 1 <sup>st</sup> April 2016 or after in case of phase 1	It is counting from the accounting period 1 <sup>st</sup> April 2017 or after in case of Phase 2
Company whose net worth is more than 500 crores or more.	Company whose net worth is less than 500 crores.
It may be listed or unlisted in stock exchange	It has applied on the listed companies whose

<p>in India or outside of India.</p> <p>It prepares the comparative statement as for Ind AS.</p> <p>It mandatory applies their holding, subsidiary associate and joint-venture company in respect of net worth.</p>	<p>have net worth less than 500 crores.</p> <p>It also applies unlisted companies whose have net worth is <math>\geq 250</math> crores and <math>\leq 500</math> crores.</p> <p>It followed their holding, subsidiary, associate and joint-venture in respect of worth.</p>
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### Advantages of Ind-AS

Number of benefits due to coverage with IFRS

1. Easy to comparable and understandable:

All over the world most of the companies are preferred to use IFRS for reporting their financial position. It is easy to compare by adoption of IFRS an Understand basically for the investment leaders. Companies always would like to compare their performance. IFRS makes easier to compare their financial performance to the all companies follow the same accounting standards for preparing their financial statements.

2. Common language useable in globally.

IFRS is the only the one standards which is following globally. Most of the companies are following IFRS with their subsidiary, holding and joint venture Company as common business language in preparing their financial statements. It is create the uniformity among them.

3. Increased the investment opportunities.

Due to the convergence of IFRS in India, its common accounting standards help investors to understand available investment opportunities. Preparation and presentation of financial statements on the basis of IFRS helps firms to getting easy accessibility to the capital market.

4. High economic growth.

It creates the increase of investment opportunities. Which is lead attract more and more investors where the result in high economic growth.

5. Better quality of financial reporting.

Ind-AS which is convergence with IFRS will provide the better quality of financial reporting because it changes the constant applicable principles or standards and reliability of financial statement. It will prove the quality financial information.

6. Less complexity in accounting.

The firms will have less complexity in accounting because it will increase transparency in accounting and also understandable and comparable in globally.

7. IFRS provides more compatibility.

IFRS provides more comparability among the firms, industry and companies. It will help to improve the relationship among the investors, suppliers across the world.

### **Challenges of Ind- AS**

1. Lack of awareness about the IFRS Practices.
2. Training.
3. Cost: Training cost, software cost, advisory fees, audit fees.
4. No uniformity in companies, banking companies, power companies, insurance companies.
5. Use of fair value as measurement base.
6. Taxation (specially on GST)
7. Completely different the financial report of IFRS AS compare to Indian GAAP.

### **Suggestions for successful Implementation**

1. IFRS should be provided the clear guidelines about the tax structure.
2. IASB always be responsible for the dispute regarding corporate management, principle and feedback from accounting position.
3. Proper education and training should be provided by the professional employee about IFRS.
4. IASB should be announce when any standard changes or implements to member countries.
5. For batter awareness average the intensive training, seminars and conference in academic field.

### **Conclusion**

There is important role for implementing the IFRS plays. The quality knowledge and adequate IFRS skill is the most significant on the field of Indian corporate. It needs to be achieved successfully and efficiently through the implementation of IFRS as an Ind-AS. Hitherto India has played an important role in the global economy and many Indian companies also occupied their position in international capital market. So International Financial Reporting Standards (IFRS) helps both economic and further acceptance of IFRS, which will be benefited all the stakeholders in order to take batter investment and financial decision. International Financial Reporting Standards (IFRS) should make a compulsory curriculum and it will help to get a position of comparable reporting standards all over the world.

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