



A Comparison of IFRS and IndAs: A Descriptive Analysis

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Abstract

International Financial Reporting Standards (IFRS) are a set of accounting standards, developed by an independent, based in London, private sector standard-setting body for a non-profit organization called International Accounting Standards Board (IASB). The objective of the paper has tried to explore comparison between IFRS and IndAs. This study descriptive in nature. The results concluded that India has decided to adopt the second option i.e. to converge its existing accounting standards with IFRS. The converged accounting standards titled "Ind-AS" have been issued and notified. IndAS are IFRS Standards as issued by the Board with some modifications, including changes of terminology; elimination of options, addition of disclosures; elimination of disclosures that are considered to be contradictory to local law. The new version of AS in India is Ind-AS. In AS there is limited disclosure about books of accounts meanwhile in IFRS there is wider Disclosure for Books of accounts. IFRS are unique and high quality standards which brings uniformity in accounts at international level. IFRS are set of rules and regulation which easy to understand globally accepted and improve transparency. The objectives of adopting the convergence of Indian Accounting standards (IAS) with IFRS are to bring uniformity in accounting practices followed and to expand the capital market globally.

Keywords: IFRS, IndAs, Comparison, India, roadmap, local law, disclosure, Indian accounting standards, accounting practices

Introduction

Globalization has changed the closed economy into the open economy. Due to globalization now a day's Indian economy is integrating into the international market with other countries by spreading trade and business outside the borders. In order to do business in the broader economy, uniform accounting is need of an hour. Now investors are spread throughout the world. At international level efforts are being made by International Accounting Standard Board to issue accounting standards which are acceptable at the global level. After 2001, these international accounting standards are known as IFRS. International Financial Reporting Standards (IFRS) are a set of accounting standards, developed by an independent, based in London, private sector standard-setting body for a non-profit organization called International Accounting Standards Board (IASB). It has issued a set of standards to be used when preparing financial statements, namely 41 International Accounting Standards (IAS) and 16 International Financial Reporting Standards (IFRS). IAS are standards issued by the IASB by 2001 and IFRS are standards issued after that year. Accounting Standards was issued from 1973 to 2001 by the broad of the International Accounting Standards Committee. On April 1, 2001, the new IASB took over the responsibility of setting the International Accounting Standards Committee from (IASC). IFRS represents a set of generally accepted accounting principles (GAAP) used by companies to prepare financial statements. International Financial Reporting Standards (IFRS) have gained rapidity all around the globe. IFRS convergence objective is to make companies financial accounts understandable across international boundaries. India has not adopted IFRS Standards rather adopted Indian Accounting Standards (IndAS) that are based on and substantially converged with

IFRS Standards as issued by the IASB. The ICAI prepares an exposure draft of the IndAS on the basis of IFRS Standards. After considering comments, the proposed final IndAS is approved by the ICAI Council and then adopted by the Ministry of Corporate Affairs via public notification.

IndAS are IFRS Standards as issued by the Board with some modifications, including changes of terminology; elimination of options, addition of disclosures; elimination of disclosures that are considered to be contradictory to local law, elimination of other disclosures, addition of presentation requirements, addition of (and, in some cases, deletion of) examples and modifications of principles for recognizing assets, liabilities, income and expenses. Some of those modifications are mandatory, and some are optional.

On 18 January 2016, the Government of India announced that commercial banks, insurance companies, and non-bank companies will be required to prepare their financial statements using IndAS starting 1 April 2018.

Literature Review

Tabassum (2017) ^[1] tried to know the level of compliance with International Financial Reporting Standards in the Indian corporate sector. This study is quantitative in nature. Data collected for the period of 2011-2016. Study it can be increasingly felt that IFRSs would be the right choice for a single global standard since it would help to play safely and effectively in the global market.

Sharma (2016) ^[2] discussed the meaning, evaluation and process of issuing IFRS in his article. Indian accounting standard is considered as the better way of implementation of IFRS in the Indian form. As is well known that, IFRS was not implemented in its original form due to the requirement of huge legislative changes. Indian accounting standards are to

be implemented in a phased manner, which will surely be beneficial to all the interested parties.

Pascan (2015) ^[3] analyzed the effect of the transition from the national accounting standards to IFRS on accounting quality in Europe. Results obtained from empirical research regarding the effects of IFRS adoption on accounting quality should be interpreted in relation to the country-specific factors and firm-specific factors. Testing the effects of IFRS adoption on the quality of accounting data is necessary, but not enough; knowing whether IFRS contributed to enhanced accounting quality is not the end of the road.

Ratheesh and Anjula (2015) ^[4] examined challenges and opportunities after the adoption of IFRS in India. Results found that most significant opportunities i.e. single reporting,

global comparability, high quality and transparency, higher economic growth, increase investment opportunities, true and fair accounting statement, reduce the cost of capital, IFRS also reduced the risk of foreign investors. Result also revealed that challenges after the adoption of IFRS in India viz., lack of awareness about IFRS, required proper training to the accounting professionals, required amendments in current taxation laws, the high cost of adoption of IFRS, lack of IFRS knowledge among employees and auditors and lack of IFRS implementation guidelines. Paper also shows IFRS adoption procedure in India.

Objective

To study the comparison between IFRS and IndAS.

Road map to Adopt IndAS

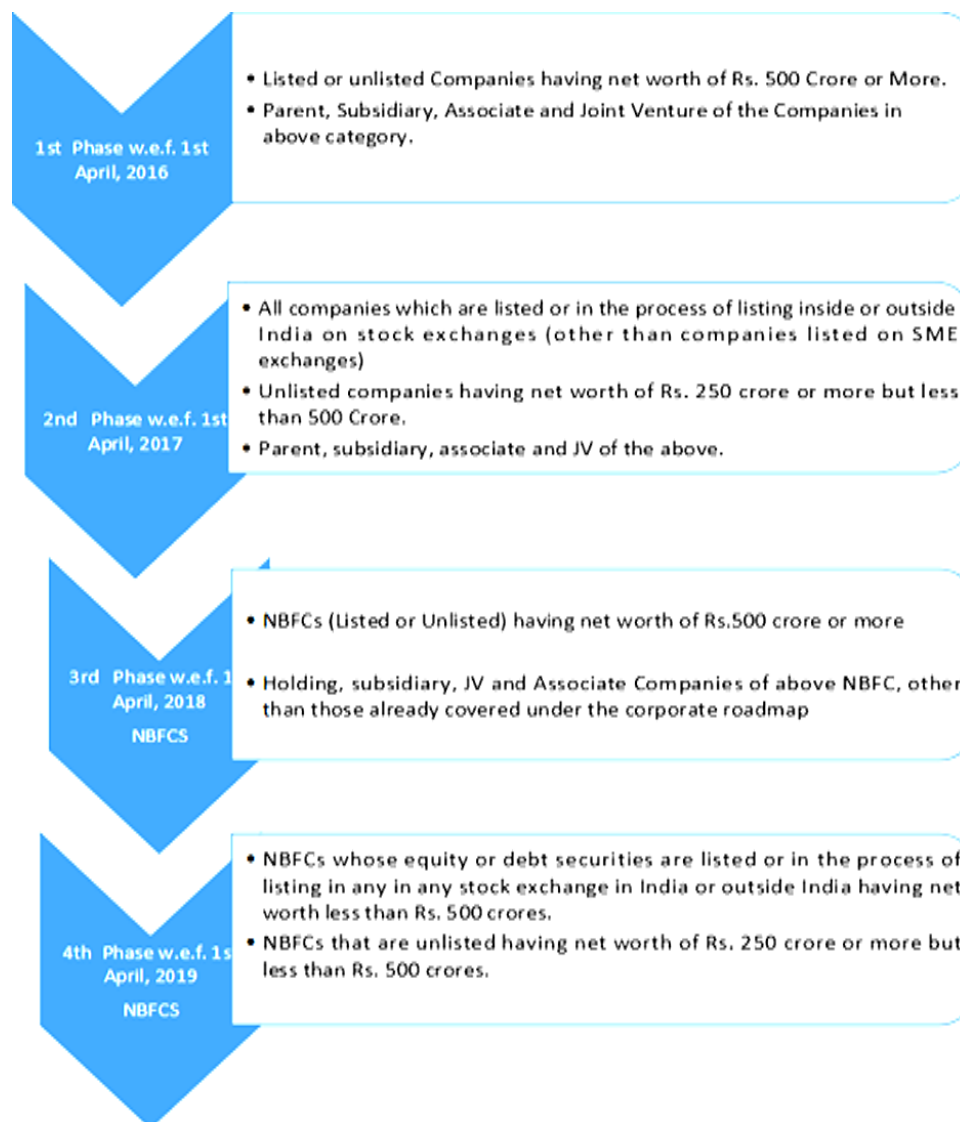


Fig 1: <https://neerajbhagat.com/blog/index.php/new-era-of-accounting-transition-to-ind-as/>

India and IFRS

India has Two Options

1. To adopt IFRS as they are or
2. To converge the Indian Accounting Standards in line with IFRS

India has decided to adopt the second option i.e. to converge its existing accounting standards with IFRS. The converged accounting standards titled “Ind-AS” have been issued and notified. It is important to note that the existing Indian

Accounting standards shall not cease to be applicable standards. They will continue to apply on entities that are not required to migrate to Ind-AS. However, if the entities not required to migrate to Ind-AS, may adopt them voluntarily. Ind-AS has been prepared in line with IFRS. The new version of AS in India is Ind-AS. In AS there is limited disclosure about books of accounts meanwhile in IFRS there is wider Disclosure for Books of accounts.

IFRS are unique and high quality standards which brings uniformity in accounts at international level. IFRS are set of

rules and regulation which easy to understand globally accepted and improve transparency.

Conclusion

IFRS bring transparency by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions. The results concluded that India has decided to adopt the second option i.e. to converge its existing accounting standards with IFRS. The converged accounting standards titled “Ind-AS” have been issued and notified.

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