



The challenges of Implementing International Financial Reporting Standards in India (IFRS)

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Abstract

International Financial Reporting Standards are a set of accounting rules for the financial Statements of public company for how information should be gathered and presented in financial reports. The standards ensure that information is consistent, transparent, comparable and credible worldwide using a common accounting language. IFRS requires that financial statements be prepared using four basic principles – clarity, relevance, reliability and comparability. Clarity requires that financial statements be easy to read and understand. The goal of the international Financial Reporting Standards is to make financial statement coherent and consistent across different industries and countries. IFRS play a critical role in promoting transparency and consistency in financial reporting, making it easier for organization to prepare and interpret financial statements and for investors and stakeholders to make informed decisions.

INTRODUCTION: -

IFRS are considered a principle based standards issued by International Accounting Standard Board (IASB) with the intension to applying these standards across the globe on a consistent basis. GAAP is generally accepted accounting Principles and a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting account information. London Based group namely the International Accounting Standard Committee (IASC) issued the International Accounting Standard (IAS). IAS issued to promote acceptance and observance of International Accounting Standards worldwide. Between 1997 and 1999 the IASC restructures their Organization, which resulted in formation of International Accounting Standard Board (IASB). IASB came into effect on 1st April 2001.



IASC is presently known as IASB. IASB issued its standard in a series of pronouncement called IFRS.

Accounting Standards are written policy document issued by the government with the support of Ministry of Corporate Affairs. Indian Accounting Standards (IND – AS) are prepared in line with IFRS. India cannot follow IFRS as it is because IFRS is highly standardized and it is followed by only developed countries. India converge these standards in accordance with IFRS. The Government of India in consultation with ICAI decided to converge and not to adopt IFRS issued by the IASB. The Indian Accounting Standards (IND – AS) as notified under section 133 of the Companies Act 2013 has been formulated keeping in view the Indian economic and legal environment. IND – AS and IFRS converged standards issued by the central Government under the supervision and control of Accounting Standard Board of ICAI and in consultation with NFRA (National Financial Reporting Authority) IND AS named and number in the same way as the corresponding international Financial Reporting Standard (IFRS) or International Accounting Standards (IAS).

OBJECTIVES: -

1. To study the overview of GAAP and IFRS.
2. To Study the overview of IND – AS
3. To Study the Challenges in implementing IFRS.

SCOPE AND LIMITATIONS: -

This Research aims to study the IFRS system and Challenges faced to implement IFRS in India.

For writing this Research Paper Primary as well as Secondary sources are used.

EXPLANATION: -

IFRS is a set of rules and regulations related to finance, to make a report on single set and format that universally accepted. GAAP is generally accepted accounting principles or a common set of accounting principles, standards and procedures that business reporting entity must follow when it prepares and presents financial statements. There is a National GAAP and International GAAP. The International GAAP Called IAS and it is issued by IASC (International Accounting Standard committee). IASC restructures the organization which resulted in formation of International Accounting Standard Board (IASB) and it came into effect on 1st April 2001. So IASC is presently known as IASB. It issued its standard in series of pronouncement



called International Financial Reporting Standard (IFRS). IASB has not rejected the Standards issued by IASC those Pronouncement continue to be designated as International Accounting Standard (IAS). IFRS is the newer version of International Accounting Standards.

IFRS are considered a principal based set of a standard and not rule based. These are issued with the intention and applying these standards across the globe on a consistent basis. It ensures high quality transparent reporting that would ensure comparability among entities across the globe. Group consolidation will be easy with same standard by all companies in group irrespective of their global location.

There is a National GAAP. Accounting Standards are written policy documents issued by the governments with the support of other regulatory bodies (e.g. Ministry of Corporate Affairs (MCA)) issuing accounting standards for corporate in consultation with National Financial Reporting Authority (NFRA) covering the three aspects of accounting transaction in financial statement that is recognition, measurement, presentation of events and transactions. In India there is IND – AS. We prepared our Indian accounting standard in line of IFRS. We cannot follow IFRS as it is because IFRS is highly standardized and it is followed by only developed countries. Hence we converge these standards in accordance with IFRS.

Key Challenges of IFRS Implementation –

1. Change to Regulatory Environment
2. Lack of preparedness
3. Educating Stakeholders
4. Significant Cost
5. Complexity in financial reporting Process
6. Impact on financial performance
7. Communication of impact of IFRS to investors
8. Conceptual Difference
9. Legal and Regulatory Consideration
10. Training to preparers.

Conclusion



The primary goal of this Research work is to study the system of GAAP and IFRS and also IND – AS. With the above two major studies we also studied the challenges in implementation of IFRS. During this study it is observed that IFRS becoming a global reporting practice. Therefore, India has to converge its AS with the IFRS to cope up with global market. This study tries to analyze the key challenges in implementing IFRS. After analysis the challenges it is concluded that steps need to be taken for ensuring smooth functioning and implementation of IND – AS. The following points are recommended on the studied key challenge to overcome.

1. There must be change in Indian tax laws with the respect to the implementation of IFRS.
2. Awareness programs about IFRS should be conducted for Indian companies, especially among small and medium size enterprises.
3. It is quite essential to provide education and training on IFRS and its applications.
4. The reporting arrangements in India are regulated by different regulated agencies and their provisions override other laws.

References

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